



# **ANNUAL REPORT**

---

2019



The primary target of the Company is to see the happy faces of our visitors, to be aware they will come again, together with friends, children and parents...



# Contents

CEO Statement	6
Key performance indicators	8
<b>ABOUT THE COMPANY</b>	
History	12
Key events during the reporting period	14
Company's mission and strategy	16
Strategic objectives of the Company	16
Company's structure	17
Business model	18
Competitive advantages	19
"Program RE"	20
<b>STRATEGIC REPORT</b>	
Market review	26
Company's operational results	33
Financial results	38
Portfolio	50
<b>SUSTAINABILITY</b>	
Key sustainability indicators for 2019	62
Our approach	64
Sustainability governance structure	63
Our sustainability journey – green bonds placement	66
Adoption of green technologies	67
Socially oriented activities	68
Reduction of the environmental footprint	69



**CORPORATE GOVERNANCE**

General information about corporate governance	74
Governance bodies	80
Members of the Board of Directors	84
Executive bodies	88
Anti-corruption and bribery and conflicts of interest	90
Governance bodies remuneration	91
Risk management and internal control system	91

**ADDITIONAL INFORMATION**

Reporting on major transactions	100
Reporting on Interested Party transactions	104
Consolidated financial statements including Auditor's report	110
About the Report	117

**CONTACT DETAILS**

118



## CEO Statement

## Dear customers and partners,

I am pleased to present our Annual report for 2019.

In the reporting year, Garant-Invest Group celebrated its 26th anniversary since it was established on November 12, 1993.

The highlights of 2019: green bonds placement, acquisition of two commercial real estate assets, completion of PEROVO MALL redevelopment, entering into the cooperation agreement with the government of the Tula region.

We have adopted the Sustainability Strategy enabling to streamline the company's existing sustainability practices. Within our "Program RE" for commercial real estate redevelopment, we continued implementing our roadmap focused on improving the status and attractiveness of shopping centers through renovation and reconceptualization enabling to increase the income and value of the real estate portfolio.

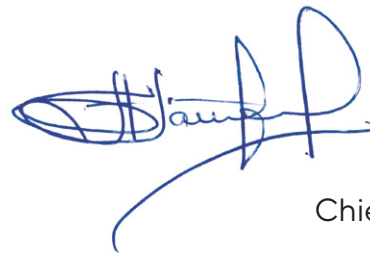
The Company's portfolio consists of 13 mixed-use centers with 37.3 million footfall per year.

Stakeholders recognize the influence of the development projects on both urban infrastructure and local community's well-being. It is our priority as a developer to ensure the benefit to all impacted parties by our corporate existence

Among the first issuers of green bonds in Russia we have implemented sustainability principles into our operations. Proceeds from the placement are used to renovate commercial real estate assets and to build new mixed-use centers by introducing energy-saving and environmentally-friendly technologies.

There is no doubt that further improvement of performance and business sustainability will strengthen our position as one of the most effective participants in the commercial real estate market.

I appreciate your support and cooperation. We look forward to actively growing and working with you!



Chief Executive Officer  
Garant-Invest  
Commercial Real Estate (JSC)  
Aleksey Panfilov

## Key Performance Indicators

Garant-Invest Commercial Real Estate (JSC) is a commercial real estate company based in Russia. It owns and operates modern shopping and mixed-use centers in Moscow and the Moscow region.



**26.5 billion roubles**

Gross market  
value

The blockholder of the Company is Garant-Invest Group. Garant-Invest Commercial Real Estate (JSC) owns a number of shopping and mixed-use centers, such as Airport Gallery, Moskvorechie, Retail Park, Tulsky, Prazhsky Grad, Kolomensky, PEROVO MALL and the chain of Neighborhood Shopping Centers "Small".

Stores and restaurants of more than 430 tenants, including the largest foreign and Russian chains: McDonalds, Burger King, KFC, Adidas, L'Etoile, IL Patio, Shokoladnitsa, Perekrestok, Miratorg, Auchan, OBI, Kari are located in the shopping and mixed-use centers.



**430**

tenants

Representative offices of major international companies in Russia are located in mixed-use centers: **Panasonic, Elliott Group, Infobip, LEDVANCE.**

Our partners are leading international real estate companies, including such well-known ones as **JLL, CBRE, Cushman and Wakefield, Colliers, Knight Frank.**



**15**

Owned  
buildings



**13**

Including  
shopping centers

For many years the Company has conducted an active social policy in various areas and participated in municipal social programs.



**95%**  
retail area



**5%**  
office premises



**3,6%**  
vacancy rate

The governance bodies are the General Meeting of Shareholders, the Board of Directors and the CEO.

The Company's Sustainability Strategy is based on the balance of interests of all groups of stakeholders, activities in the field of social responsibility, natural resources stewardship and qualitative transformation of the urban environment.

The Company's projects have won numerous awards and prizes, as well as more than 300 certificates and testimonials from Moscow Government, prefectures, administrations and public organizations.

The bonds of Garant-Invest Commercial Real Estate (JSC) are included in the growth and sustainability sectors of the Moscow Exchange. The Company's credit rating is "BBB" (RU), stable outlook assigned by Analytical Credit Rating Agency (hereinafter - ACRA).



**2,874 million RUB**  
revenue in 2019



**37 million**  
footfall per year



**18**  
real estate development  
projects completed



**BBB**  
credit rating, stable  
outlook assigned by ACRA



# Талисман Аэропорт

торгово-развлекательный комплекс







# About the Company

- 12 History
- 14 Key events during the reporting period
- 16 Company's mission and strategy
- 16 Strategic objectives of the Company
- 17 Company's structure
- 18 Business model
- 19 Competitive advantages
- 20 "Program RE" for investment

## History

Garant-Invest Group celebrates its foundation day on November 12, the day of receiving the banking license by Garant-Invest Bank in 1993

### November 12, 1993

The Central Bank of the Russian Federation has issued a banking license to Garant-Invest Commercial Bank.

### 1990s

Garant-Invest Bank is a parent company and a founder of Garant-Invest Group.

Financing start-up projects in food production, real estate, retail and catering

### 2003

Establishment of Garant-Invest Management Company (LLC)

Opening of Airport Gallery Shopping Center

"Convenience Store" award winner

Opening of the first convenience store at 46a Borisovsky proezd

### 2004

Airport Gallery Shopping Center was the first winner of CRE Awards in "Small Shopping Center" category

Airport Gallery Shopping Center is the winner of "The Best Investment and Construction Project Completed" contest held by Moscow Government

### 2005

Opening of Retail Park Shopping Center

Opening of neighbourhood shopping centers at 2a Proletarsky proezd and 62a Shipilovskaya street

Garant-Invest Bank was awarded the National Banking Award "For Good Achievement in Investment Activity and Real Estate Market Development"

### 2006

Retail Park Shopping Center is the winner of "The Best Investment and Construction Project Completed" contest held by Moscow Government

Opening of Kolomensky Shopping Center

### 2007

Opening of Prazhsky Grad Shopping & Restaurant Center

Garant-Invest Bank was awarded the Golden Star "Financial Glory of Russia"

## 2008

Opening of Tulsky Mixed-Use Center

Tulsky Mixed-use Center was granted the title "Russian Shopping Center - 2008" in the Mixed Use category

Garant-Invest Bank received the diploma by the Association of Russian Banks (ARB) – "Winner of the Russian National Banking Festival"

## 2009

Establishment of Garant-Invest Commercial Real Estate (JSC)

Establishment of Garant-Invest Group (JSC), a parent company

Establishment of Garant-Invest Development (LLC)

Garant-Invest Bank was awarded the National Banking Award

## 2012

Airport Gallery Shopping Center was granted the title "The Best Shopping Center in Russia" in "Operating Shopping Center" category

## 2014

Opening of Moskvorechie Shopping and Entertainment Center

Opening of "Parkweek", the first entertainment center for kids in Moskvorechie Shopping and Entertainment Center

## 2015

Moskvorechie Shopping and Entertainment Center is the winner of CRE Awards in "Small Shopping Center" category

## 2017

Garant-Invest Group presented "Program RE", a new investment program

First bonds placement by Garant-Invest Commercial Real Estate (JSC)

Launch of the "Small"-Branded Neighbourhood Shopping Centers

## 2018

Karamel Shopping Center was acquired with further renovation and renaming to PEROVO MALL Shopping and Entertainment Center

Garant-Invest Bank obtained a depository license.

## 2019

Garant-Invest Group and Tula region entered into the cooperation agreement

Garant-Invest Group acquired a neighbourhood shopping center at Kashirskoye highway

Garant-Invest Commercial Real Estate (JSC) placed its first green bonds with a volume of 500 million roubles

Garant-Invest Group completed the renovation of PEROVO MALL Shopping and Entertainment Center

Garant-Invest Commercial Real Estate (JSC) purchased a commercial real estate building

## Key events during the reporting period

### JANUARY

- Opening of #FARSH burger house on the ground floor of Tulskey Mixed-Use Center

### FEBRUARY

- Moscow Exchange (PJSC) adopted the changes to the program of bonds (001P series) of Garant-Invest Commercial Real Estate (JSC)
- Exchange-traded bonds of Garant-Invest Commercial Real Estate (JSC) with a volume of 6 billion roubles are included in the list of the securities admitted for trading by Moscow Exchange (PJSC)
- Sunlight, the most popular jewelry company in Russia, opened its store in Moskvorechie Shopping and Entertainment Center
- Premium class lounge-cafe by MOK opened in Prazhsky Grad Shopping&Restaurant Center

### MARCH

- More than 76% of bondholders with a volume of 1.7 billion roubles declared their wish to exchange the bonds of 001P-001P-03 series for the bonds of 001P-05 series
- Garant-Invest Commercial Real Estate (JSC) placed the exchange-traded bonds of the fifth issue with a volume of 6 billion roubles

### APRIL

Garant-Invest Commercial Real Estate (JSC) paid the first coupon on the bonds of 001P-05 series

Garant-Invest Group took part in MAPIC Russia 2019

### MAY

- The bonds of 001P-05 series of Garant-Invest Commercial Real Estate (JSC) were transferred to the second quotation list of the Moscow Exchange
- Sberbank opened a credit facility to LANDLORD LLC (PEROVO MALL Shopping and Entertainment Center) amounted to 640 million roubles
- Kari shoes and accessories stores opened in Retail Park and Moskvorechye shopping centers
- Garant-Invest Commercial Real Estate (JSC) redeemed the bonds of the first issue

### JUNE

- Garant-Invest Commercial Real Estate (JSC) paid the third coupon on the bonds of 001P-03 series

### JULY

- Garant-Invest Commercial Real Estate (JSC) paid the second coupon on the bonds of 001P-05 series
- The sale of the bonds of Garant-Invest Commercial Real Estate (JSC) was moved to the federal level
- Garant-Invest Commercial Real Estate (JSC) redeemed the bonds of the second issue in full

### AUGUST

- PEROVO MALL launched "Moscow longevity" social project



## SEPTEMBER

- VTB Bank (PJSC) refinanced the loan to ATLANT-STROY LLC (Tulsky Mixed-Use Center) for 2.3 billion roubles
- Garant-Invest Commercial Real Estate (JSC) took part in MAPIC International Exhibition

## OCTOBER

- Garant-Invest Commercial Real Estate (JSC) paid the third coupon on the bonds of 001P-05 series
- Garant-Invest Group and the Tula region have entered into the cooperation agreement
- The tourist information center of the Tula region was opened in Tulsky Mixed-Use Center

## NOVEMBER

- November 12 – the birthday of Garant-Invest Group (the 26th anniversary)
- Garant-Invest Group presented the first issue of green bonds on the Moscow Exchange

- Garant-Invest Commercial Real Estate (JSC) purchased a neighborhood shopping center at Kashirskoye highway

## DECEMBER

- Garant-Invest Commercial Real Estate (JSC) got an independent opinion of Expert RA on compliance of the bonds of 001P-06 series with the principles of green bonds.
- Garant-Invest Commercial Real Estate (JSC) has placed its first green bonds with a volume of 500 million roubles
- Garant-Invest Group completed the renovation of PEROVO MALL, opening of the Familia brand store on two floors
- Garant-Invest Commercial Real Estate (JSC) purchased another commercial real estate building – mixed-use building at Moscow city center



## Company's mission and strategy

### Mission

Our mission is to inspire a new quality of shopping, entertainment, food and leisure in our shopping and mixed-use centers.

Our shopping and mixed-use centers are not just the places for positive shopping experience, but also the centers of social life of locals.

The Company's activity takes into account the priorities of the Company's Sustainability Strategy is always focused on creativeness through creation of high-quality and upmarket shopping and mixed-use centers.

Our goal is to expand the geography of investment in the Moscow region, as the region with the most dynamic retail development and consumer behavior model of the residents.

### Strategy

The primary goal of the Company's strategy is to increase the profit based on the sustainability of the Company's subsidiaries and implementation of new projects in accordance with the approved redevelopment investment program – "Program RE", as well as to increase the market value of the Company's assets.

Within the investment program, the Company made several placements of exchange-traded rouble bonds, taking an important step towards transformation into a public company.

The Company implements the Sustainability Strategy and takes an active part in social life. By implementing the projects in the field of resource saving and energy efficiency, the Company and its shopping and mixed-use centers reduce the environmental footprint, form a sustainable economic model and cut relative costs by employing green technologies.

## Strategic objectives of the Company

### Development strategy

- 1 Increase of investment attractiveness, business development, as well as business value enhancement

---

- 2 Growth in the Company's operational and financial performance

---

- 3 Debt burden decrease to strengthen the Company's balance sheet

---

- 4 Leadership in the field of redevelopment of retail and mixed-use assets

---

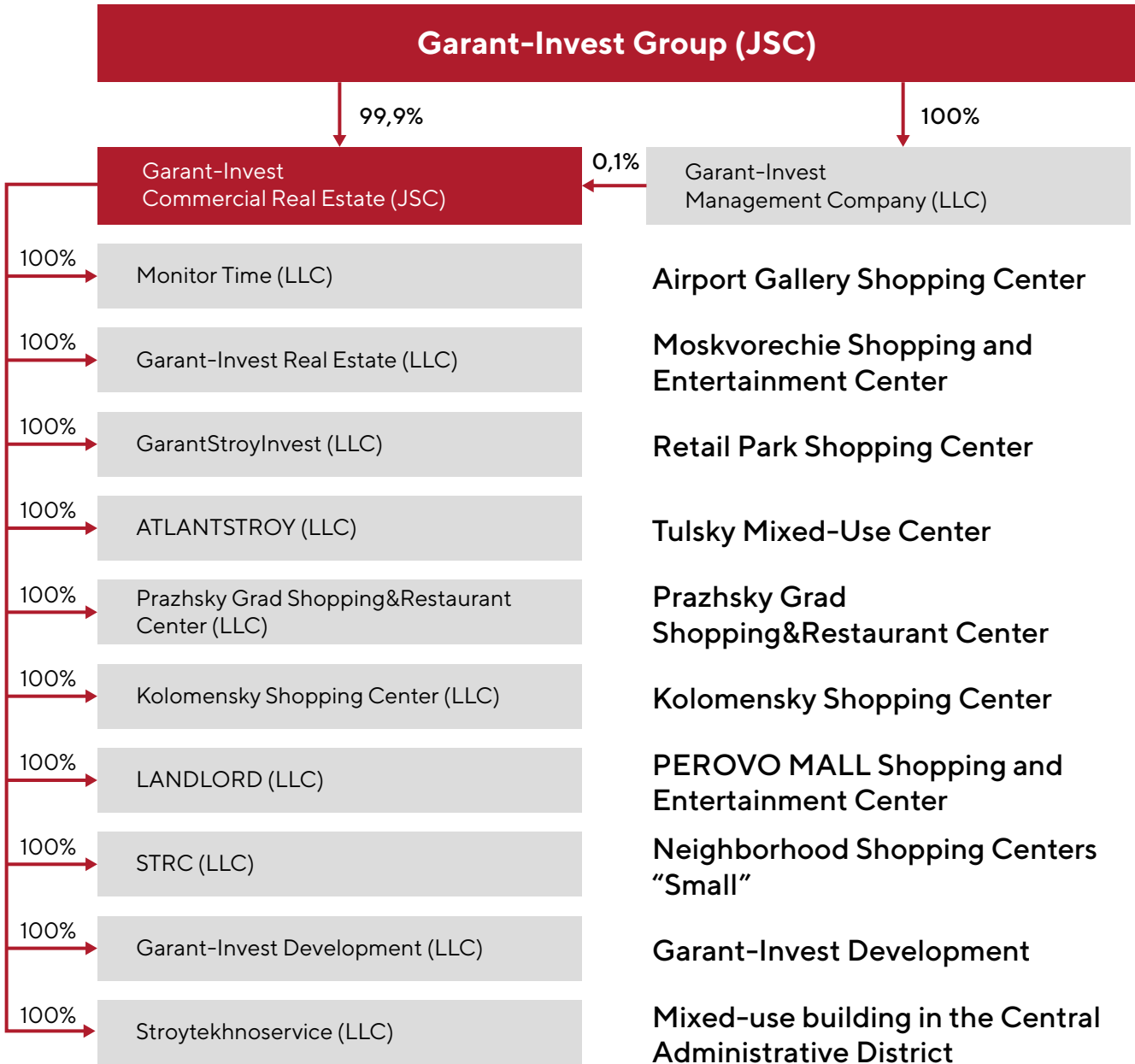
- 5 Market share increase and "economy of business scale" effect

---

- 6 Sustainability Strategy integration as well as promotion of green technologies use in operational and investment activities



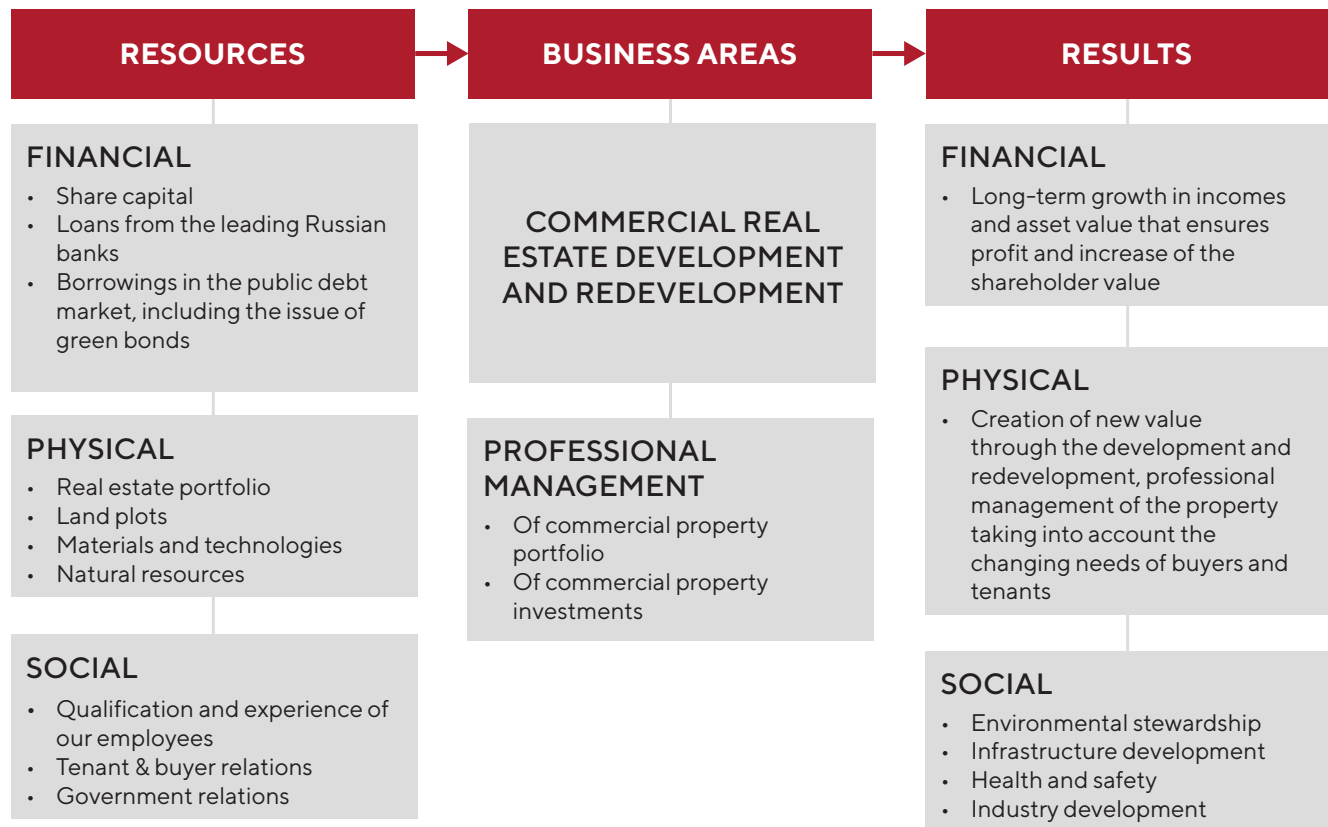
## Company's structure



## Business model

**1** By generating economic value using a wide range of financial, physical and social resources we continue our activity in construction of real estate assets, lease and manage real estate property, purchase new assets and sell it.

**2** We strive to be a sustainable business by forecasting and meeting the changing needs of our customers, buyers, tenants, partners, employees, other stakeholders, and society as a whole.



## Competitive advantages

### Operational business

---

- The consumer sector is one of the most sustainable and fast-growing, especially in metropolises;
- 17 years of successful commercial real estate development experience and long-term partnership with Russian and foreign retailers;
- Diversified assets portfolio with minimal vacancy rates (3.6% as of December 31, 2019) and rent rates higher than the market average;
- focus only on Moscow market and its most dynamic and sustainable sector of retail property;
- intense footfall;
- guaranteed steady cash flow and successful investment program;
- low operational risks per tenant;
- professional assets' management: high level of competencies in property management, estate development and corporate debt management.

### Location of our assets

---

- Easily accessible by Moscow metro stations;
- Our assets are bounded by major and federal highways;
- Accessibility by public transport;
- Our assets are located in residential areas with high development activity.

### Credit quality

---

- Transparent structure of ownership;
- the debt is secured by real estate and sustainable income;
- attractive terms of crediting from the largest banks at the key interest rate of the Bank of Russia +1% (+1.25%) in roubles for the term of 7-10 years;
- perfect credit history and business reputation for 26 years;
- refinanced bank loans with maturity dates in 2027-2029 (and options of extending until 2030-2040);
- BBB credit rating assigned by ACRA;

## “Program RE”

### Investment activity

“Program RE” is a large-scale complex of measures, including renovation, redevelopment, reconstruction, reengineering, rebranding, rebrokerage, restyling, re-naming, reorganization and reanimation of the building, designed to increase the profitability and capitalization of an existing shopping center.

The purpose of the program is to get high added value through purchasing and renovating the commercial buildings not consistent with up-to-date requirements, converting them into a new format taking into account the improvement of the indicators of their operating activities and focusing on the changing needs of both the visitors and the tenants.

Garant-Invest Commercial Real Estate (JSC) possesses unique experience both in modernization and

renovation of its own buildings without closing them for visitors and in launching new shopping centers and renovating outdated buildings.

The Company can offer renovated, comfortable and upmarket shopping centers with high quality shopping, leisure and services within the walking distance to the residents of Moscow, which is in line with the current trends in the capital: the concept of comfortable city and the development of the district infrastructures.

Redevelopment projects as a part of “Program RE” for investments compare favorably with development projects due to their shorter cycle of operations to increase the rentable areas (from 4 to 6 months) with minimal changes in structural elements, and the shorter payoff period.

### Approaches to investment program generation

When forming an investment program, the following basic criteria shall be applied:

- Increase of investment attractiveness, extension of business scope and value;
- Admission of the most effective projects in terms of increasing market value and operating income to the investment program.

Evaluation of the commercial performance of the projects is based on the calculation of net cash flow from investment and operating activities. The following principles are in the basis for evaluating the commercial performance of an investment project:

- the investment project is evaluated throughout the entire settlement period (on average, the settlement period is assumed to be 12 years);

- simulation of cash flows involving all project-related cash receipts and expenditures for the settlement period; these cash flows render (in a form of cash receipts and expenditures) the changes in all project results and expenditures for the settlement period;
- time factor consideration (dynamic nature, changes in project parameters over time, cash flow discounting);
- a period for cash flow planning is assumed to be equal to the annual value (all values are given by the end of the corresponding year).

The following can be considered to be the balanced performance criteria for the investment projects:

- the payoff period is within 10 years and IRR is at least 25 %;

- investments in real estate projects for the purpose of further resale shall ensure profitability of at least 20% on a year-to-year basis.

## 2019 Highlights

In 2019, the Company successfully continued to implement the "Program RE":

- 1 At the end of 2019, the Company purchased a neighborhood shopping center at Kashirskoye highway, which is located by "Kashirskaya" metro station. The three-floored building features mainly service providers and small stores. The renovation of the building will take four to six months without closing it for visitors. The tenants pool will be changed enabling to increase the center's footfall and revenue. Probably, the catering outlets with outdoor areas will be added. Engineering communications, internal layouts and the facade of the building will also be renovated. All works will be carried out in 2020 using modern materials, energy-saving and other green technologies. After the renovation, the neighborhood shopping center at Kashirskoye highway will become the seventh building in the Neighborhood Shopping Centers "Small" chain.
- 2 At the end of the year, we purchased a commercial real estate building located in the Central Administrative District of Moscow representing a mixed-use building. Upon the expiration of the lease agreements with existing tenants, the functionality of the asset will be changed and a complex of measures will be taken to renovate engineering communications, internal layouts and, possibly, the public catering will be added. Therefore, as of De-

ember 31, 2019, the Company's real estate portfolio included 15 commercial real estate buildings.

- 3 Besides, at the end of the year, the second stage of renovation of PEROVO MALL was completed: two floors of the parking spaces were redeveloped into the retail areas. As a result of the works carried out, the rentable area was increased by 1,534 m<sup>2</sup> (or 23%), and a two-floored store of the famous Familia brand was opened. According to the results of two stages of PEROVO MALL renovation during 2018-2019, the rentable area was increased by 47%, the concept was completely changed for a family shopping and entertainment complex due to entering into agreements with international and federal brands, improving the food functionality and various entertainment services for kids, the footfall has increased fivefold, the revenue has increased by 42%, the market value has increased by 48%.

**THE ACTUAL EXPENSES FOR THE INVESTMENT PROGRAM AMOUNTED TO MORE THAN 500 MILLION ROUBLES.**

## Investment program for 2020-2025

### 1 Total volume of investments:

**26.1** billion roubles

- purchase of promising land plots;
- construction of new shopping complexes of an area of 15-20 thousand m<sup>2</sup>;
- purchase and redevelopment of existing retail assets.

### 2 Location of our assets – Moscow, by metro stations, at high-traffic streets and in densely populated districts.

**146** thousand m<sup>2</sup>  
of newly purchased areas,

---

2-3 new buildings per year with the total area of 30-35 thousand m<sup>2</sup>

### 3 The expected revenue from the investment program implementation will be:

**11.8** billion roubles

---

From lease of purchased buildings  
or the buildings under construction

**15.4** billion roubles

---

From sale of a part of the purchased  
and renovated buildings



## Bond Program

The underlying funding instruments used by the Company for 17 years, in 2017 were complemented by entering the public loans market. The first placement of exchange-traded rouble bonds in 2017 became an important stage on the path of transformation into a public company. Entering the public loans market was for the Company a natural stage in funding the development of the business together with bank credits and share capital.

During 2017-2018, five placements of exchange-traded bonds have been made with total volume of 2.7 billion roubles. On May 27, 2019 the first placement of exchange-traded bonds with the volume of 1 billion roubles was redeemed in full, on July 18, 2019 – the second placement with the volume of 0.3 billion roubles was also redeemed.

In February 19, 2019, Moscow Exchange (PJSC) registered amendments to the Exchange-Traded Bonds Program, by increasing the total nominal value of all placements of exchange-traded bonds issued under the Program up to 10 billion roubles.

In 2019 the fifth placement of exchange-traded bonds (with the volume of 6 billion roubles) was placed, with a coupon rate 12% per annum, for 5 years. The coupon yield payment is made once a quarter. The Company's made such placements through the Moscow Exchange (PJSC) for public subscription. The placements were made in full, at the nominal value of 1,000 roubles per bond.

The sixth "green bonds" placement of exchange-traded bonds with the volume of 0.5 billion roubles with a maturity of three years and the rate of 11.5%, made at the Moscow Exchange on December 17, 2019, has become a key milestone for the Company: Expert RA Agency confirmed that this bond placement

by Garant-Invest Commercial Real Estate (JSC) complies with the Green Bonds Principles (GBP) of the International Capital Market Association (ICMA).

The exchange-traded bonds are placed to get proceeds for a program of measures to implement green technologies reducing the urban and environmental footprint and are focused on achieving the environmental effect in the following areas:

- renewable energy generation;
- reducing the amount of heat and energy consumed and, as a result, reducing the consumption of burned fuel and carbon dioxide emissions, reducing water consumption;
- wastewater treatment;
- waste reduction through reuse.

## Credit Rating

On December 26, 2019, ACRA assigned BBB (RU) credit rating to the Company, stable outlook.

Among the factors positively affecting the rating ACRA highlighted the Company's strong business profile due to intense utilization of commercial areas, high quality of the contractual terms, average diversification by assets and tenants, the average profit margins of the business, the average level of liquidity, as well as the efficient management structure of the Company.

This assessment confirms high creditworthiness of the Company's debt instruments based on stable performance indicators of the Company for many years and its ability to fulfill in full and in a timely manner its obligations to all the creditors: customers, partners and credit institutions.



ПРАЖСКИЙ ТОРГОВО-РЕСТОРАННЫЙ КОМПЛЕКС



ЯКИТОРИЯ  
ЯПОНСКАЯ КУХНЯ



KFC

М.С.К.  
МОСКОВСКАЯ СЕТЬ КАФЕ



ТОРГОВО-РЕСТОРАННЫЙ КОМПЛЕКС  
ПРАЖСКИЙ ГРАД







# Strategic report

- 26 Market review
- 33 Company's operational results
- 38 Financial results
- 50 Portfolio

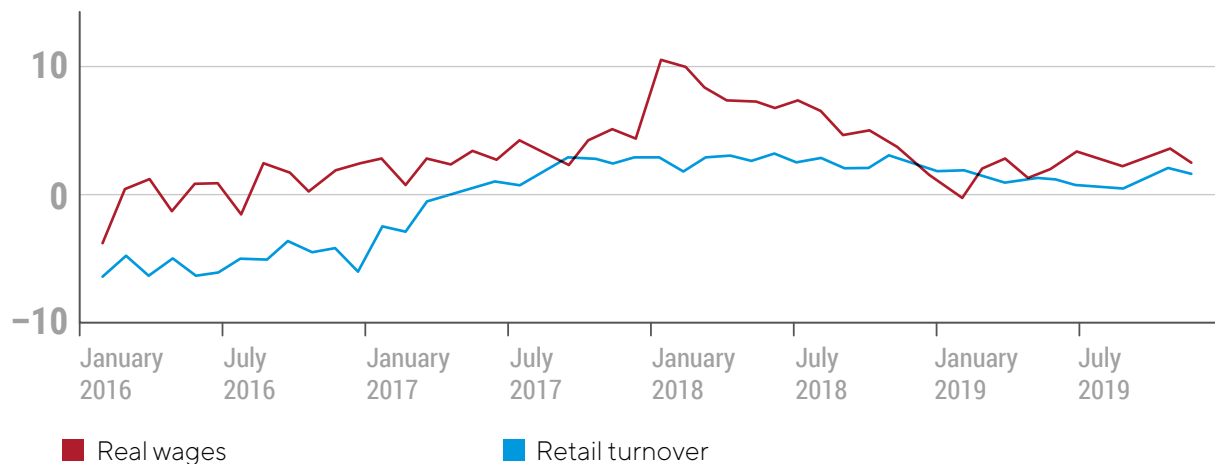
## Market review

### Macroeconomic indicators

According to preliminary estimates, GDP growth by the end of 2019 will be 1.3%, while the forecast for 2020 is 1.8%. Despite the observed recovery in consumer activity by the end of the year (the annual increase in retail turnover in November 2019 was 2.3%), the dynamics of industrial production volume and mining operations shows low values.

In general, in 2019, there was a slowdown in the growth of the consumer market due to increase of VAT rate and low growth rates of real wages. According to preliminary estimates, the annual growth of the trade turnover in Moscow will be 1.7% against 2.8% in 2018, and wages will grow by 4.2% against 6.2% in the previous year.

#### Increase in retail turnover and wages on a year-to-year basis



Source: Moscow retail real estate market review. Q4 of 2019.JLL

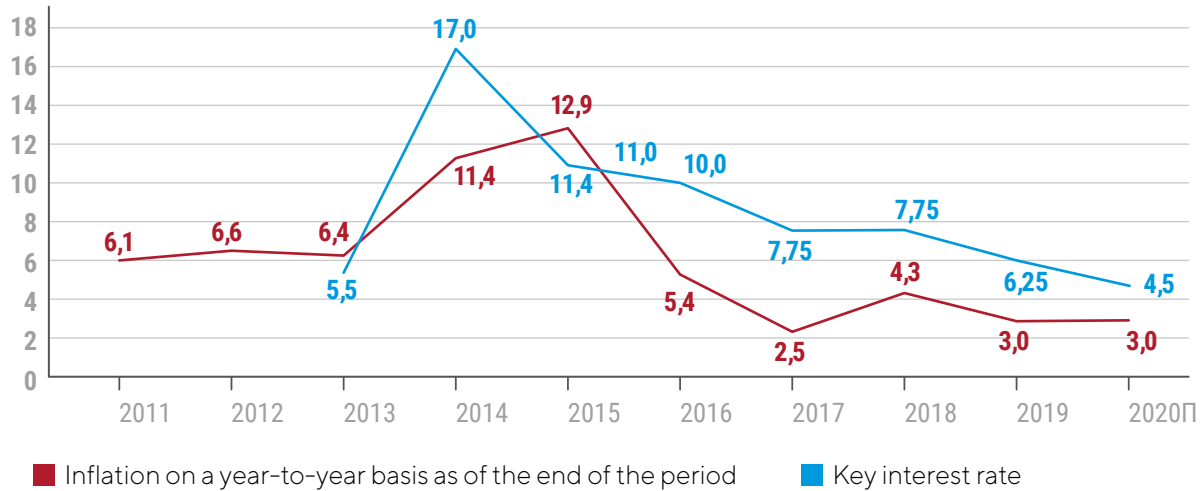
During 2019, Russian rouble held steady enough demonstrating strengthening by 7% compared to the end of 2018, the average value of dollar for December 2019 was 62.94 roubles against 67.34 roubles in December 2018. The inflation rate, according to preliminary data from Rosstat, reached 3% being lower than the target value. Against this background, throughout 2019, the Central Bank of the Russian Federation consistently reduced its key interest rate to 6.25% by the end of the year, compared to 7.75% at the beginning of the year.

### Consumer Market in Moscow in 2019

**+1.7%**  
retail turnover

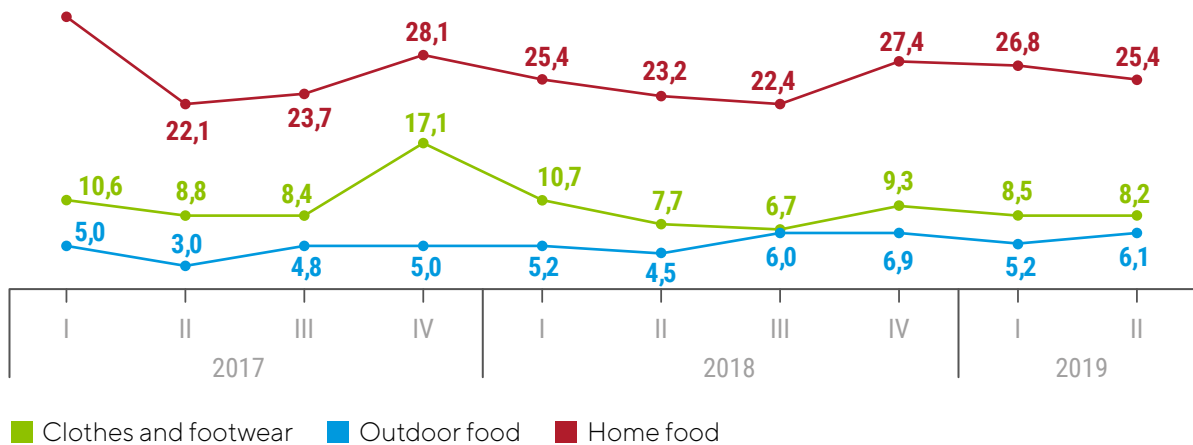
**+4.2%**  
wages

Changes in inflation and key interest rate, %



Source: Investments Russia. Results of 2019. Colliers

Consumer spending patterns in Moscow, %



Source: Moscow retail real estate market review. Q4 of 2019. CBRE

The share of Moscow residents spending on outdoor food continues to grow, being confirmed by persistent high growth rates of catering.



## Commercial real estate market review

The commercial real estate market holds steady in all segments, there is a gradual increase in rental rates, mainly in high-quality premium assets, and the vacancy rate in Moscow markets is decreasing. Against this background, the return level of the assets looks even more attractive compared to major European cities.

According to Colliers International, in 2019, the volume of investments in commercial real estate amounted to \$2.45 billion, which is comparable to the results of the previous year (\$2.4 billion). The main volume of investments (58%) occurred in the Q4, when several significant investment deals were closed. A similar situation was observed in 2018, when over the past three months, the volume of transactions amounted to more than \$1 billion (or 41% of the annual investment volume). Several major investment deals were postponed to 2020, enabling us to forecast the volume of investments in commercial real estate in Russia for this period at the level of \$2.5 billion.

According to the results of the period, 44% of investments or \$1,070 million fell on the office segment; the second place was taken by the retail segment – \$842 million or 34%. The warehouse and hotel segments of the market attracted 10% and 9% of the total volume of investments, respectively.

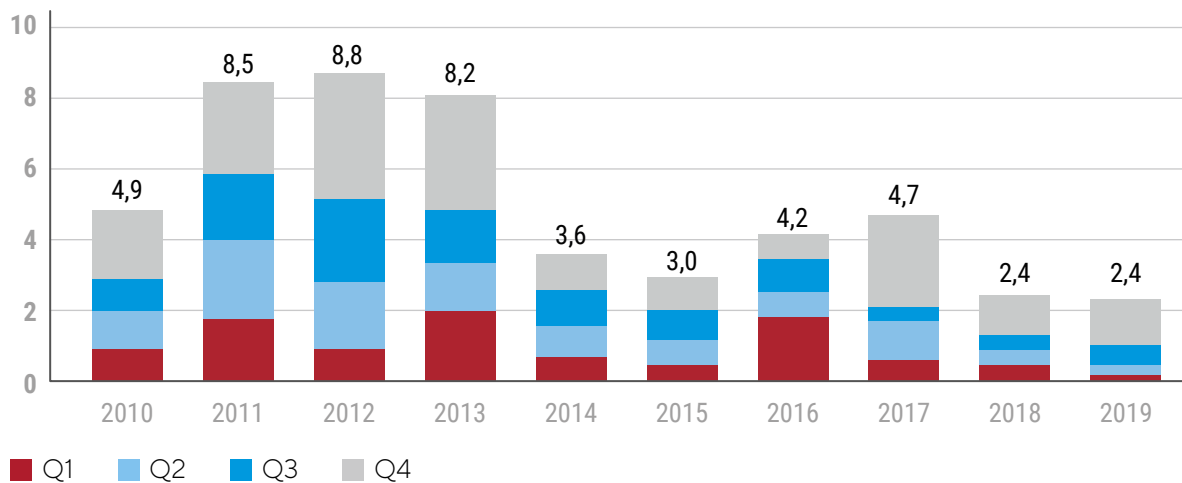
The average transaction amount in 2019 increased by one third compared to the previous year, up to \$46.2 million compared to \$33.3 million in 2018. The median values of the transaction amount remain within \$16–18 million, meaning that a large number of transactions remain within \$20 million. The major transactions closed during 2019 include the acquisition of office premises in Neva Towers Mixed-use Complex by Metrika Investments at the end of the year, the purchase of Rechnoy Shopping Center in Moscow by Sberbank Asset Management (JSC), and the sale of an office portfolio consisting of four business centers with the total area of 22 thousand m<sup>2</sup>, the largest of which is Aleksander House business center (11.5 thousand m<sup>2</sup>) at Bolshaya Yakimanka street.

According to the results of 2019, the distribution of investment volume by capital source is comparable to the results of the previous period. Thus, the share of foreign investments was 40%, while in 2018 it was 43%. The key foreign players in the market are still existing companies such as Morgan Stanley, Hines, Raven Russia, PPF Real Estate, Mubadala Investment and others.

The Moscow region retains its traditional leadership in terms of investment volume – it takes 58% of the total volume for 12 months, or \$1,464 million.



### Changes in investment volume, \$ billion

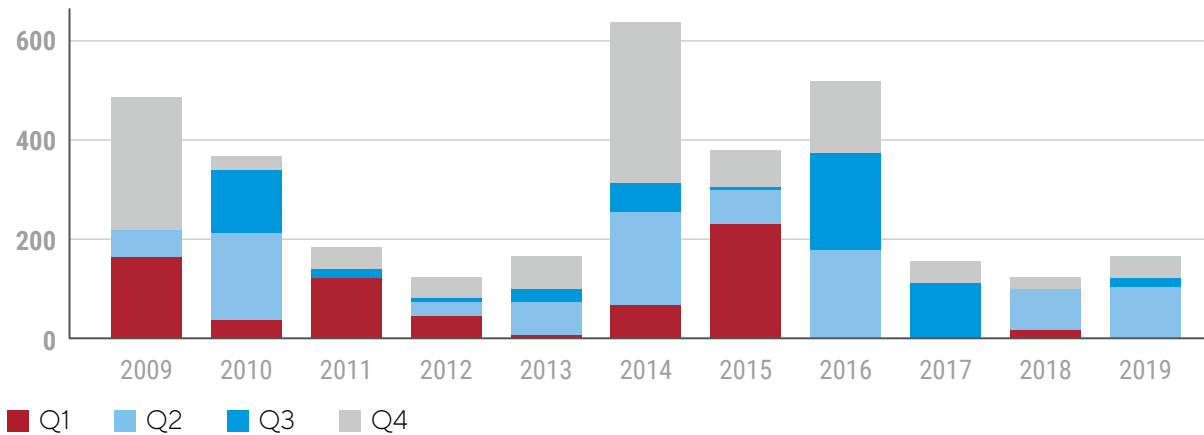


Source: Investments Russia. Results of 2019. Colliers

### It is worth noting the "heterogeneity" of the types of new retail assets:

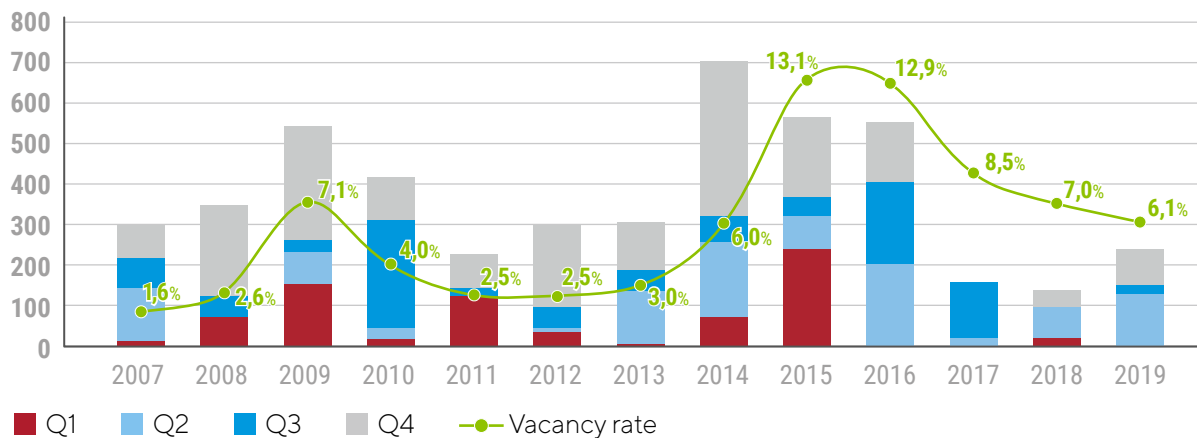
- the classic format of a super-regional shopping center is represented by the newly opened Salaris Shopping Center (the total area is 105 thousand m<sup>2</sup>, which is 45% of the total volume of commissioning for the year);
- two neighbourhood centers were opened – Galeon Shopping Center (14 thousand m<sup>2</sup>) and Gavan Shopping Center (18.2 thousand m<sup>2</sup>);
- the first outlet of the premium segment is represented by Novaya Riga Outlet Village (25.2 thousand m<sup>2</sup>);
- the second special-purpose asset of "Kievskaya Ploshchad" company – Grand Yug Shopping Center (35 thousand m<sup>2</sup>) was commissioned for operation);
- the opening of the first asset of the project of ADG Group for redevelopment of old Moscow cinemas into the community center format – Angara Shopping Center (6.8 thousand m<sup>2</sup>);
- the second stages of the buildings were commissioned for operation: Yuzhny Shopping Center (20 thousand m<sup>2</sup>) and Ordzhonikidze, 11 Discount Center (10 thousand m<sup>2</sup>);
- three small neighborhood shopping centers were opened: Bagrationovsky, MoyaVetka, Etazhi with a rentable area of up to 5 thousand m<sup>2</sup>.

### Changes in commissioning the shopping centers in Moscow, thousand m<sup>2</sup>



Source: Moscow retail real estate market review. Q4 of 2019. JLL

### Vacancy rate, thousand m<sup>2</sup>



Source: Retail Real Estate Market in Moscow, 2019, Knight Frank

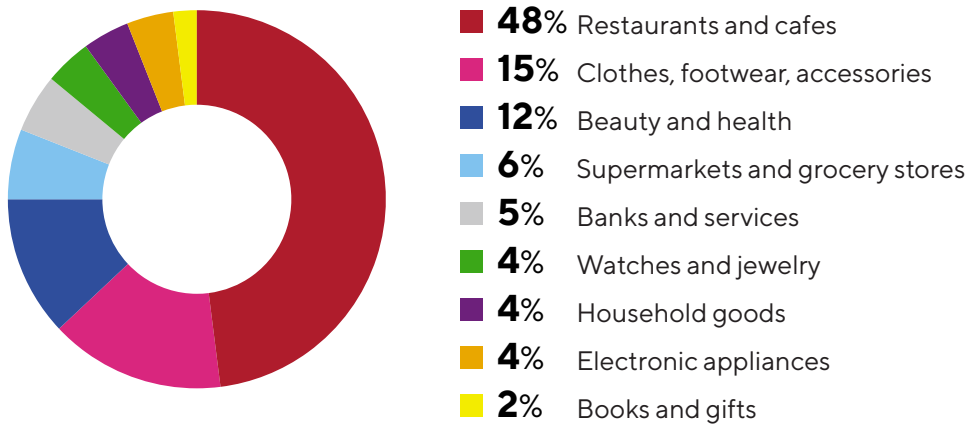
According to the results of 2019, there were no significant fluctuations in the rental rates for premises in shopping centers in Moscow: there are small fluctuations in the level of the top interest rate on turnover for some operators within 3-7%, which are mostly related to index-linking as a result of re-signing the contracts.

"Restaurants and cafes" segment continues to take the main share in the demand for premises – 48%.

The main drivers to increase the requests from ca-

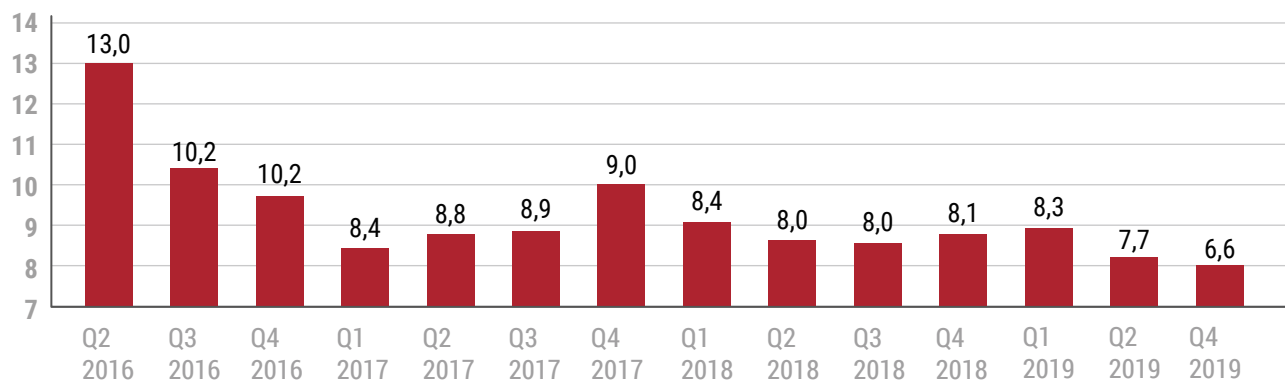
tering operators are still stable demand from the residents (the share of Moscow residents spending on outdoor food held steady and is 5%), as well as the lower rates of development in street retail of the brands in other sectors (clothes, footwear, goods for kids, household goods). Thus, the share of fashion operators was cut in half over the past five years – from 30% to 15%.

**Distribution of demand for street retail assets in Moscow in 2019**



Source: Market review: Retail frontages in Moscow. Q4 of 2019.

## Vacancy rate in Moscow, %



Source: Market review: Retail frontages in Moscow. Q4 of 2019.

According to the results of 2019, the vacancy rate in central retail frontages in Moscow was reduced to record 6.6% (-1.1 p.p. compared to Q2 of 2019) and became the lowest for the last five years. The changes in the indicator are due to the reduction in vacancies on the streets which are particularly of high demand from

the restaurants and cafes (Patriarshiye Prudy, Pyatnitskaya, Myasnitskaya, Bolshaya Dmitrovka districts), as well as at Sadovoye Koltso. The main reason for reduction in vacancies at Sadovoye Koltso is the slowdown in rental rates, especially for the premises that in some cases were rented for more than a year.

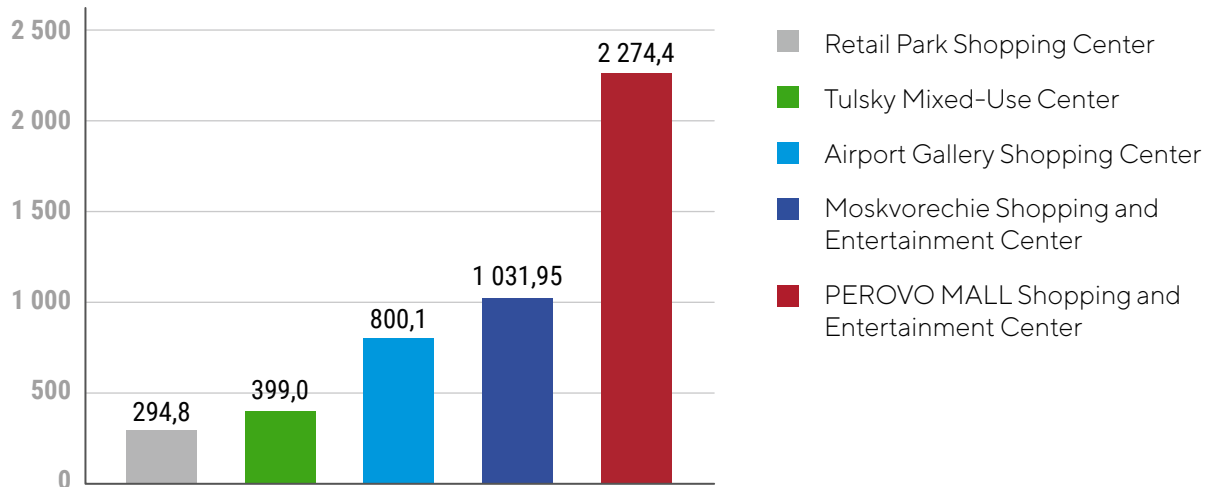
## Company's operational results

In its operational activities, Garant-Invest Commercial Real Estate (JSC) focuses on building long-term partnership with retail companies. The Group has a diversified portfolio of assets in unique locations, guaranteeing stable cash flow from tenants with the rates exceeding the average ones for the market and minimum vacancy rate.

### Rented areas for the year

In 2019, 4,860 m<sup>2</sup> were rented, the rotation of inefficient tenants was made in a timely manner enabling to keep the vacancy rate at the level of the previous year, being significantly lower than the market rates and is 3.6%.

#### Structure of rented areas by venues, m<sup>2</sup>

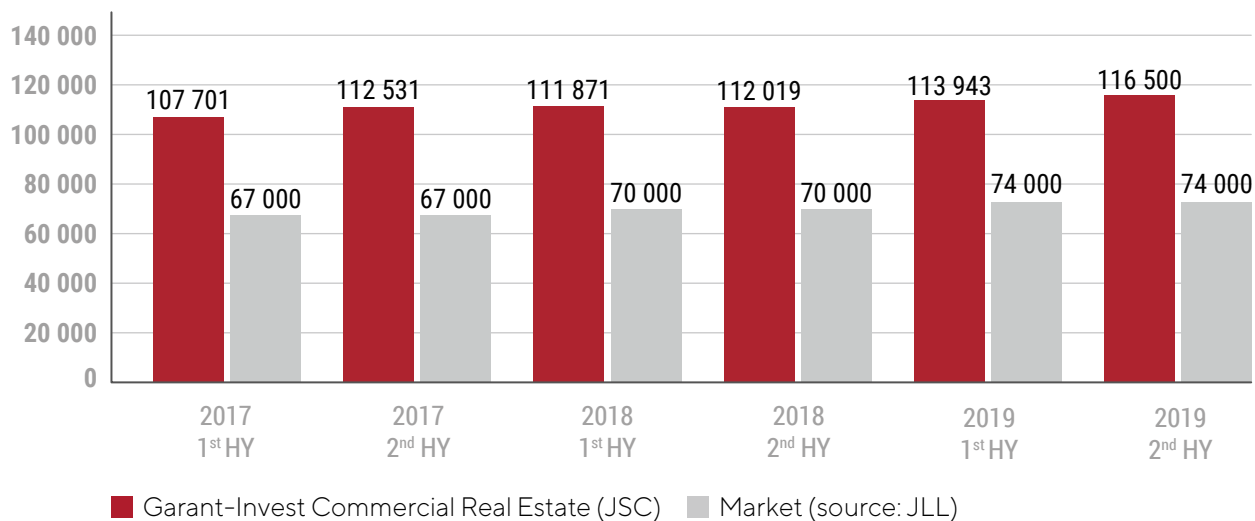


### Rental rates

The advantageous location of the Company's shopping centers and the quality of property management permit keeping rental rates much higher than the average for the market, which is witnessed by the comparison between the average rental rate for the Company portfolio and for the market.

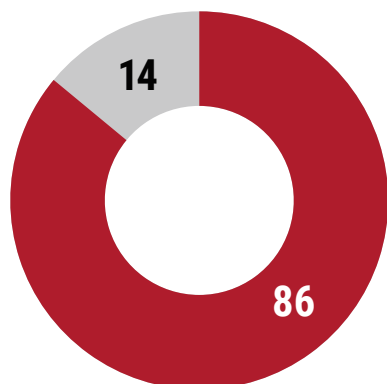
The rates are given without taking into account VAT and operating expenses for a standard store with rented area of up to 100 m<sup>2</sup> located on the first floor of a shopping gallery. In some cases higher rates exceeding the market level on the whole are registered.

### Comparison of average rental rates in Moscow, roubles/m<sup>2</sup> per year

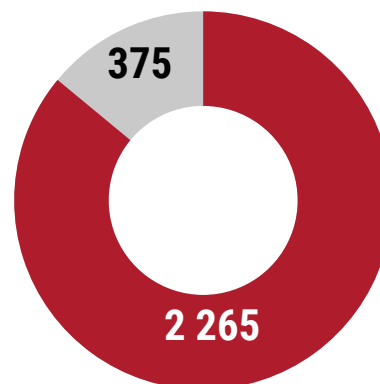


### Proportion of chain and non-chain tenants by the areas occupied

Percentage of chain and non-chain tenants in shopping centers by the end of 2019, %



Proportion of chain and non-chain tenants by revenue, million roubles



<sup>1</sup> Excl. VAT, up to 100 m<sup>2</sup> on the first floor of the shopping center.

The composition of the tenants is the key factor for success of a shopping center. The Company has certain requirements for the tenants, the most important of which is the compliance with the concept of the shopping center. The most areas 86% in the Company's shopping centers are occupied by chain tenants, with 86% of all the rental component of the revenues falling to their share.

When entering into rental agreements, the Company gives priority to the tenants having an extensive chain of retail outlets and stable financial position. For every shopping center the Company creates a format aimed at a particular type of consumer, based on which a clearly defined concept of this specific shopping center develops, including the pool of its tenants.

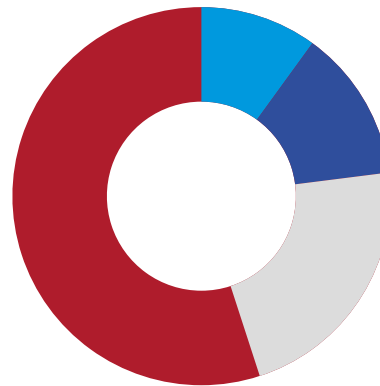
The opportunity of transferring the chain tenants between retail real estate buildings within the Company portfolio constitutes a competitive advantage in portfolio management, since the process of occupying new buildings becomes relatively faster taking into account the permanency of the pool of the main tenants.

Tenants from chain retail and chain fast food service sectors having already had an experience of cooperation with the Company, in their turn, have a clear idea of the management standards within the Company's assets, of the operational procedures and basic principles of interaction, making their cooperation with the Company as transparent as possible.

Subsequently a synergy effect emerges for the Company and the chain tenants when developing various commercial buildings from the Company's portfolio. Retail chains receive high quality rental services with the possibility of more precise estimates of semi-constant expenses (and, consequently, of operating results) for several enterprises of the chain at once. Working with one landlord, property manager and developer that manages, develops and renovates retail buildings of different formats within a unified approach to management quality and to developing its portfolio enables the retail chain to concentrate mostly on its own operating activities.

The long-term business solvency of the Company, as ACRA rating agency noted when assigning BBB credit rating, is guaranteed by the stable flow of rental payments caused by significant percentage of medium- and long-term agreements in the Company's portfolio.

#### Structure of the rental agreement portfolio by terms vs. the areas occupied



- **10%** Agreements for 11 months
- **13%** Agreements for 2-4 years
- **22%** Agreements for 5-9 years
- **55%** Agreements for 10+ years

For 55% of the areas in the Company's portfolio the rental agreements are concluded for the term of more than 10 years. When entering into such agreements the Company considers only the counterparties of good standing, particularly, large anchor tenants or large retail chains attracting the visitors in every shopping center.

Agreements for the term of 11 months are usually concluded for small areas. And the conclusion or renewal of such short-term agreements involves higher rates and has a good business effect for the assets within the portfolio. In the Company's portfolio short-term agreements make for 11% of all the rented areas.

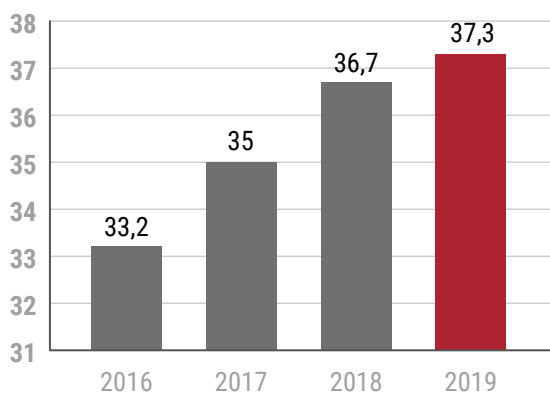
The aforementioned proportion of the terms of the agreements as related to rented areas is optimal in terms of sustainability of the tenant portfolio and ensures good revenues in the midterm perspective, as well as increased attractiveness of the Company's retail buildings for the visitors.

## Shopping center footfall

In 2019 the shopping centers of the Company demonstrated positive trends in footfall while overall annual shopping center footfall in Moscow registered a decline. According to Watcom Group the Shopping Index has been going downhill (on a year-to-year basis) since 2014 even though some months still registered growth. According to Watcom Group, in the last pre-holiday week of 2019, on the eve of the New Year, the Shopping Index in Moscow had downward change by 1.8% compared to the same week of 2018. But in general, the Shopping Index grew by 2% in 2019.

In 2019, the footfall increased by 1% compared to 2018 and amounted to **more than 37 million people**.

Changes in footfall by years, million people

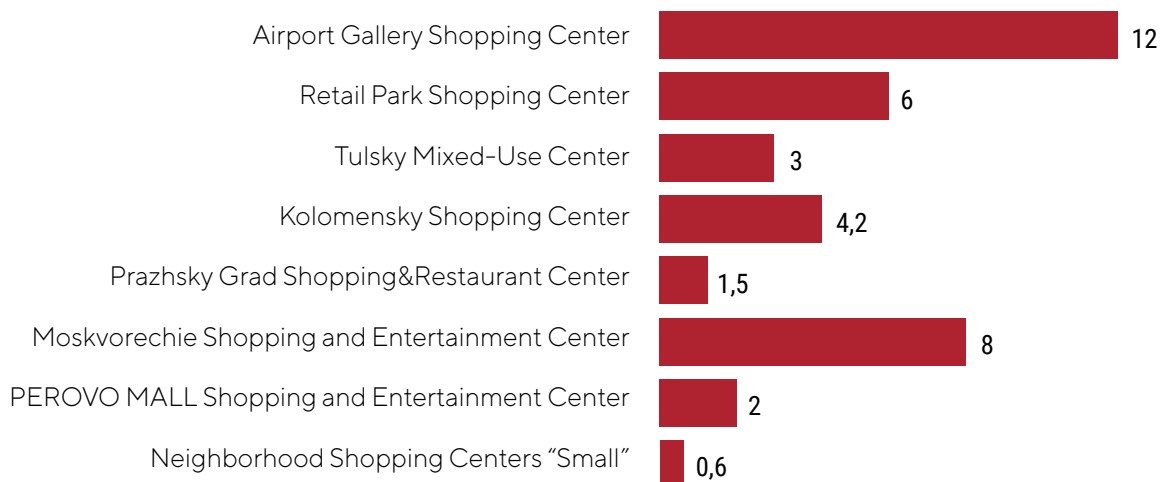


The growth of this indicator in the reporting period was influenced by the following factors:

- improved quality of tenants;
- increased number of anchor tenants;
- increased number of retail chain companies with recognizable brands;
- the effect of "Program RE" implementation



### Footfall by shopping centers, million people



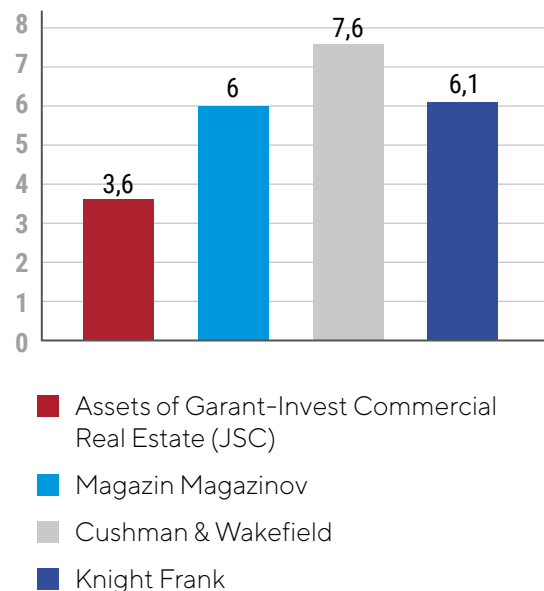
### Vacancy rate

One of the key performance indicators in retail property management is the low vacancy rate of commercial areas in shopping centers.

According to the leading consultants in the real estate market, the vacancy rate of commercial areas in the shopping centers of Moscow in 2019 varies from 6% to 7.6%, with the vacancy rate reached its minimum for the last 5 years. Moderate construction activity and the focus of the owners on working with the composition of tenants caused the decrease in the vacancy rate from 8.2% at the end of 2018 to 7.6% at the end of 2019.

The vacancy rate in the Company's shopping centers as of December 31, 2019 was 3.6%. The Company's shopping centers are popular with tenants due to their competitive location, competent marketing policy and the terms of long-term cooperation favorable for the tenants. According to the leading consultants in the real estate market, the average vacancy rate for the Company's portfolio is significantly lower than the average vacancy rate in Moscow.

### Vacancy rate in Moscow, %



## Financial results

Garant-Invest Commercial Real Estate (JSC) has the following priorities when managing its commercial real estate portfolio:

- ensuring growing rental income and sustained cash flow from our portfolio;
- investments into the assets with medium-term horizon of growth;
- keeping the industry and regional focus on retail real estate in Moscow.

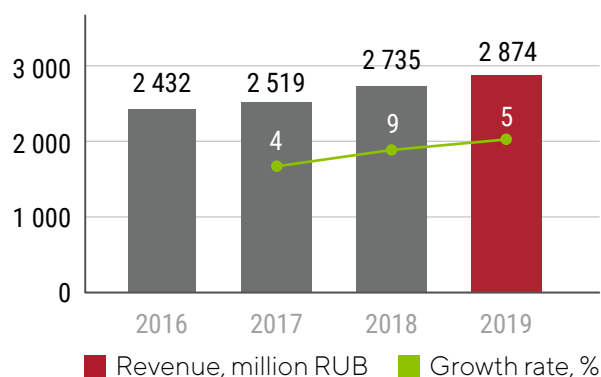
The Company strives to ensure growth of rental income through stable long-term partner relations with tenants, maximum filling of rentable areas, increase in

pop-up retail outlets, renovation of premises and expansion in the investment real estate portfolio through acquisition of new buildings under "Program RE".

### Key financial performance indicators for 2019 according to IFRS

Indicator	Result, million roubles	Growth against the indicator of 2018, %
Rental revenue	2,874	+5
Gross profit	2,735	-19
EBITDA	1,480	-30
Value of investment property portfolio according to IFRS	26,453	+7
Net debt as of December 31, 2019	21,507	+20
Net assets as of December 31, 2019	10,862	+7

### Revenue trend



The Company's revenue in 2019 increased by 5%, or by 139 million roubles and amounted to 2,874 million roubles. LFL (Like-for-Like) Indicator in 2019 increased by 12% compared to 2018 and amounted to 2,874 million roubles (in 2018 – 2,562 million roubles).

Adjusted EBITDA for 2018 excluding non-recurring income and expenses in 2018 was 1,145 million roubles. EBITDA for 2019 amounted to 1,480 million roubles. The growth rate for 2019, including adjusted EBITDA, was 30%.

The most significant increase in revenue was in Prazhsky Grad Shopping&Restaurant Center – more than 23%, PEROVO MALL Shopping and Entertainment Center – by 17 %, Kolomensky Shopping Center – by 11%. The effect of growth in Prazhsky Grad and Kolomensky was driven by the completion of renovation of the buildings in 2018 and launch of full operational activity in 2019. Revenue growth in PEROVO MALL was also driven by the completion of the second stage of renovation of the building – conversion of two floors of parking area to retail areas and placement of a new

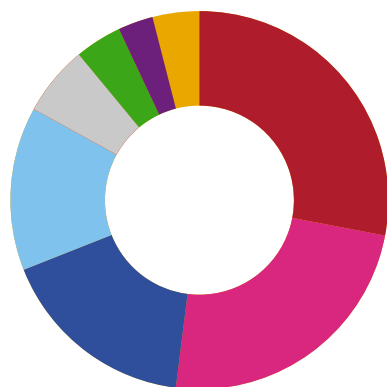
anchor tenant – Familia brand.

A significant growth was demonstrated by the buildings of the chain of neighborhood shopping centers “Small” – revenue increased almost twice. This is due to the fact that the buildings purchased in 2017-2018 were completely renovated, tenants were replaced, including anchor ones, and footfall increased compared to the previous reporting period. The result of this work was an increase in revenue by 43 million roubles (119 million roubles in 2019 compared to 76 million roubles in 2018).

#### Revenue distribution in the context of the shopping centers, thousand roubles

Asset name	Revenue
Airport Gallery Shopping Center	796,033
Moskvorechie Shopping and Entertainment Center	694,604
Retail Park Shopping Center	496,445
Tulsky Mixed-Use Center	396,388
Kolomensky Shopping Center	172,935
PEROVO MALL Shopping and Entertainment Center	114,609
Prazhsky Grad Shopping&Restaurant Center	83,382
Neighborhood Shopping Centers "Small"	119,052

#### Share of the commercial assets in the revenue

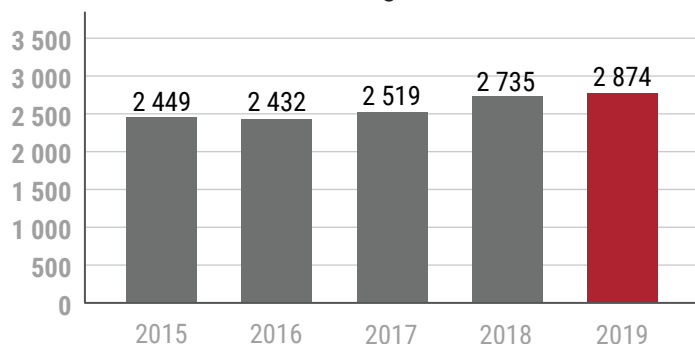


- **28%** Airport Gallery Shopping Center
- **24%** Moskvorechie Shopping and Entertainment Center
- **17%** Retail Park Shopping Center
- **14%** Tulsky Mixed-Use Center
- **6%** Kolomensky Shopping Center
- **4%** PEROVO MALL Shopping and Entertainment Center
- **3%** Prazhsky Grad Shopping&Restaurant Center
- **4%** Neighborhood Shopping Centers “Small”

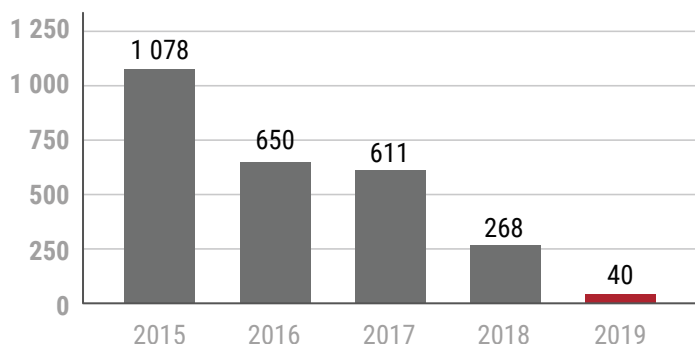
## Share of revenue from rental agreements with the rates fixed in foreign currency

The Company pays great attention to the financial indicators sensitive to changes in foreign exchange rates and tries to minimize the dependence on their volatility. This is also driven by business factors and overall market trends.

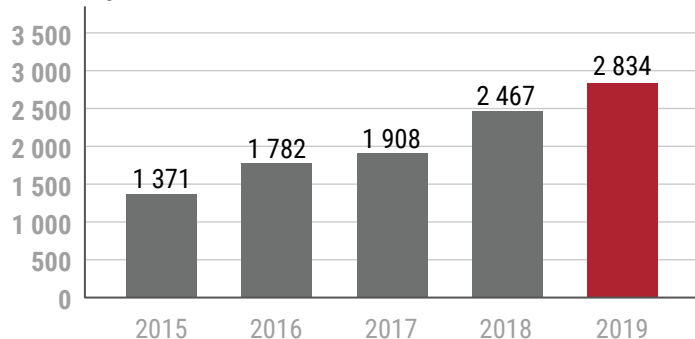
Total revenue from the rental agreements, thousand roubles



Total revenue from the agreements fixed in roubles, thousand roubles



Total revenue from the agreements fixed in foreign currency, thousand roubles

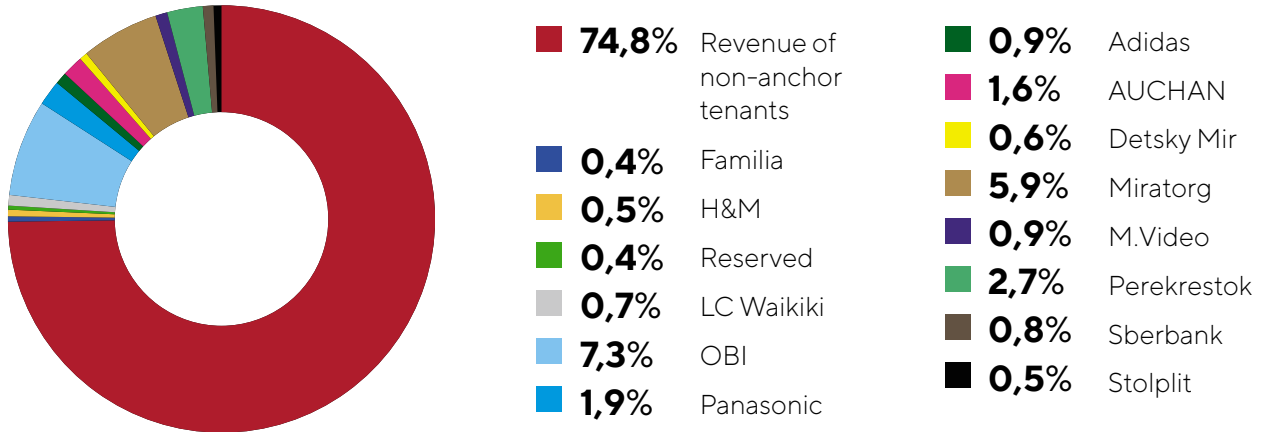


The share of foreign currency revenue decreased significantly during the last several years. In 2018, it fell 228 million roubles against the values of 2017 and amounted 40 million roubles (or 1.4% of the whole revenue for 2019).

The Company is building a diversified portfolio of tenants in order to avoid significant concentration of operational risk over one tenant. The anchor tenant category is diversified enough, and their total share in the rental revenue (excluding OBI) does not exceed 25% of the revenue from all tenants (13% in 2018).

All anchor tenants enjoy long-term rental agreements, enabling the Company to forecast stable flow and growth in rental revenues taking into account the annual indexations.

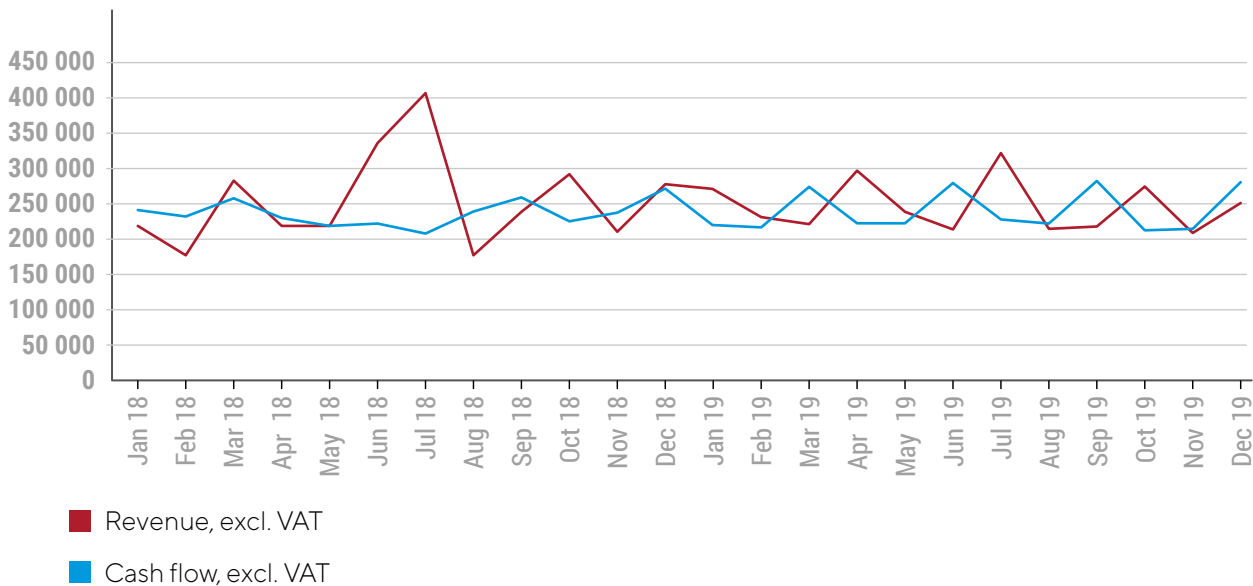
Share of revenue from anchor tenants



Seasonality

After recording the amounts of rental revenue and income throughout a long period it is possible to assert that both indicators are not subject to any significant seasonal fluctuations.

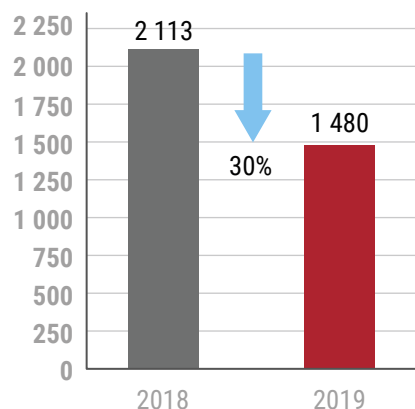
Revenue and cash flow, thousand roubles



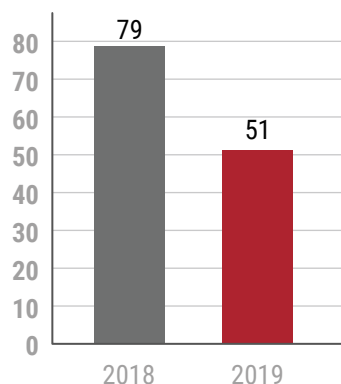
## EBITDA and net profit

The EBITDA index is calculated using a conservative method and does not take into account the effect from revaluation of investment property.

EBITDA profitability, %



Consolidated EBITDA



The EBITDA index fell 30% compared to 2018, EBITDA profitability decreased to 51%.

The decrease of these indices is due to the inclusion of one-time income and expenses into the calculations of the year 2018 (for example, the expenses from the writing-off the overdue accounts payable), which are not included in the reporting statements for 2019. Excluding these expenses and income, EBITDA for 2018 would have been 1,145 million roubles. Thus, EBITDA for 2019 is higher than the adjusted similar indicator for 2018 by 335 million roubles (or by 30%).

Adjusted EBITDA profitability indicator for 2018 – excluding one-time income and expenses for 2018 – is 42%. EBITDA profitability for 2019 is 51%. Thus, the growth of this indicator for 2019 was 9 p.p.



## Net profit

The decrease in net profit by 677 million roubles was caused by the following reasons:

- by increase in interest expenses by 115 million roubles due to increase in the Company's net debt caused by the additional issuance of exchange-traded bonds and raising the bank loans; this effect was reduced by an increase in interest income from the placement of available funds for the volume of 230 million roubles;
- by reduction of other income and expenses by 729 million roubles.

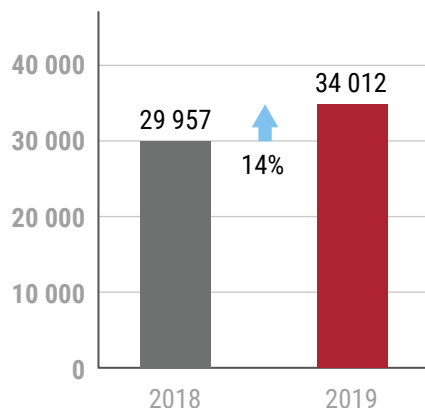
Additional proceeds are used by the Company for implementation of "Program RE" - to renovate and update the existing shopping centers and to purchase the new ones.

The decrease in net profit, the reasons for which are listed above, caused the decrease in the net profit margin indicator. In 2019 the net profit margin was 29% (in 2018 - 47%).

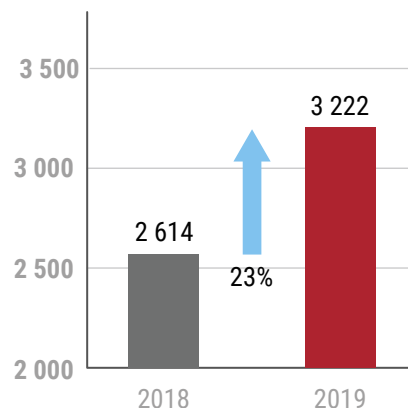
Besides, the decrease in the net profit margin was also affected by the slow growth of the reevaluation of investment property in 2019 against 2018 as compared to the growth of revaluation in 2018 against 2017. In 2018 the growth of investment property value was 9% (without taking into account the assets purchased in 2018), in 2019 - 6% (without taking into account the assets purchased in 2019). At the same time the anticipated value growth rate of the shopping centers currently in operation is 5-7% a year in average for the market and mostly is due to the level of indexation of the current rental rates in medium- and long-term agreements.

## Company Assets

Non-current assets, million roubles



Current assets, million roubles



In the current reporting period the Company's assets grew by 14% or by 4,663 million roubles, including:

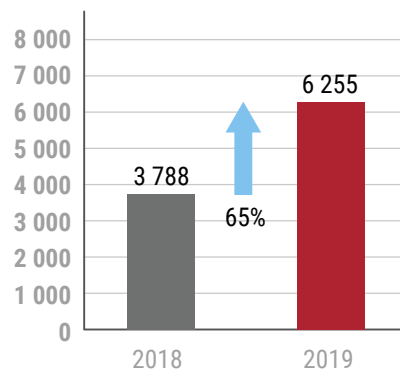
- the investment property grew by 1,631 million roubles as a result of revaluation and extension of the real estate portfolio;
- financial investments increased by 2,211 million roubles.

In the non-current assets structure 83% is represented by the investment property to be annually evaluated by independent appraisers using the discounted cash flow method.

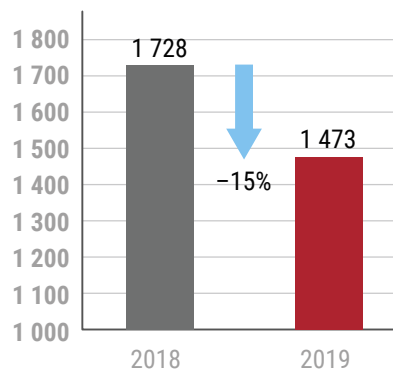
As of December 31, 2019, the assets were evaluated by Jones Lang LaSalle (LLC) and by Konti (LLC) based on the market and fair value of the assets.

## Long-term and short-term financial assets

Short-term assets, million roubles



Long-term assets, million roubles



## Value of the assets in the Company's portfolio, million roubles

Asset name	Fair value	
	2019	2018
Airport Gallery Shopping Center	<b>7,728</b>	7,319
Moskvorechie Shopping and Entertainment Center	<b>6,547</b>	5,927
Retail Park Shopping Center	<b>4,256</b>	4,177
Tulsky Mixed-Use Center	<b>3,207</b>	3,181
Kolomensky Shopping Center	<b>1,628</b>	1,537
Prazhsky Grad Shopping&Restaurant Center	<b>675</b>	651
PEROVO MALL Shopping and Entertainment Center	<b>934</b>	861
Small Proletarsky Neighborhood Shopping Center	<b>422</b>	403
Small Shipilovsky Neighborhood Shopping Center	<b>179</b>	170
Small Borisovsky Neighborhood Shopping Center	<b>86</b>	83
Small Chernomorsky Neighborhood Shopping Center	<b>167</b>	162
Small Krasny Mayak Neighborhood Shopping Center	<b>192</b>	176
Small Biryulevsky Neighborhood Shopping Center	<b>187</b>	177
Small Kashirskiy Neighborhood Shopping Center	<b>99</b>	
"Kolobovsky, 19" Office Center	<b>146</b>	
<b>TOTAL Investment property</b>	<b>26,453</b>	24,822

For the reporting period the value of the investment property increased by 1,631 million roubles, or by 7 %, including due to:

- purchase of two new buildings within the investment Program RE of the total area of 693 m<sup>2</sup> (the increase in the total area of the owned buildings was 0.5%);
- increase in fair market value of the assets.

## Accounts receivable

As of December 31, 2019, the accounts receivable constitute 229 million roubles compared to 365 million roubles as of December 31, 2018. The accounts receivable were reduced by 66 million roubles or 18%.

The Company pays great attention to debt recovery, monitoring on a weekly basis the cash inflow, the age of overdue accounts receivable, interacts with the

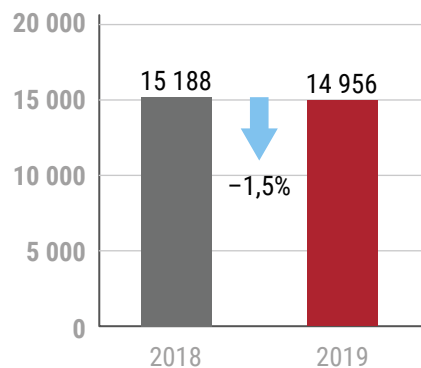
tenants concerning due and full payment under rental agreements. The accounts receivable turnover was 19 days in 2019 and 11 days in 2018. The accounts receivable impairment reserve was 11% of the total volume of accounts receivable as of December 31, 2018, and 26% as of December 31, 2019.

## Liabilities

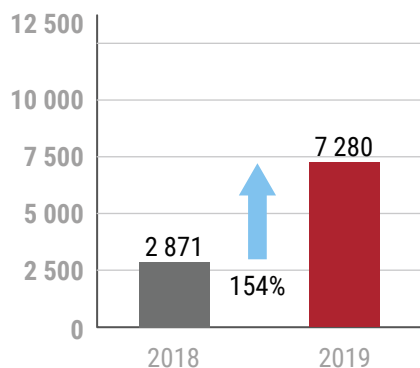
Garant-Invest Commercial Real Estate (JSC) actively manages debt portfolio for the purpose of optimization and balanced distribution of the loan debt burden in time, decreasing the interest payments and lowering the depreciation portion of the principal debt

during the term of validity of credit agreements. Each loan is granted to a subsidiary of the Company, a separate legal entity being the owner of the shopping center, against the security of this retail asset for the benefit of the bank that is the senior creditor.

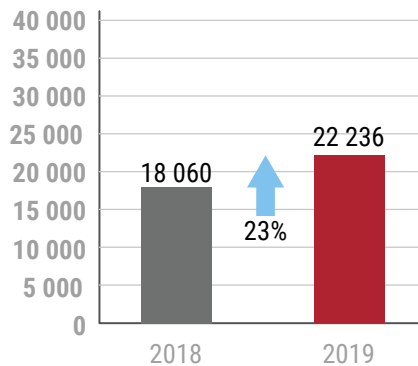
Credits and loans, million roubles



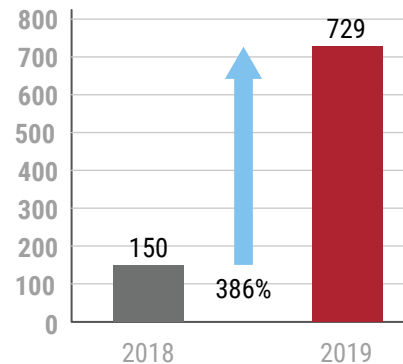
Debt securities issued, million roubles



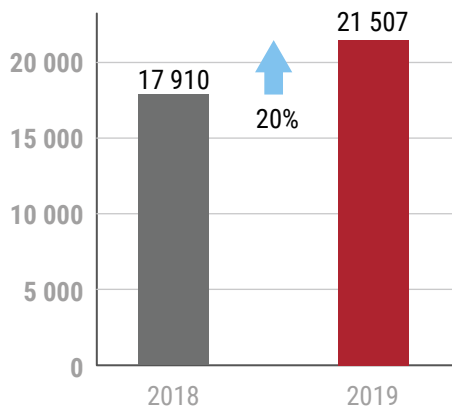
Total debt, million roubles



Cash at the end of the period, million roubles



Net debt, million roubles



The increase of the consolidated total debt by 4,176 million roubles as of the reporting date is due to:

- additional raising of 4.4 billion roubles in a form of a bonded loan for implementation of the investment Program RE, including, inter alia, the placement of green bonds with the volume of 0.5 billion roubles;
- reduction of indebtedness under bank loans for the volume of 235 million roubles in accordance with the repayment schedule.

IN 2019, THE CREDIT PORTFOLIO QUALITY WAS SIGNIFICANTLY IMPROVED IN TERMS OF ITS VALUE AND MATURITY: THE COMPANY REFINANCED THE LAST FOREIGN CURRENCY LOAN. THE CREDIT PORTFOLIO CONSISTS EXCLUSIVELY OF THE LOANS IN ROUBLE WITH THE MATURITY UNTIL 2029.



## Main events concerning changes in the structure of borrowings of the Company in 2019

- In 2019, Sberbank of Russia refinanced the loan of LANDLORD LLC for the total volume of 0.64 billion roubles with the credit term of 10 years.
- VTB Bank opened for ATLANTSTROY LLC (Tulsky Mixed-Use Center) a credit facility for the volume of 2.3 billion roubles with the credit term of 7 years with the option to extend it for 3 more years.
- On March 15, 2019, Garant-Invest Commercial Real Estate (JSC) made the 5th placement of exchange-traded bonds of 001P-04 series, placement identification number 4B02-05-71794-N-001R dated March 12, 2019. Total nominal volume of the placement was 6 billion roubles, with a maturity of 5 years. The coupon rate will be 12% per annum.
- On December 17, 2019, under the registered program for exchange-traded bonds the 6th placement of bonds 4B02-06-71794-H-001P with the volume of 0.5 billion roubles was made, with coupon yield on 11.5% annual rate and the maturity term of 3 years. Expert RA Rating Agency confirmed the compliance of this bond placement with the Green Bonds Principles (GBP) of the International Capital Market Association (ICMA).
- No breaches of covenants under credit agreements in 2019 (up to the date of approval of the Annual report) were fixed.

In 2019, the Company promptly and in full repaid the 1st and 2nd placement of bonds (with the total volume of 1.3 billion roubles).

In 2019, the Net debt / EBITDA indicator increased due to the significant increase in the total debt burden caused by the placement of the bonds to finance investment Program RE.

The Company's financial policy is focused on reducing this indicator within the horizon of 3-5 years: the growth of EBITDA is due to additional rental stream from newly purchased assets, the reduction of the total debt is due to repayment of the loans in accordance

with the repayment schedules under the credit agreements, as well as the repayment of the bonded loans in accordance with the terms of their issue.

The coverage ratio (EBITDA/ Net interest payments) reflects the excess of EBITDA over the interest amount and characterizes the stability of the financial position and the ability of the company to service its debt.

In 2019, 6.5 billion roubles were additionally raised under the bond program for implementation of "Program RE". The growth of the borrowings in 2019 against 2018 expectedly resulted in increase in the interest expenses for the volume of 115 million roubles, which against the 30% decline in EBITDA in 2019 compared to the level of 2018 resulted in an overall decline in coverage ratio (EBITDA / Net interest payments).

## Net assets

The Company's net assets increased by 7%: from 10,132 million roubles as of December 31, 2018, to 10,862 million roubles as of December 31, 2019, indicating efficient management of the Company's own funds, conservative policy in using the credit leveraging when entering into the transactions, competent

operative management, first of all in the field of building the relations with debtors and creditors, including efficient monitoring of prompt receipt of proceeds from the operating lease and dealing with overdue accounts receivable.

## Portfolio

In November 2019, the building of Small Kashirskiy Neighborhood Shopping Center was purchased.

In December 2019, the Company purchased the office center building located at: Kolobovsky Lane, 19.

As of December 31, 2019, the building of Airport Gallery Shopping Center having the fair value of 7,832,600 thousand roubles was pledged against the loan from Sberbank of Russia (PJSC) for the period of up to September 26, 2027.

As of December 31, 2019, the building of Moskvorechie Shopping and Entertainment Center having the fair value of 6,573,000 thousand roubles was pledged against the loan from Sberbank of Russia (PJSC) for the period of up to January 31, 2027.

As of December 31, 2019, the building of Retail Park Shopping Center having the fair value of 4,300,000 thousand roubles was pledged against the loan from VTB Bank (PJSC) for the period of up to September 12, 2027.

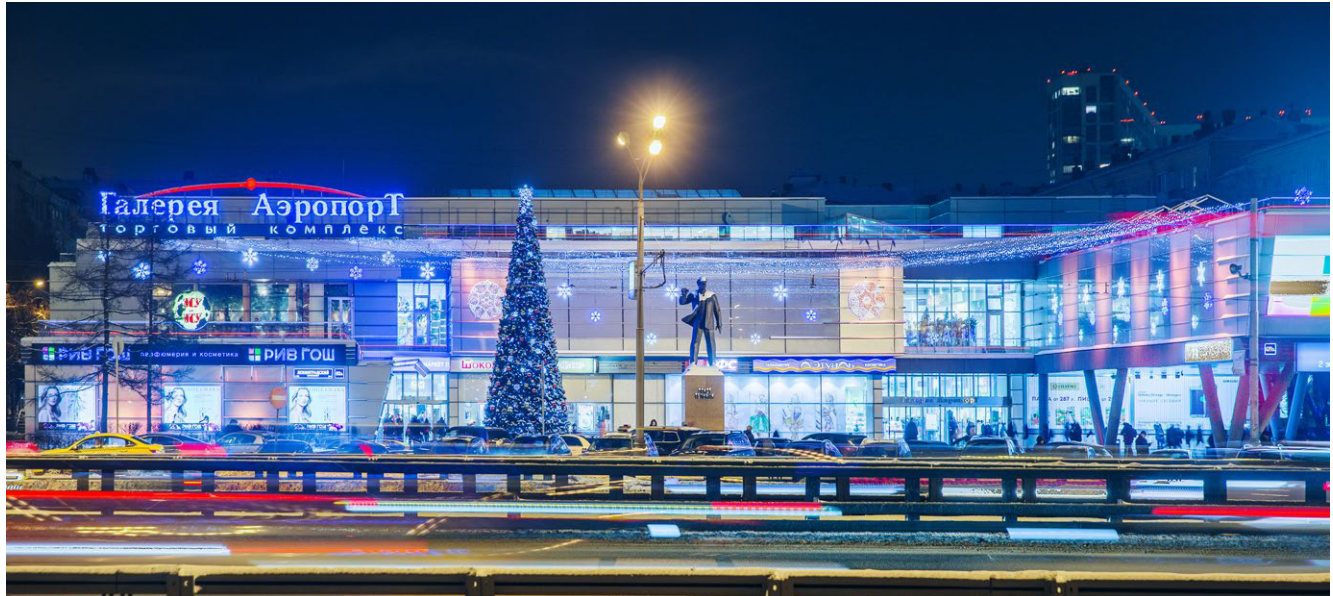
As of December 31, 2019, the building of Tulskey Mixed-Use Center having the fair value of 3,210,000 thousand roubles was pledged against the loan from Sberbank of Russia (PJSC) for the period of up to September 9, 2026.

As of December 31, 2019, the building of Kolomensky Shopping Center having the fair value of 1,654,000 thousand roubles and the building of Prazhsky Grad Shopping&Restaurant Center having the fair value of 692,000 thousand roubles were pledged against the loans from Sberbank of Russia (PJSC) for the period of up to June 14, 2028.

As of December 31, 2019, the building of PEROVO MALL Shopping and Entertainment Center having the fair value of 939,138 thousand roubles was pledged against the loan from Sberbank of Russia (PJSC) for the period of up to May 5, 2029.

As of December 31, 2019, the buildings of neighborhood shopping centers Shipilovsky, Chernomorsky, Krasny Mayak, Biryulevsky having the fair value of 733,478 thousand roubles were pledged against the loan from Sberbank of Russia (PJSC) for the period of up to July 9, 2028.

## Airport Gallery Shopping Center



**796,033** revenue  
thousand roubles

**7,833** market value  
million roubles

Address	Moscow, Leningradsky Prospect, 62a
Opened on	May 24, 2003
Total area	12,000 m <sup>2</sup>
Shopping floors	3
Parking	70 parking spaces
Service area	1,280,000 people
<b>Footfall</b>	<b>12+ million people per year</b>
Website	<a href="http://www.g-a.ru">www.g-a.ru</a>

Airport Gallery Shopping Center is located at Leningradsky Prospect in Moscow and features more than 90 stores, 13 restaurants and cafes: Miratorg food supermarket, L'Etoile, Chitay-Gorod, Sberbank, IL Patio, Planet Sushi, Shokoladnitsa, Moo-Moo, KFC, McDonalds.

It is noted as one of the best shopping centers in Moscow. Airport Gallery Shopping Center is the winner of prestigious awards, including:

- Best Shopping Center in Russia,
- Best Investment and Construction Project Completed in Moscow,
- Best Operating Shopping Center.



## Moskvorechie Shopping and Entertainment Center



**694,606** revenue  
thousand roubles

**6,573** market value  
million roubles

Address	Moscow, Kashirskoye Highway, 26
Opened on	March 6, 2014
Total area	30,000 m <sup>2</sup>
Shopping floors	3
Parking	600 parking spaces
Service area	2,366 thousand people
<b>Footfall</b>	<b>8 million people per year</b>
Website	www.moskvorechije.ru, www.мосворечье.pф

Moskvorechie Shopping and Entertainment Center is a modern shopping center located by "Kashirskaya" metro station and bounded by Kashirskoye Highway. Moskvorechie Shopping and Entertainment Center features 90 stores, 13 restaurants and cafes, Perekrestok supermarket, H&M, Reserved, Kari, M.Video, Detsky Mir, IL Patio, KFC, Burger King, Costa Coffee, McDonalds, #FARШ, as well as a family entertainment center.

Moskvorechie Shopping and Entertainment Center was honoured the prize of CRE Awards as the Best Shopping Center in Russia 2015a.

## Retail Park Shopping Center



**496,445** revenue  
thousand roubles

**4,300** market value  
million roubles

Address	Moscow, Varshavskoye Highway, 97
Opened on	December 15, 2005
Total area	47,000 m <sup>2</sup>
Shopping floors	2
Parking	1,100 parking spaces
Service area	1,700 thousand people
<b>Footfall</b>	<b>6 million people per year</b>
Website	<a href="http://www.retail-park.ru">www.retail-park.ru</a>

It is the first shopping center of the Retail Park format in Russia, with its main spaces being occupied by large stores. The shopping center features the stores of well-known global brands: AUCHAN, OBI, Adidas, 4 restaurants, as well as hypermarket STOLPLIT HOME, SportPoint, Familia, Kari.

Retail Park Shopping Center has many awards; among other titles, it is the winner of the "Best Shopping Center of Moscow" contest.



## Tulsky Mixed-Use Center



**396,388** revenue  
thousand roubles

**3,210** market value  
million roubles

Address	Moscow, Bolshaya Tulsкая Street, 11
Opened on	November 22, 2008
Total area	13,300 m <sup>2</sup>
Total floors	6
Shopping floors	2
Parking	69 parking spaces
Service area	510 thousand people
<b>Footfall</b>	<b>3 million people per year</b>
Office lots	20
Stores	15
Restaurants and cafes	8
Website	www.tulsky.ru

It is an example of upmarket commercial real estate building in the mixed-use segment, successfully combining A-grade business center, spacious shopping gallery, event zone and popular restaurants and cafes.

Tulsky Mixed-Use Center is easily accessible from any district of the city by public transport. Both employees of the offices and visitors of stores and restaurants enjoy its modern architecture, spacious premises, high-grade engineering equipment, and abundance of daylight.

The Center features 20 tenants of office spaces, including Panasonic, Elliott Group, E-COM, LEDVANCE, Infobip, De Fonseca.

Retail tenants: SPAR, Starbucks, Grabli, IL Patio, Cofix, #FARШ.

## Prazhsky Grad Shopping&Restaurant Center



**83,382** revenue  
thousand roubles

**692** market value  
million roubles

Address	Moscow, Kirovogradskaya Street, 24a
Opened on	June 20, 2007
Total area	3,000 m <sup>2</sup>
Shopping floors	3
Parking	50 parking spaces
Service area	562 thousand people
<b>Footfall</b>	<b>1.5 million people per year</b>
Restaurants and cafes	6
Website	<a href="http://www.pragsky-grad.ru">www.pragsky-grad.ru</a>

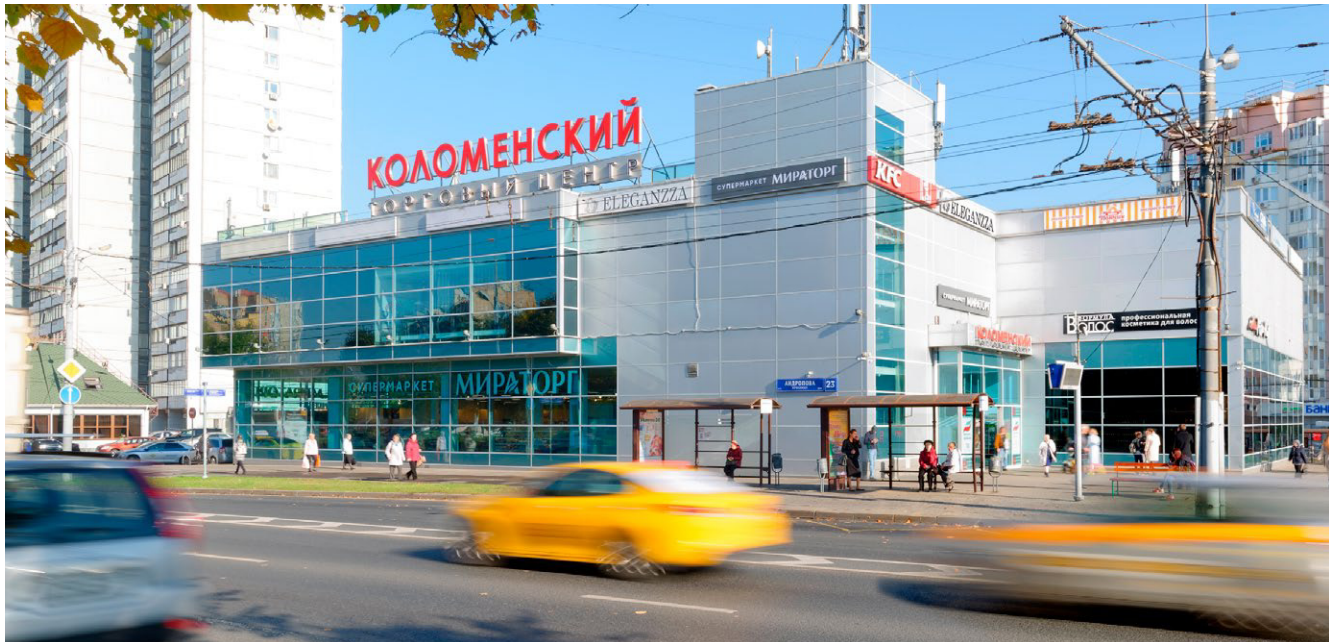
It is a unique upmarket shopping and restaurant complex located by Prazhskaya metro station.

The year of 2018 saw completion of the Prazhsky Grad Shopping & Restaurant Center reconceptualization and positioning.

Today Prazhsky Grad Shopping & Restaurant Center is a shopping center with a restaurant area that combines various restaurants and coffee bars which gives the local residents an opportunity to enjoy various cuisines at the same place in a modern and easily accessible location. The shopping center features 6 different concepts of food services: Japanese restaurant Yakitoriya, Czech beer restaurant, fast food restaurants BURGER KING and KFC, hookah lounge Moscow Hookah Lounge Chain, a summer terrace and Miratorg food supermarket.



## Kolomensky Shopping Center



**172,935** revenue  
thousand roubles

Address	Moscow, Prospekt Andropova, 23
Opened on	May 26, 2006
Total area	3,200 m <sup>2</sup>
Shopping floors	2
Parking	50 parking spaces
Service area	600 thousand people
<b>Footfall</b>	<b>4.1 million people per year</b>
Stores	20
Restaurants and cafes	6
Website	<a href="http://www.tc-kolomensky.ru">www.tc-kolomensky.ru</a>

**1,654** market value  
million roubles

A modern local shopping center, located by Kolomenskaya metro station in the residential area. The center features stores of convenience goods and services.

The shopping center also features popular stores, a supermarket, service sector companies, as well as restaurants and coffee bars. The shopping center is popular for everyday shopping and well accessible by own cars and public transport.

There are 20 stores, Miratorg food supermarket, and 3 restaurants: KFC, Pizza Hut, L'Etoile.

## PEROVO MALL Shopping and Entertainment Center



**114,609** revenue  
thousand roubles

Address	Moscow, Perovskaya Street, 61a
Opened on	March 3, 2018
Renovated	Q1 of 2018
Total area	13,500 m <sup>2</sup>
Total floors	6
Shopping floors	3
Parking	95 parking spaces
Service area	600 thousand people
<b>Footfall</b>	<b>2 million people per year</b>
Stores	20
Restaurants and cafes	2
Website	www.perovomall.ru

**939,138** market value  
thousand roubles

The family-oriented shopping and entertainment center, which was acquired at the end of 2017. The first stage of renovation took place in early 2018, including conceptual rebranding and modernization, as well as change of facades and internal layout. In 2019, the second stage of renovation was completed, resulting in the rentable area increase by 1,600 m<sup>2</sup>.

The most popular shopping and entertainment center in Novogireevo and Perovo districts is located on the first line of Perovskaya Street, surrounded by a large-scale residential development.

It features 20 stores, fitness-club, Perekrestok supermarket, Detsky Mir, Familia, 5 restaurants and cafes, including IL Patio, KFC, Pizza Hut, Costa Coffee, as well as family entertainment center Parkweek.



## Neighborhood Shopping Centers “Small”



**119,053** revenue  
thousand roubles

Total area	5,658.2 m <sup>2</sup>
Stores	20
Supermarkets	5
Restaurants and cafes	5
Website	<a href="http://www.small.msk.ru">www.small.msk.ru</a>

**1,340.05** market value  
thousand roubles

Neighborhood Shopping Centers “Small” is a group of residential and represents shopping centers under a single brand that features convenience goods and services stores. Shopping Centers “Small” are usually located in densely populated residential areas or areas under development stage, along major highways, near-by metro stations and public transport infrastructure. The Neighborhood shopping centers feature supermarkets, restaurants and cafes, pharmacies, consumer services center, dry cleaners, cosmetics, perfumery and convenience stores, mobile phone outlets, etc.

## 7 owned neighborhood shopping centers

Asset's name	Address
Small Proletarsky	Proletarsky Prospect, 2a
Small Biryulevsky	Biryulyovskaya Street, 26a
Small Chernomorsky	Chernomorsky Boulevard, 10
Small Krasny Mayak	Krasnogo Mayaka Street, 15
Small Shipilovsky	Shipilovskaya Street, 62a
Small Borisovsky	Borisovsky Passage, 46a
Small Kashirskiy	Kashirskoye Highway, 26

## Mixed-use building, Kolobovsky Lane, 19



**150** market value  
thousand roubles

Total area 411.3 m<sup>2</sup>

Floors 2

Tenants 1





#FARSH



Грабли

Panasonic

STARBUCKS COFFEE

ТОРГОВО-ДЕЛОВОЙ КОМПЛ

В. ПУШКИНА 11

STARBUCKS







# Sustainability

- 62 Key sustainability indicators for 2019
- 63 Our approach
- 64 Sustainability governance structure
- 66 Our sustainability journey – green bonds placement
- 67 Purpose of adoption of green technologies
- 68 Socially-oriented activities
- 69 Reduction of environmental footprint
- 67 Purpose of adoption of green technologies
- 68 Socially-oriented activities
- 69 Reduction of environmental footprint

## Key sustainability indicators for 2019

ENVIRONMENTAL STEWARDSHIP	
Total water consumption, m <sup>3</sup>	132,979
Discharged wastewater, m <sup>3</sup>	132,979
Waste generated, t	1,157.6
Electricity consumption, MW*h	32,234
Heat consumption, Gcal	10,951
SOCIAL ACTIVITIES	
Social events organized	72
Active participants	23,019
Social activities expenditure, million roubles	3.4

## Our approach

Garant-Invest Commercial Real Estate (JSC) strives to meet the best sustainability practices.

In 2019, we integrated the sustainability principles into the Corporate Strategy of Garant-Invest Commercial Real Estate (JSC) for 2020–2024, and also developed a separate Sustainability Strategy of Garant-Invest Commercial Real Estate (JSC).

As part of the work to improve the processes for management of such areas as environmental stewardship, stakeholder engagement, supply chain management and responsible investment, the Company updated a number of corporate documents and implemented new policies and regulations intended to optimize the process of sustainability management.

As part of the integration of sustainability principles into the Company's operational activities, we have developed the Corporate Social Responsibility Policy of Garant-Invest Commercial Real Estate (JSC), and updated the following policies:

- Financial Policy of Garant-Invest Commercial Real Estate (JSC);
- Risk Management Policy of Garant-Invest Commercial Real Estate (JSC);
- Information Policy of Garant-Invest Commercial Real Estate (JSC).

We have also revised other corporate documents regulating the Company's day-to-day operations:

- Investment Program of Garant-Invest Commercial Real Estate (JSC);
- Regulation on Rental Relations in Garant-Invest Commercial Real Estate (JSC);
- Corporate Governance Code of Garant-Invest Commercial Real Estate (JSC);
- Regulation on Strategy and Investment Committee of Garant-Invest Commercial Real Estate Joint Stock Company;
- Environmental Management Principles of Garant-Invest Commercial Real Estate (JSC).

In its activity Garant-Invest Commercial Real Estate (JSC) is promoting the Principles for Responsible Investment covering the relationship between environmental and social factors, corporate governance and investment activities. The Company correlates its business goals with public interests and takes into account ESG factors (environmental, social and governance).

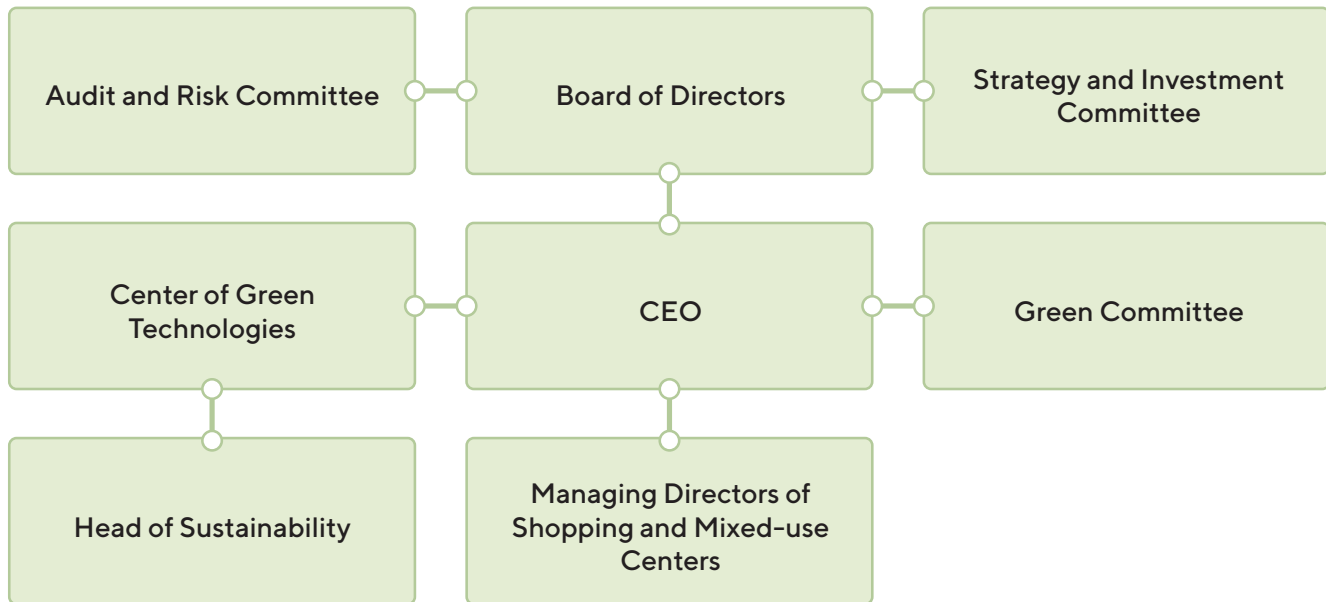


## Sustainability governance structure

In 2019, the structure of sustainability governance was optimized. To this effect, for the first time in 17 years, the Company organized a division, Center of Green Technologies, intended to manage existing practices and to develop fundamentally new areas of sustainability. The issues related to the Company's sus-

tainability practices are now regularly reviewed by the Board of Directors of Garant-Invest Commercial Real Estate (JSC), and by the Green Committee, advisory body was established and dedicated to the sustainability governance issues.

### Sustainability governance structure



Governance bodies of Garant-Invest Commercial Real Estate (JSC) regularly consider environmental and sustainability issues. The relevant rules are set out in the Regulations on the Board of Directors, the Regulations on Strategy and Investment Committee, the Corporate Governance Code, the Regulations on Green Committee and other regulatory documents.

## Sustainability Principles

- 1** Positive contribution to the well-being through innovative business development and use of green technologies

---

- 2** Occupational health and safety provision and investment in human capital development

---

- 3** Environmental stewardship and environmental footprint reduction

---

- 4** Efficient investment activity related to the development of real estate buildings with a focus on improving the competitiveness of Garant-Invest Commercial Real Estate (JSC) for the purposes of business and economy as a whole

---

- 5** Consideration of stakeholders' interest and a systematic approach to building long-term win-win partnerships based on business ethics

---

- 6** Contribution to the wellbeing and development of the areas in which Company operates

---

- 7** Public transparency and non-financial reporting



## Our sustainability journey – green bonds placement

One of the key achievements of the reporting year was the placement of green bonds for the purpose of financing the projects complying with the Green Bonds Principles (GBP 2018), published by the International Capital Markets Association (ICMA). The Company became the fourth issuer of green bonds in Russia according to ICMA, the third issuer at Moscow Exchange, and the first issuer in the commercial real estate sector.

On December 17, Garant-Invest Commercial Real Estate (JSC) placed 001P-06 exchange-traded bonds. The total volume of the placement was 500 million roubles with a maturity term of three years and a quarterly coupon at the rate of 11.5%. This is our first bonds placement in compliance with the Green Bonds Principles. The placement is included in the green bond segment of the Sustainability Sector of Moscow Stock Exchange, established to finance the projects in the field of ecology and environmental stewardship and socially oriented projects.

First, we have received an environmental opinion from Branan Environment regarding the Action Plan for renovation of real estate properties of Garant-Invest Commercial Real Estate (JSC) and the opinion from the National Association of Concessionaires and Long-Term Infrastructure Investors (NACLTI) based on the results of a comprehensive assessment of the documents and compliance of business procedures with the requirements for green financing. Compliance of the "green bonds" placement with the Green Bonds Principles is confirmed by the report of Expert RA (JSC), available on the Company's website.

The proceeds from placement of green bonds are used to renovate shopping and mixed-use centers by introducing energy-saving and environmentally friendly technologies within our investment Program RE for investment in order to implement the Company's Sustainability Strategy: to reduce negative environmental footprint, to improve comfort for residents, and to adopt green technologies into commercial real estate.

All arrangements in the process of retail assets renovation are focused on energy, water and heat saving, as well as improving the quality of the urban environment and infrastructure near the asset, including the extensive use of green technologies inside and outside shopping centers.

## Adoption of green technologies

**Currently, the following green technologies are used in the purchased retail assets under "Program RE", and for the renovation of own centers:**

- selection of energy-saving facade materials, thermal insulation materials;
- energy-efficient elevators, rolling stairs and auto-walks;
- eco-certified finishing and construction materials with a low environmental footprint;
- LED lighting;
- water saving appliances;
- heat recovery ventilation systems;
- consumption waste management systems;
- buildings control systems (centralized control and equipment automation).

**Garant-Invest Commercial Real Estate (JSC) is one of the first developers and owners of real estate, which implements green technologies in its assets. The implementation of such green technologies is aimed at:**

- reduction of emissions, including greenhouse gases;
- increase of energy efficiency and reduction of resource consumption;
- introduction of separate waste collection systems;
- landscaping of adjacent territories;
- reuse of materials.



## Socially oriented activities

Being a developer with 17 years of experience in managing retail assets, we strive to build our activities taking into account the interests of all stakeholders, enabling Garant-Invest Commercial Real Estate (JSC) create retail spaces equally convenient for visitors and tenants.

Among the key strategic goals of the Company we highlight the improvement of the quality of life of the residents within the districts where the retail assets under the management of Garant-Invest Commercial Real Estate (JSC) are located.

The priority of the Company's activity is to improve the well-being of the local communities. The Company pays great attention to get feedback from the visitors of our shopping centers, studies their preferences and behavior in order to switch promptly and to anticipate the needs and the wishes of the city residents.

We are actively engaged in social activities, striving to maximize our positive impact on the residents of the location of our assets and to mitigate any potential negative effects of our activities. In this regard, we are implementing a wide range of social and economic projects and initiatives: we implement charitable initiatives, donations, give sponsor support to social events and implement the projects to improve the living standards.

The Company's social investments make a significant contribution to creation of favorable and comfortable social environment in the districts of the assets

location and are based on the principles of transparency, open dialogue and involvement of all stakeholders: employees, tenants, contractors, suppliers and residents. We develop socially oriented activities in various areas, including the support to socially disadvantaged groups, cultural heritage preservation projects, and the projects cultivating the healthy lifestyle. In 2019, the main directions of socially oriented activities were:

- healthy lifestyle,
- programs for kids,
- veterans' support programs,
- cultural heritage protection,
- corporate culture.

In general, 72 events were held at the Company's assets in 2019, which were attended by more than 23 thousand people. The leaders among the assets of Garant-Invest Commercial Real Estate (JSC) in attracting the participants are Moskvorechie Shopping and Entertainment Center and PEROVO MALL Shopping and Entertainment Center. The most popular events were: Immortal Regiment campaign held by PEROVO MALL Shopping and Entertainment Center and Memorial Wall of Heroes campaign organized by Moskvorechie Shopping and Entertainment Center.

**For more information, see the Sustainability Report 2019.**

## Reduction of the environmental footprint

Maintaining a favorable environmental situation in the city and reducing the environmental footprint are among the key priorities of Garant-Invest Commercial Real Estate (JSC). We recognize our responsibility for the environmental condition and understand the need for the natural resources stewardship.

One of the priority goals of Garant-Invest Commercial Real Estate (JSC) is to mitigate the negative impact on the environment. The issues of energy efficiency and natural resources stewardship are an integral part of our business strategy.

### In our operational activity we are guided by the following principles:

- 1 Compliance with all requirements and norms of environmental legislation
- 2 Consideration of environmental requirements in the investment policy when redeveloping and developing the shopping centers
- 3 Natural resources stewardship and waste management
- 4 Compliance with environmental regulations by all employees
- 5 Improvement of environmental indicators of production processes
- 6 Regular monitoring of the current environmental footprint
- 7 Provision of systematic training, informing and involving the personnel into the environmental issues management
- 8 Informing the stakeholders about the environmental stewardship activities of the Company's enterprises

As part of "Program RE" for renovation, we strive to adopt modern and resource-efficient technologies. Adoption of green technologies makes it possible to use natural resources efficiently, to reduce the emissions, greenhouse gases, consumption of electricity, heat and water, and to improve energy efficiency. Adoption of green technologies also enables the waste sorting and landscaping areas adjacent to the assets.

In December 2019, we placed the first green bonds on the commercial real estate market in Russia. The funds raised from the placement are expected to be used to renovate commercial assets and to increase the energy efficiency, reducing heat, water and air resources consumption.

The Company has made a list of renovation activities to be financed, and has obtained an environmental expert opinion on a positive environmental effect from the planned activities (and reduction of the environmental footprint).









**МОСКВОРОС**  
ТОРГОВО-РАЗВЛЕКАТЕЛЬНЫЙ

ШОКОЛАД

МакДон

ноу-хау

ПЮ  
ВАС-Н







# Corporate governance

- 74 General information about corporate governance
- 80 Governance bodies
- 84 Members of the Board of Directors
- 88 Executive bodies
- 90 Anti-corruption and bribery and conflicts of interest
- 91 System of remuneration for the governance bodies
- 91 Risk management and internal control system

## General information about corporate governance

Corporate governance is a system of relations between the Company's executive bodies, the Board of Directors, the shareholders and other stakeholders. It is a tool for determining the goals of the entity, serves as a mean to achieve these goals and to ensure effective control by the shareholders and other stakeholders.

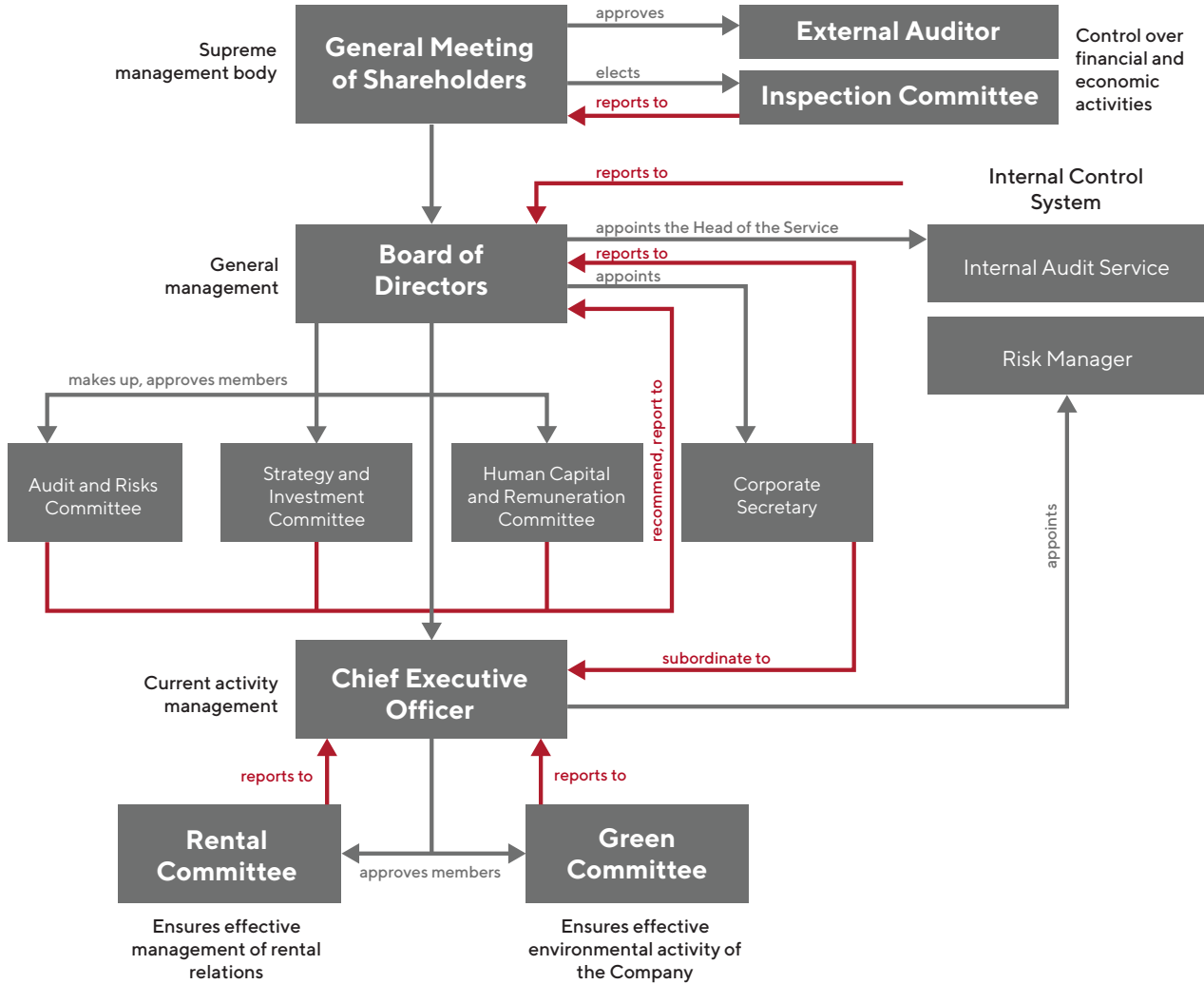
The corporate governance system of Garant-Invest Commercial Real Estate (JSC) reflects our vision of the Company in the future as one of the first public and socially responsible companies in the Russian commercial real estate market, with its activities determined by the goals of long-term sustainable development. The Company's corporate governance system meets the requirements of the Russian legislation and focuses on the best domestic and foreign practices and standards.

Building of this system is determined by the desire to ensure the confidence of shareholders, employees, customers and other stakeholders in effective and professional management. Approaches to arrangement of effective corporate governance, key principles and pro-

visions used by the Company are defined in the Corporate Governance Code of Garant-Invest Commercial Real Estate (JSC) as restated by the Board of Directors on October 7, 2019. At the same time, we recognize that changes in the external environment and new challenges faced by the Company, particularly in adoption of innovations and digital technologies, as well as the risks associated with these processes require prompt and sufficient "adjustment" of the corporate governance system.

Currently, as a non-public company, we are not required to comply with the recommendations set out in the Corporate Governance Code approved by the Bank of Russia on April 10, 2014. However, the Company strives to follow the provisions of this document in the main sections: Rights of Shareholders, Board of Directors, Corporate Secretary, Remuneration System, Risk Management System, Information Disclosure, Significant Corporate Actions. Compliance with the significant number of established criteria was achieved for most of them.

### Corporate governance structure of Garant-Invest Commercial Real Estate (JSC)





## Key principles of corporate governance

Equal and fair treatment of all shareholders in the exercise of their rights to participate in the management of the Company

Competence and responsibility of the members of the Board of Directors (acting for the benefit of the Company and its shareholders), accountability to the shareholders, sufficient number of independent directors available

Effective risk management and internal control system to ensure reasonable confidence in achieving the goals set

Information policy ensuring transparency of all aspects of business for shareholders, investors and other stakeholders

Full and prompt disclosure of information about significant corporate actions in accordance with legal requirements and the principles set out in the Corporate Governance Code of the Bank of Russia

Remuneration system for members of the Board of Directors and senior employees of executive bodies motivating them to work efficiently to achieve business goals

Continuous improvement of corporate governance practices in accordance with changes in legislation and current trends

## Key documents ensuring the observance of the rights of the Company's shareholders

- Articles of Association of the Company
- Regulation on General Meeting of Shareholders of the Company
- Regulation on the Board of Directors of Garant-Invest Commercial Real Estate (JSC)
- Corporate Governance Code of Garant-Invest Commercial Real Estate (JSC)
- Information Policy of Garant-Invest Commercial Real Estate (JSC)
- Dividend Policy of Garant-Invest Commercial Real Estate (JSC)

## Improvement of the corporate governance system

In 2019, the Company continued to implement the Corporate Governance Code of the Bank of Russia. The internal documents regulating corporate governance activities were supplemented or adjusted in accordance with the Code. The new versions of the following documents were approved at the meeting of the Board of Directors:

- Corporate Strategy of Garant-Invest Commercial Real Estate (JSC) for 2020–2024;
- Financial Policy of Garant-Invest Commercial Real Estate (JSC);
- Risk Management Policy of Garant-Invest Commercial Real Estate (JSC);
- Investment Program of Garant-Invest Commercial Real Estate (JSC);
- Regulation on Rental Relations in Garant-Invest Commercial Real Estate (JSC);
- Corporate Governance Code of Garant-Invest Commercial Real Estate (JSC);
- Regulation on Strategy and Investment Committee of Garant-Invest Commercial Real Estate (JSC);
- Information Policy of Garant-Invest Commercial Real Estate (JSC);
- Environmental Management Principles of Garant-Invest Commercial Real Estate (JSC);
- Order on Members and Operation of Green Committee of Garant-Invest Commercial Real Estate (JSC);
- Order on the Appointment of Responsible Employees for Procurement in Garant-Invest Commercial Real Estate (JSC);
- Regulation on Anti-Corruption Policy;
- Regulation on Remuneration and Compensation of Expenses to Members of the Board of Directors.

The performance of the Board of Directors, including the issues related to protection of shareholders' interests and risk management, requires independent directors among its members. Participation and contribution of independent directors to the activity of the Board of Directors increases the level of trust to the Company from the shareholders and the investment community, and improves the quality of strategic decisions. In 2019, the Board of Directors approved the Chairman of the Board, A.A. Gretsov, as an independent director in accordance with the independence criteria set by Moscow Exchange. Thus, two of five members of the Company's Board of Directors are independent, which is in accordance with the recommendations of the Code (at least 1/3 of the elected Board of Directors).

**Improvement of corporate governance will continue in two areas:**

- bringing certain internal documents to full conformity with the Corporate Governance Code of the Bank of Russia and using their provisions and norms in day-to-day practices;
- management of subordinated entities. Interaction with subordinated entities is aimed at implementation of the strategy and improvement of their investment attractiveness as holders of the Company's most valuable assets.

In the future, this activity will be closely linked to integration of other sustainability principles 'ESG' (environmental, social and governance factors) with the general corporate strategy. These have already been taken into account in the new version of the strategy.

## Interaction with shareholders and investors

During the reporting year, the Company actively interacted with the shareholders and the holders of issued bonds in order to provide the most complete and high-quality information on various aspects of the Company's activities and financial results. In accordance with the legislation of the Russian Federation and the Regulation on the Information Policy of Garant-Invest Commercial Real Estate (JSC), the Company provides

prompt disclosure of the reliable information about all significant facts related to its activities, including its financial position, operating results, ownership structure and management of the Company, as well as free access to such information for all stakeholders. The Company discloses all information on the Internet page of Interfax-CIDC (LLC) – a news agency accredited by the Bank of Russia for information disclosure.

As part of interaction with the investment community, the following events were held:

- presentations of "Program RE" for investment in the course of personal meetings of the Company's CEO and the principal beneficiary Panfilov A.Yu. with investors in 12 cities of the Russian Federation;
- presentations of the Company's investment activities and expected bond issues, including green ones, for investors with involvement of analysts, leading brokerage and consulting companies, institutional and private investors;
- rating meetings with the leading rating agencies of the country (ACRA, Expert RA) on the issues of the Company's operational and investment activities, for obtaining expert opinions in the process of green bonds placement;
- participation of the Company's top managers and key employees as the speakers in numerous industry-specific conferences;
- participation in the largest exhibitions of retail real estate MAPIC in France and in Russia.

## Governance bodies

### General Meeting of Shareholders

In accordance with the legislation of the Russian Federation, the Articles of Association of Garant-Invest Commercial Real Estate (JSC), and the Regulation on the procedure for convening and holding the General Meeting of Shareholders by the Supreme Governance body, the annual General Meeting of Shareholders was held on May 30, 2019, with a quorum of 100%.

Among other issues the following ones were considered: on approval of the Company's annual report; on election of the Company's Board of Directors; on approval of the consolidated financial statements in accordance with IFRS by the auditor; on distribution of profits (including the payment of dividends). In the reporting year, three extraordinary General Meetings of Shareholders were held to consider the subsequent approval of major transactions and interested-party transactions.

### Board of Directors

The Company's Board of Directors recognizes that the quality of corporate governance directly affects the investment attractiveness and value of the Company. The Board of Directors performs strategic management of the Company, determines its main principles and approaches to organization of the risk management and internal control system, monitors the activities of the executive bodies, determines the Company's goals (mission), and affects the Company's corporate culture and values.

The Board of Directors monitors corporate governance practices and plays a key role in the Company's significant corporate events. The Board of Directors is also involved in some of the most important operational issues, such as the sustainable operation of real estate buildings – the Company's most valuable assets. The key priority of the Board of Directors is the long-term sustainable development of the Company.

In accordance with the Corporate Governance Code of the Bank of Russia and the Regulation on the Board of Directors approved by the General Meeting of Shareholders (Minutes of the Meeting No. 3/2018 dated August 13, 2018), the principal tasks of the Board of Directors are:

- participation in development and approval of the Company's long-term development strategy the implementation of which enables to achieve targeted operational and financial indicators and to create economic value. Creation of the Company's business model;
- consideration and approval of business plans, operational and investment budgets prepared by the executive bodies and the reports regarding their utilization;
- formation of efficient executive bodies and ensuring effective control over their activities;
- determination of principles and approaches to organization of the risk management and internal control system;
- development and adoption of the Policy for remuneration and compensation of expenses to the members of the Board of Directors, executive bodies and key employees of the Company;
- identification and settlement of internal conflicts between the governance bodies, shareholders and employees of the Company;
- ensuring transparency of the Company's activities, disclosure of the information in full and in a timely manner, providing free access to the information for the shareholders and other stakeholders;



- control over corporate governance practices and representing a key role in significant corporate events of the Company;
- accountability to the Company's shareholders, acting for the benefit of the Company and a wide range of stakeholders;
- formation of the Company's dividend policy, submitting proposals on the amount of dividends and the procedure for payment to the General Meeting of Shareholders for approval;
- submission of proposals to the General Meeting of Shareholders concerning the appointment of the Company's auditor.
- consideration and preliminary approval of the drafts of Company's annual reports, annual accounting statements, and profit and loss statements;
- consideration of the reports on the results of audits and submission of proposals based on the audit materials to the shareholders.

The Company regards the Board of Directors both as one of the most important elements of the corporate governance system and as an institution for business movement to the capital markets. In 2019, the Board of Directors based its activity on the basic principles and trends in international corporate governance practices:

- achievement of consistency between the Company's goals and its strategy, corporate culture and values. The healthy corporate culture is regarded by the Board of Directors as one of the competitive advantages.
- The Board of Directors provides a balance of expertise, experience, skills and knowledge required by the Company at each stage of development. Each Director has the opportunity and is able to contribute to the efficient work of the Board of Directors. Systematic assessment of the performance of the Board of Directors.
- The Board of Directors understands its rights, obligations and responsibilities to shareholders, investors and other stakeholders. The approved policies and procedures support an effective decision-making process. The Board of Directors strives to create and maintain good corporate governance practices.
- The activity of the Board of Directors is focused on the long-term and successful development of the Company, generating and maintaining economic value. In this regard, special attention is paid to risks (including those related to climate change) and opportunities for growth. The Board of Directors is responsible for development of the strategic decision-making processes and effective risk management.
- The Board of Directors encourages its members, top managers and key executive employees of the Company to achieve targeted performance results and to implement the strategy within the current corporate culture and values through creation of an effective remuneration system.
- The Board of Directors strives to build effective relationships and meaningful dialogue with shareholders, investors, employees, contractors, creditors, customers, government authorities and city residents, and to take their interests into account when making strategic decisions.

The meetings of the Board of Directors are held in accordance with the action plan approved for a period of up to six months. The action plan includes the issues related to development, updating and monitoring of strategy implementation, approval of operating budgets and investment plans, performance reports, functioning of the risk management system and HC-related issues. Extraordinary meetings were held to make decisions on the issues that could not be included in the meeting agenda, but required prompt decision-making.

In the reporting year, 12 meetings of the Board of Directors were held. All meetings were held in person, evidencing the responsible attitude of the members of the Board of Directors to their duties. Information about the meetings of the Board of Directors was promptly disclosed on the relevant Internet resources and the Company's website.

The Board of Directors focused especially on the issues of sustainability and implementation of ESG principles into the corporate governance practice. The Board of Directors believes that addressing environmental and social issues is important for maintaining long-term competitiveness.

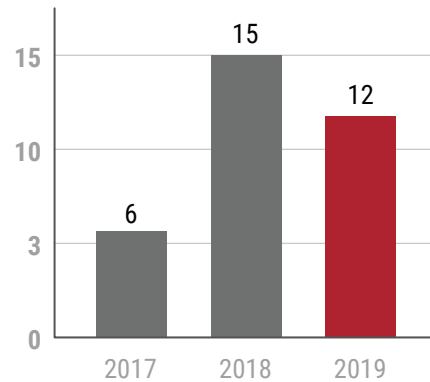
By integration of the sustainability principles with the overall strategic planning process of the Company, the Board of Directors monitors the implementation of the Sustainability Strategy, as well as all other strategic initiatives significant for long-term success of the Company. The most important issues related to this area and discussed at the meetings of the Board of Directors were: Sustainability Strategy, green technologies and green bonds program, approval of the Sustainability Strategy of Garant-Invest Commercial Real Estate (JSC) as amended.

**Based on the sustainability principles, the Board of Directors when making strategic decisions takes into account in addition to business goals:**

- long-term effects of such decisions;
- interests of the employees and the city residents;
- the need to build partner relations with suppliers and customers;
- environmental footprint of operating and investment;
- intention to maintain the Company's reputation as a company having high business standards.

The important event in the Company's corporate governance practice in the reporting year was the decision to conduct self-assessment of the performance of the Board of Directors. For this purpose, in accordance with the recommendations of the Bank of Russia, an appropriate questionnaire was made. The questionnaire provides an opportunity for the members of the Board of Directors to assess the performance of the collective governance body according to a large number of criteria, from the composition and the structure to the quality of preparation and conducting the meetings. One of the purposes of this self-assessment is to understand how the collective qualifications of the Board of Directors can be improved. The assessment results will be discussed at a separate meeting of the Board of Directors in 2020.

Number of the meetings of the Board of Directors



Issues discussed by the Board of Directors, %



- **42%** Approval of transactions
- **5%** Strategic and sustainable development (EGS)
- **11%** Consideration of the financial results of the activities
- **10%** Approval of internal documents
- **24%** Corporate governance practices
- **3%** Information technologies, cyber threat prevention
- **5%** Risk management

## Members of the Board of Directors

The Board of Directors was elected at the annual General Meeting of Shareholders held on May 30, 2019.

### **GRETSOV ANDREY ANATOLYEVICH**

---

Chairman of the Board of Directors, Independent Director

YEAR OF BIRTH: 1959

#### EDUCATION

1984 – Kiev Institute of National Economy n.a. D.S. Korotchenko, major Banking and Finance, qualification Economist.

1990 – graduate school of Kiev Institute of National Economy n.a. D.S. Korotchenko.

2009 – London School of Business, Senior Executive Program.

2017 – Institute of Directors of the United Kingdom, Chartered Director.

### **PANFILOV ALEKSEY YURIEVICH**

---

Executive Director

YEAR OF BIRTH: 1972

#### EDUCATION

1995 – State Technical University n.a. N.E. Bauman, major Electronic Engineering.

1995 – Sedicom International Management and Business Center (Eindhoven, Netherlands), Financial Management, practical training at ABN-AMRO Bank (Netherlands).

1997 – Higher School of Economics (the State University of the Russian Ministry of Economic Development and the Russian Ministry of Education), major Banking and Finance.

## KASYANOV IGOR LEONIDOVICH

---

Non-executive Director

YEAR OF BIRTH: 1958

### EDUCATION

1982 – Moscow Institute of Electronic Engineering, major Electronic Computing Machines.

1991 – degree of Candidate of Physical and Mathematical Sciences of Moscow Aviation Institute n.a. S. Ordzhonikidze.

2000 – Academy of National Economy under the Government of the Russian Federation, major Banking and Finance, qualification Economist.

## KOZOVY ARTYOM GENNADIEVICH

---

Non-executive Director

YEAR OF BIRTH: 1981

### EDUCATION

2003 – Russian University of Economic n.a. G.V. Plekhanov, major Banking and Finance.

## BORISOV ALEKSANDR IVANOVICH

---

Independent Director

YEAR OF BIRTH: 1945

### EDUCATION

1970 – Military Institute of Foreign Languages.

1986 – further professional training course at the Municipal Management Institute.

1994 – further professional training course at the Academy of National Economy of the USSR in Moscow.

1996 – study at Hanyang University in Seoul (South Korea).



## Committees of the Board of Directors

There are three special-purpose committees under the Board of Directors of Garant-Invest Commercial Real Estate (JSC) for preliminary detailed consideration of the most important issues, for improvement

of the effectiveness of the decisions made and for preparing the relevant recommendations: Strategy and Investment Committee. Audit and Risks Committee, Human Capital and Remuneration Committee

## Audit and Risks Committee

Is reorganized from the Risks Management Committee by the decision of the Board of Directors (Minutes No. 7 dated August 14, 2018) Headed by Independent Director - Borisov A.I.

The matters reserved to the Audit and Risks Committee include:

- Formulating proposals on risk monitoring, development, monitoring and updating the list of key risks in the Company's activities;
- Consideration of the current issues concerning creation and improvement of the risk management system (RMS);
- Ensuring efficiency of systems and processes of internal control in respect of the procedure for compiling and presenting accounting (financial) statements and internal (management) reports, monitoring the fulfillment of the requirements of the legislation of the Russian Federation, as well as of the internal documents of the Company, ensuring the assets safety;
- Analysis of the reports of the Internal Audit Service concerning implementation of the audit plans;
- Preparation of recommendations to the Company's governance bodies concerning external audits and selection of external auditors;
- Ensuring initiation of the measures in a timely manner to eliminate the defects of the internal audit system and violations of the requirements of the legislation of the Russian Federation, of the Company's internal documents and other deficiencies identified by external and internal auditors;
- Preliminary consideration of the risk management strategy, analysis of control over the most significant risks and monitoring of implementation of the set procedure;
- Providing the Board of Directors and the shareholders with complete information about risks (preparing risk sheets and other regular reporting);
- Constant monitoring of the level and the state of the risks of the real estate market, first of all the commercial real estate.

**4 meetings held, 5 issues considered.**

## Strategy and Investment Committee

It was reorganized from the Investment Committee by the decision of the Board of Directors (Minutes No. 7 dated August 14, 2018). The matters reserved to the Strategy and Investment Committee include:

- Determining the priority areas of activity, reviewing medium-term and long-term programs for development, investment program, business plans and reports on execution of business plans, results of financial and economic activity of the Company as a whole and its subsidiaries;
- Reviewing the proposals for joint projects with strategic partners;
- Implementing the measures for improvement/optimization of the activities of the Company and subordinated entities according to financial indicators;
- Participation and termination of participation in other entities;
- Determining the dividend policy;
- Increase of the authorized capital through placement of additional shares constituting no more than 25% of previously placed ordinary shares of the Company;
- Placement of bonds and other emission securities by the Company;
- Preparing the reports upon request of the Board of Directors of the Company, or recommendations upon its own initiative on certain issues within the competence of the Committee.

**5 meetings held, 6 issues considered.**

## Human Capital and Remuneration Committee

It was established by the decision of the Board of Directors (Minutes No. 7, dated August 14, 2018). The matters reserved to the Human Capital and Remuneration Committee include:

- Developing recommendations on the amount of remunerations for the Members of the Board of the Company;
- Evaluation of the activities of the person performing the functions of the sole executive body (managing entity, manager) and the members of the collegial executive body of the Company;
- Determining the terms of the agreements with the members of the collegial executive body and the person performing the functions of the sole executive body of the Company;
- Determining the criteria for selecting the candidates for the collegial executive body, to the position of the sole executive body of the Company and other certain positions in the executive structure of the Company.

**3 meetings held, 5 issues considered.**

In 2019, two meetings of the Human Capital and Remuneration Committee were held, where, among other issues, the need/ lack of need to form a list of additional competencies of the members of the Board of Directors were considered, the recommendations were made to the Board of Directors on the issue of recognizing the Chairman of the Board of Directors A.A. Gretsov as an Independent Director.

## Executive governance bodies

### Chief Executive Officer

The management of the current activities of the Company is performed by a sole executive body, the Chief Executive Officer, Aleksey Yurievich Panfilov.

By the decision of the Board of Directors (Minutes No. 21 dated July 18, 2019), the powers of the Chief Executive Officer, Panfilov A.Yu. were extended until August 2, 2022 inclusive.

The activity of the Chief Executive Officer, his functions and competencies, rights, duties and responsibilities are regulated by the legislation of the Russian Federation, by the Company's Articles of Association, and the terms of the agreement concluded with the Chief Executive Officer of the Company.

### Green Committee under the Chief Executive Officer

It was established by the decision of the Chief Executive Officer (Order No. 15/1, dated October 9, 2019).

The Green Committee is chaired by the Chief Executive Officer. The Green Committee is an advisory body formed to organize joint actions of managers, employees in charge and engaged experts to ensure effective environmental activities of the Company for adoption of green technologies.

The matters reserved to the Green Committee include:

- Development of a program of activities of the Company and its subsidiaries based on the proposals of the Committee members and intended to reduce negative environmental footprint (green technologies);
- Evaluation of the projects financed by the issue of green bonds for compliance with the requirements of the Green Bond Principles;
- Development of approaches to information disclosure and preliminary consideration of the reporting on the results of the measures intended to reduce negative environmental footprint (green technologies);

- Preliminary review of financial statements concerning the use of proceeds from the placement of the green bonds;
- Preliminary review of non-financial statements concerning the sustainability and implementation of measures intended to reduce negative environmental footprint;
- Information exchange (provision, discussion and analysis of the information) between the Committee members and the employees in charge on day-to-day activity;
- Review of the results of inspections and examinations, certifications, and other activities;
- Informing the responsible employees of the Company and its subsidiaries about the Company's activities in the field of green technologies;
- Other issues in the field of ecology, the environmental footprint of the Company's activities, and adoption of green technologies.

**4 meetings held, more than 20 issues considered.**

## Rental Committee under the Chief Executive Officer

It was established by the decision of the Chief Executive Officer (Order No. 1/1vn, dated January 14, 2016).

The Rental Committee is chaired by the Chief Executive Officer. The Rental Committee is an advisory body composed of the heads of the Rental Department and the heads of the shopping centers. The matters reserved to the Rental Committee include:

- Making decisions concerning selection of the tenants, extension of the relations with the tenants, establishing rental relations and approving the terms thereof;
- Implementation and control over execution of the decisions taken with regard to relations with potential and existing tenants;
- Information exchange between the Committee members concerning the day-to-day work with potential and existing tenants;
- Proposals for modification (combination/ separation) of the lots, conducting construction, assembly and finishing works to prepare the lots for rent;
- Indirect income, key events of the month, held and scheduled events and promotions.

**41 meetings held, 287 issues considered.**

## Anti-corruption and bribery and conflicts of interest

The Company's Board of Directors plays a key role in preventing, revealing and settling the internal conflicts between governance bodies, shareholders, and employees.

The Company has established a system for identifying the transactions related to conflicts of interest and a system of measures to settle such conflicts. According to the relevant procedures, the members of the Board of Directors shall:

- in case of any potential conflict of interest, including in case of any interest in entering into any transaction, inform the Board of Directors of the Company, the Chairman of the Board of Directors or the Corporate Secretary of the Company in writing before the discussion of the issue involving the conflict of interest for the members of the Board of Directors;
  - refrain from any action that will cause or potentially is able to cause the conflict of interest;
  - refrain from voting on the issues involving the conflict of interest for the members of the Board of Directors, and if the nature of the issue discussed or the specifics of the conflict of interest so require, shall not be present during the discussion of this issue at the meeting of the Board of Directors;
  - inform the Chairman of the Board of Directors and (or) the Corporate Secretary of the Company about the persons related to and affiliated with the director;
  - inform the Board of Directors of the Company about the ownership of the Company's securities and the securities (shares) of the subordinated entities, about the intention to execute transactions with the Company's securities and (or) the securities (shares) of the subordinated entities, as well as about the transactions executed by the director with such securities (shares);
  - shall not accept gifts from the parties interested in the decisions made by the Board of Directors of the Company and shall not use any other direct or indirect benefits offered by such parties (except for tokens of attention in accordance with common courtesy or souvenirs when conducting official events).
- In order to mitigate the corruption risks, the Board of Directors approved the Anti-Corruption Policy of the Company in the reporting year.



## Governance bodies remuneration

The system of remuneration adopted by the Company is based on the following basic principles: transparency, publicity, relevance of the amount of individual remuneration to the results achieved as well as to the nature and scope of the Company’s business, to the performance of the Company and to level of risks assumed.

In the reporting year, based on these principles the Board of Directors developed and approved the Regulation on remuneration and compensation to the members of the Board of Directors.

The activity of the Board of Directors on these issues will focus on improving the system of remuner-

ation to the Company’s executive bodies and key employees. The Board of Directors will review the mechanisms and criteria for determining the amount of remuneration, payment procedures, and individual and corporate comprehensive performance indicators enabling to take into account the contribution of the management and key employees to the Company’s performance. This will contribute to greater interest of the governance bodies in achievement of the short-term results and long-term goals by the Company.

## Risk management and internal control system

The Company considers the risk management as one of the important components of long-term strategic management, increase of the Company's value and improvement of the operating efficiency of its activities. The risk management system is focused on prompt identification of risks to reduce the probability and the scope of potential losses.



## Key risks

The Company identifies and classifies the risks into five basic groups. All the risk groups are subject to regular monitoring.

### **GROUP I: STRATEGIC RISKS -**

The risks caused by uncertainty factors in strategic and business planning.

This group of risks includes the following global risks:

- political: state policy, domestic political situation;
- economical: the inflation rate, decline in real income of the population, decline in the consumer purchasing power, slowdown in economic growth.

### **GROUP II: FINANCIAL RISKS -**

The risks related to the probability of financial losses, occurrence of the negative effects in a form of decline in profit, loss of income or capital.

This group of risks includes:

- liquidity risk;
- credit risk;
- interest rate risk;
- exchange rate risk.

### **GROUP III: OPERATIONAL RISKS -**

The risks inherent to specific business processes, dependent mostly on the factors of the Company's internal environment or its industry-specific particularities.

This group of risks includes:

- the risks related to changes in ratio of demand to offer (B2B and B2C): increased vacancy rate; lack of the balance in the tenant portfolio; decline in footfall through the shopping centers;
- the risks related to competitive environment;
- the risks related to relationships with the tenants: growth of overdue rental payments; early termination of rental agreements ("lost profit"); change in the structure of rental rate; change in the currency of rental rate;
- the risks related to project implementation: capital construction, renovation, etc.;
- the risks related to physical and technological obsolescence of buildings and equipment: growth of emergencies related to equipment, decrease in competitive advantages compared to other shopping centers, decrease in popularity among visitors;
- the risks related to changes in prices for services and equipment used by the Company and its subsidiaries;
- technological risks: servicing of the rental areas; operation of escalators and elevators, engineering and other equipment;
- HC policy risks;
- image risks: reputational risks;
- environmental risks.

**GROUP IV: INFORMATION SECURITY RISKS -**

the risks related to the danger of damages or losses as a result of the use of information technologies by the Company, including loss of information that is important for the Company, as well as related to generation, transfer, storage and application of data using electronic media and other tools of communication.

This group of risks includes:

- the risks related to information integrity;
- the risks of providing with necessary resources: software; information; equipment;
- the risks related to information management.

**GROUP V: LEGAL RISKS -**

the risks related to compliance with legal requirements, including, inter alia, property management and corporate governance issues.

This group of risks includes:

- the risks related to changes in legislation applicable to the industry (real estate);
- the risks related to changes in legislation concerning tax regulation;
- the risks related to changes in legislation concerning currency regulation;
- the risks related to interaction with government authorities.

Besides, the ground for classification is the significance of the risk (degree of exposure):

- **Critical risks** are the risks threatening the stable functioning of the Company and its subsidiaries. Stable functioning is understood as ensuring investment attractiveness, efficiency and profitability of the Company, reliable power supply, implementation of all the business processes of the Company. The issues related to consideration and making decisions to mitigate the critical risks are reserved to the Board of Directors of the Company.
- **High risks** are the risks substantially impacting the results of financial and economic activity of the Company and its subsidiaries and are able to make the Company's stable functioning significantly worse. Stable functioning is understood as ensuring investment attractiveness, efficiency and profitability of the Company, reliable power supply, implementation of all the business processes of the Company. The issues related to consideration and making decisions to mitigate the substantial risks are reserved to the Board of Directors of the Company.
- **Average risks** are the risks able to significantly impact on the results of the Company's activities, but will not cause destabilization of its activities. Consideration and making decisions to mitigate the substantial risks are reserved to the Board of Directors, the Audit and Risks Committee and the executive bodies of the Company (sole executive body).
- **Insignificant and negligent risks** are the risks of an acceptable level controlled by the line management of the Company and its subsidiaries.

## Stages of risk management

- 1** **Analysis and collection of the documents.**  
We analyze available information, business processes of the Company and its subsidiaries.
- 2** **Creation of risk registers and passports.**  
We identify and record situations and events able to cause negative effects for the Company and its subsidiaries.  
We determine the risk management activities.
- 3** **Identification of risk appetite.**  
We determine the ability of the Company and its subsidiaries to assume certain risks in order to achieve strategic goals.
- 4** **Risk Assessment.**  
We analyze the risks identified in order to determine their potential impact upon the Company, assess the probability of their occurrence.
- 5** **Risk reporting.**  
We submit the reporting information to the management.

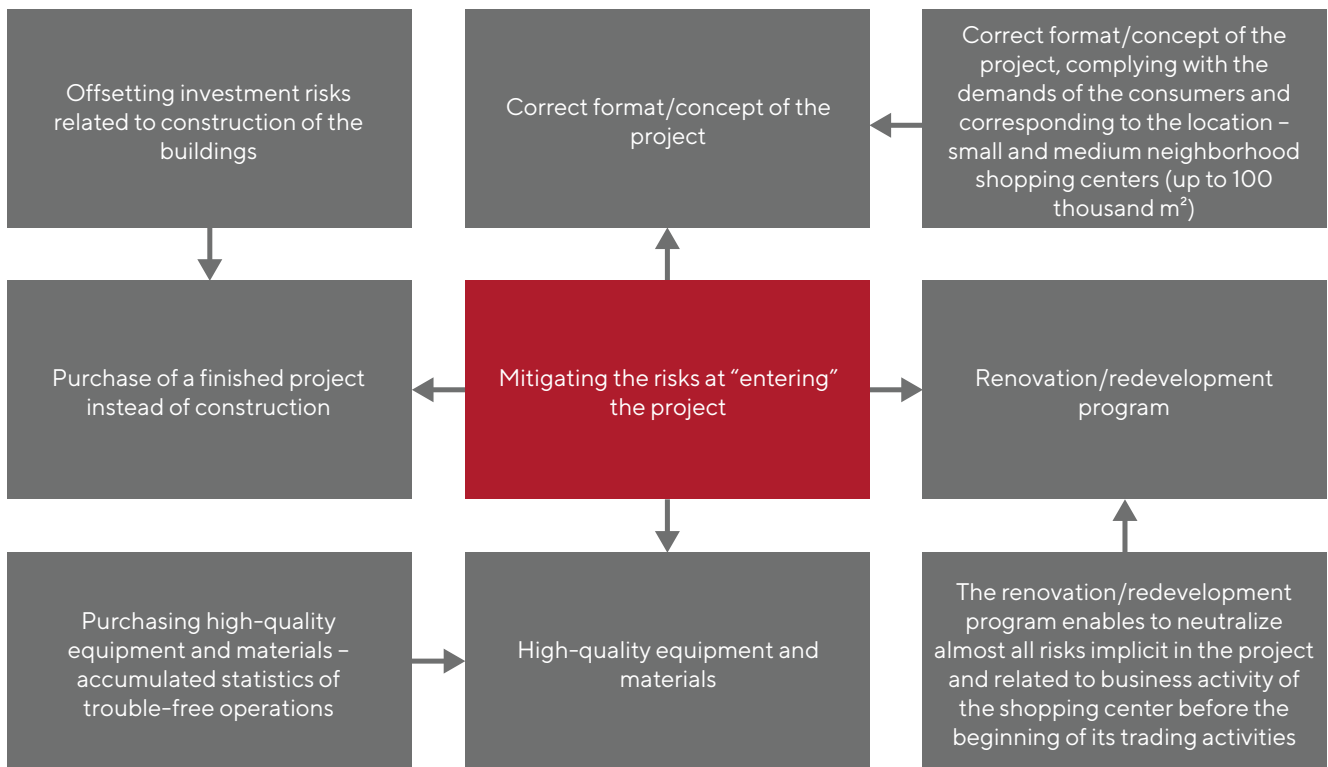
### Risk management methods

- Risk reduction: reduction of the potential impact (damage) caused by occurrence of the risk or probability of occurrence, or both.
- Risk transfer: transfer of potential impact (damage) caused by occurrence of the risk to a third party (insurance, hedging, etc.).
- Risk assumption: a method that does not involve the development of risk management measures.

This method is used, where the level of risk before any mitigation measures has no significant impact upon the activities of the Company or of its subsidiaries.

- Risk avoidance: refusal to perform any actions or activities causing the risks.

### Mitigation of investment risks





## Internal Control System

Internal control over the Company's financial and economic activities is carried out by the Inspection Committee, the Audit and Risks Committee and the Internal Audit Service. Internal control activities are focused on ensuring maximum transparency, economic efficiency and compliance of all aspects of the Company's activities with legal requirements.

## Inspection Committee

The Inspection Committee was elected by the annual General Meeting of Shareholders on May 30, 2019 (Minutes No. 7 dated June 4, 2019). In accordance with the Federal Law "On Joint-Stock Companies" and the Company's Articles of Association, the matters reserved to the Inspection Committee include:

- inspection (audit) of financial and economic activities of the Company;
  - verification of the data contained in the annual report, annual accounting (financial) statements of the Company;
  - audit of compliance with the procedures for accounting and submission of the accounting (financial) statements established by the legal acts of the Russian Federation and with the legal acts of the Russian Federation concerning the financial and economic activity.
- coordination of risk management processes;
  - development and adoption of regulatory and methodological documents in the field of risk management;
  - analysis (assessment) of risks and preparation of proposals to control them;
  - participation in risk appetite development and monitoring;
  - monitoring of compliance with acceptable values (limits);
  - risk reporting, as well as informing the Company's governance bodies about the efficiency of the risk management process and other issues stipulated by internal regulatory documents in the field of risk management;
  - operational and analytical support to the activities of the collegial executive bodies in the field of risk management;
  - arrangement of trainings for employees in the field of risk management system.

In order to improve the risk management system, monitoring and control over the most significant risks, the Company's organizational structure provides for the position of Risk Manager. In accordance with the Company's Risk Management Policy approved by the Board of Directors on October 4, 2019 (Minutes No. 24 dated October 7, 2019), the matters reserved to the Risk Manager include:

## Internal Audit Service

In accordance with the Regulation on the Company's Internal Audit Division approved by the Board of Directors on November 8, 2018 (Minutes No. 14 dated November 8, 2018), the matters reserved to the Internal Audit Service include:

- verification and evaluation of the sufficiency and efficiency of the internal control system as a whole;
- verification of the efficiency and functioning of the system of control over various risk types, including on a consolidated basis;
- verification of reliability, completeness and expediency of accounting and reporting;
- verification of compliance with the requirements of the legislation of the Russian Federation and other acts of regulatory and supervisory authorities;
- verification of sufficiency and reliability of internal system of control over automated information systems;
- ensuring the consistency of approaches to arrangement of internal control in subsidiaries being part of the Company's structure, collection of information about its status and development of recommendations for improvement.



СБІРБАНК

КФС  
ПРЕДПРИЯТТЯ ВИСЬОКОГО ОБСЛУГОВУВАННЯ

ПАРФЮМЕРИЯ

Аэтуаль

КОСМЕТИКА

Галерея Аэропорт





# Additional Information

- 100 Reporting on major transactions
- 104 Reporting on Interested Party transactions
- 110 Consolidated financial statements including Auditor's report
- 117 About the Report
- 118 Contact details

## Reporting on major transactions

Before April 1, 2020 in case of transactions made before April 1, 2020

TRANSACTION DATE	SUBJECT OF TRANSACTION	TRANSACTION PARTIES AND BENEFICIARIES
March 13, 2019	The refundable loan granted by the Issuer (hereinafter - the Creditor) to Garant-Invest Development, Limited Liability Company (PSRN 1047797011899, TIN 7709584581) (hereinafter - the Borrower) under Loan Agreement No. 1/2019-3 dated March 13, 2019	Creditor - Issuer, Borrower - Garant-Invest Development, Limited Liability Company
March 13, 2019	Related transactions involving the placement by the Issuer (sale to the first owners) of 001P-05 exchange-traded bonds series, international securities identification code (number) (ISIN) RU000A1005T9 (hereinafter - the Exchange-traded bonds) during the placement period established by the Bond program and the Terms of the Exchange-traded bonds issue in the amount of 6,000,000 shares at the value of 1,000 roubles per each Exchange-traded bond plus ACI as of the date of purchase, calculated as provided for by the Bond program and the Terms of the Exchange-traded bonds issue	Issuer - Seller of the Exchange-traded bonds; BrokerCreditService, Limited Liability Company - Underwriter (intermediary in the placement), acting at the expense and on behalf of the Issuer; trading participants of Moscow Exchange (PJSC), being the purchasers of the Exchange-traded bonds and (or) acting at the expense of the purchasers of the Exchange-traded bonds; the purchasers of the Exchange-traded bonds
March 14, 2019	Related transactions involving the placement by the Issuer (sale to the first owners) of 001P-05 exchange-traded bonds series, international securities identification code (number) (ISIN) RU000A1005T9 (hereinafter - the Exchange-traded bonds) during the placement period established by the Bond program and the Terms of the Exchange-traded bonds issue in the amount of 6,000,000 shares at the value of 1,000 roubles per each Exchange-traded bond plus ACI as of the date of purchase, calculated as provided for by the Bond program and the Terms of the Exchange-traded bonds issue	Issuer - Seller of the Exchange-traded bonds; BrokerCreditService, Limited Liability Company - Underwriter (intermediary in the placement), acting at the expense and on behalf of the Issuer; trading participants of Moscow Exchange (PJSC), being the purchasers of the Exchange-traded bonds and (or) acting at the expense of the purchasers of the Exchange-traded bonds; the purchasers of the Exchange-traded bonds



TRANSACTION PRICE, ROUBLES	DEADLINE FOR FULFILLMENT OF OBLIGATIONS UNDER THE TRANSACTION	NOTE
5,800,000,000 roubles 00 kopecks, which is 195.27% of the book value of the Issuer's assets as of September 30, 2018	On or before March 13, 2022	Information about making the decision to authorize the transaction or to approve the transaction subsequently, if the decision was made by the authorized governance body of the Issuer or of the party provided the security for the Issuer's bonds made the transaction (name of the governance body of the entity made a decision to authorize the transaction or to approve the transaction subsequently, the date of this decision, the date and the number of the Minutes of the meeting (session) of the governance body made the decision, if it was made by the collegial governance body of the entity), or evidence of the fact that the decision to authorize the transaction or to approve the transaction subsequently was not made: this transaction was approved by the Board of Directors on April 26, 2019 (Minutes No. 18 dated April 26, 2019), by the General Meeting of Shareholders on May 30, 2019 (Minutes dated June 4, 2019)
2,256,977,556 roubles 89 kopecks, including ACI as of the date of purchase, which is 75.99% to the value of the Issuer's assets as of September 30, 2018	The obligations under the executed related transactions were fulfilled by the parties on March 13, 2019	The Issuer's governance body made the decision to authorize the transaction or to approve the transaction subsequently, the date of the relevant decision (the date and the number of the Minutes of the Meeting), or evidence of the fact that this decision was not made: this transaction involving the placement by the Issuer of the Exchange-traded bonds (sale to the first owners) during the placement period established by the Bond program and the Terms of the bond issue was approved by the extraordinary General Meeting of Shareholders of the Issuer on March 6, 2019 (Minutes No. 6 dated March 12, 2019)
1,139,236,400 roubles 10 kopecks, including ACI as of the date of purchase, which is 38.35% to the value of the Issuer's assets as of September 30, 2018	The obligations under the executed related transactions were fulfilled by the parties on March 14, 2019	The Issuer's governance body made the decision to authorize the transaction or to approve the transaction subsequently, the date of the relevant decision (the date and the number of the Minutes of the Meeting), or evidence of the fact that this decision was not made: this transaction involving the placement by the Issuer of the Exchange-traded bonds (sale to the first owners) during the placement period established by the Bond program and the Terms of the bond issue was approved by the extraordinary General Meeting of Shareholders of the Issuer on March 6, 2019 (Minutes No. 6 dated March 12, 2019)

TRANSACTION DATE	SUBJECT OF TRANSACTION	TRANSACTION PARTIES AND BENEFICIARIES
March 15, 2019	<p>Related transactions involving the placement by the Issuer (sale to the first owners) of 001P-05 exchange-traded bonds series, international securities identification code (number) (ISIN) RU000A1005T9 (hereinafter – the Exchange-traded bonds) during the placement period established by the Bond program and the Terms of the Exchange-traded bonds issue in the amount of 6,000,000 shares at the value of 1,000 roubles per each Exchange-traded bond plus ACI as of the date of purchase, calculated as provided for by the Bond program and the Terms of the Exchange-traded bonds issue.</p>	<p>Issuer – Seller of the Exchange-traded bonds; BrokerCreditService, Limited Liability Company – Underwriter (intermediary in the placement), acting at the expense and on behalf of the Issuer; trading participants of Moscow Exchange (PJSC), being the purchasers of the Exchange-traded bonds and (or) acting at the expense of the purchasers of the Exchange-traded bonds; the purchasers of the Exchange-traded bonds</p>
September 11, 2019	<p>Guarantee Agreement No. 03307/MP-ДП2 dated September 11, 2019 between the Issuer and VTB Bank (PJSC) (PSRN 1027739609391, TIN 7702070139) (hereinafter – Creditor, Bank). The Guarantor shall be liable to the Bank for the fulfillment by the Borrower: ATLANTSTROY, Limited Liability Company (address: 115191, Moscow, Bolshaya Tulsкая Street, 11, TIN 7708204935, PSRN 1027708008613) of all obligations under Credit Agreement No. 03307/MP dated September 11, 2019 (hereinafter – the Credit Agreement), entered into by the Bank and the Borrower</p>	<p>Transaction parties: Guarantor – Issuer, Bank – VTB Bank (PJSC)</p>

TRANSACTION PRICE, ROUBLES	DEADLINE FOR FULFILLMENT OF OBLIGATIONS UNDER THE TRANSACTION	NOTE
2,607,861,229 roubles 18 kopecks, including ACI as of the date of purchase, which is 87.80% to the value of the Issuer's assets as of September 30, 2018	The obligations under the executed related transactions were fulfilled by the parties on March 15, 2019	The Issuer's governance body made the decision to authorize the transaction or to approve the transaction subsequently, the date of the relevant decision (the date and the number of the Minutes of the Meeting), or evidence of the fact that this decision was not made: this transaction involving the placement by the Issuer of the Exchange-traded bonds (sale to the first owners) during the placement period established by the Bond program and the Terms of the bond issue was approved by the extraordinary General Meeting of Shareholders of the Issuer on March 6, 2019 (Minutes No. 6 dated March 12, 2019)
2,300,000,000 roubles, which is 28.57% of the book value of the Issuer's assets as of June 30, 2019	09.09.2026 (2,555 calendar days from the date of entering into the Credit Agreement)	The Issuer's governance body made the decision to authorize the transaction or to approve the transaction subsequently, the date of the relevant decision (the date and the number of the Minutes of the Meeting), or evidence of the fact that this decision was not made: the decision to authorize the transaction was made by the Issuer's Board of Directors on September 10, 2019 (Minutes No. 23 dated September 10, 2019)

## Reporting on Interested Party transactions

TRANSACTION DATE	SUBJECT OF TRANSACTION AND OTHER SIGNIFICANT TERMS OF TRANSACTION	TRANSACTION PERSONS OR PARTIES	LEGAL ENTITY OR INDIVIDUAL INTERESTED IN THE TRANSACTION
January 31, 2019	The refundable loan granted by the Issuer (hereinafter – the Creditor) to LANDLORD, Limited Liability Company (address: 111394, Moscow, Perovskaya Street, 61a, floor 5, room 26, TIN 7708740421, PSRN 1117746436390) (hereinafter – the Borrower) under Loan Agreement No. 15/2017-3 dated December 28, 2017 as amended by the Supplementary Agreement dated January 31, 2019	Creditor – Issuer, Borrower – LANDLORD, Limited Liability Company, beneficiary – LANDLORD, Limited Liability Company	Garant-Invest Group, Joint Stock Company (Garant-Invest Group, JSC), Panfilov Aleksey Yurievich are recognized as the parties interested in the transaction, as they are simultaneously controlling parties of the Issuer and LANDLORD, Limited Liability Company – the beneficiary to the transaction
March 13, 2019	The refundable loan granted by the Issuer (hereinafter – the Creditor) to Garant-Invest Development, Limited Liability Company (PSRN 1047797011899, TIN 7709584581) (hereinafter – the Borrower) under Loan Agreement No. 1/2019-3 dated March 13, 2019 (hereinafter – the Loan Agreement)	Creditor – Issuer, Borrower – Garant-Invest Development, Limited Liability Company, beneficiary – Garant-Invest Development, Limited Liability Company	Panfilov Aleksey Yurievich is recognized as the person interested in the transaction, since he holds the positions in the governance bodies of a legal entity that is a party or a beneficiary, as well as the positions in the governance bodies of the managing company of this legal entity
May 6, 2019	Guarantee Agreement No. 6443/П1 dated May 06, 2019 between the Issuer and Sberbank of Russia, (PJSC) (Creditor, Bank). the Guarantor shall be liable to the Bank for the fulfilment by the Debtor: LANDLORD, Limited Liability Company (address: 111394, Moscow, Perovskaya Street, 61a, floor 5, room 26, TIN 7708740421, PSRN 1117746436390), of all obligations under Non-revolving facility agreement No. 6443 dated May 06, 2019, entered into by the Bank and the Debtor	Guarantor – Issuer, Bank – Sberbank of Russia (PJSC), beneficiary – LANDLORD, Limited Liability Company	Garant-Invest Group, Joint Stock Company (Garant-Invest Group, JSC), Panfilov Aleksey Yurievich are recognized as the parties interested in the transaction, as they are simultaneously controlling parties of the Issuer and LANDLORD, Limited Liability Company – the beneficiary to the transaction

TRANSACTION AMOUNT IN MONETARY VALUE AND AS A PERCENTAGE OF THE VALUE OF THE ISSUER'S ASSETS	DEADLINE FOR FULFILLMENT OF OBLIGATIONS UNDER THE TRANSACTION	NOTE
300,500,000 roubles 00 kopecks, which is 10,12 % of the book value of the Issuer's assets as of September 30, 2018	On or before December 30, 2019	Information about making the decision to authorize the transaction or to approve the transaction subsequently, if the decision was made by the authorized governance body of the Issuer or of the party provided the security for the Issuer's bonds made the transaction (name of the governance body of the entity made a decision to authorize the transaction or to approve the transaction subsequently, the date of this decision, the date and the number of the Minutes of the meeting (session) of the governance body made the decision, if it was made by the collegial governance body of the entity), or evidence of the fact that the decision to authorize the transaction or to approve the transaction subsequently was not made: this transaction was approved by the General Meeting of Shareholders on March 6, 2019 (Minutes No. 6 dated March 12, 2019)
5,800,000,000 roubles 00 kopecks, which is 195.27% of the book value of the Issuer's assets as of September 30, 2018	On or before March 13, 2022	Information about making the decision to authorize the transaction or to approve the transaction subsequently, if the decision was made by the authorized governance body of the Issuer or of the party provided the security for the Issuer's bonds made the transaction (name of the governance body of the entity made a decision to authorize the transaction or to approve the transaction subsequently, the date of this decision, the date and the number of the Minutes of the meeting (session) of the governance body made the decision, if it was made by the collegial governance body of the entity), or evidence of the fact that the decision to authorize the transaction or to approve the transaction subsequently was not made: this transaction was approved by the Board of Directors on April 26, 2019 (Minutes No. 18 dated April 26, 2019), by the General Meeting of Shareholders on May 30, 2019 (Minutes dated June 4, 2019)
640,000,000 roubles, which is 7.13% of the book value of the Issuer's assets as of March 13, 2019	Until May 5, 2032 inclusive	Information about approval of the transaction, if such transaction was approved by the authorized governance body of the Issuer or the entity provided the security for the Issuer's bonds and executed the transaction (name of the governance body of the entity made a decision to approve the transaction, the date of this decision, the date and the number of the Minutes of the meeting (session) of the governance body of the entity made the decision, if such a decision was made by the collegial governance body of the entity), or evidence of the fact that the transaction was not approved: this transaction was approved by the Board of Directors on April 26, 2019 (Minutes No. 18 dated April 26, 2019), by the General Meeting of Shareholders on May 30, 2019 (Minutes dated June 4, 2019)



TRANSACTION DATE	SUBJECT OF TRANSACTION AND OTHER SIGNIFICANT TERMS OF TRANSACTION	TRANSACTION PERSONS OR PARTIES	LEGAL ENTITY OR INDIVIDUAL INTERESTED IN THE TRANSACTION
June 13, 2019	<p>Agreement for pledge of interest in the authorized capital of the limited liability company No. 6443/Д1 dated June 13, 2019 between the Issuer and Sberbank of Russia (PJSC) (hereinafter – Pledge holder, Bank). The Pledgor shall transfer to the Pledge holder the interest in the authorized capital of LANDLORD, Limited Liability Company being in its ownership (hereinafter – the Pledged item) (address: 111394, Moscow, Perovskaya Street, 61a, floor 5, room 26, TIN 7708740421, PSRN 1117746436390) (hereinafter – the Debtor, the Company). The pledge of the pledged Item secures fulfillment by the Debtor of all obligations under Non-revolving facility agreement No. 6443 dated May 6, 2019, entered into by the Bank and the Debtor</p>	<p>Pledgor – Issuer, Pledge holder – Sberbank of Russia, (PJSC), beneficiary – LANDLORD, Limited Liability Company</p>	<p>Aleksey Yurievich Panfilov</p>
September 11, 2019	<p>Guarantee Agreement No. 03307/MP-ДП2 dated September 11, 2019 between the Issuer and VTB Bank (PJSC) (PSRN 1027739609391, TIN 7702070139) (hereinafter – Creditor, Bank). The Guarantor shall be liable to the Bank for the fulfillment by the Borrower – ATLANTSTROY, Limited Liability Company (address: 115191, Moscow, Bolshaya Tulskaaya Street, 11, TIN 7708204935, PSRN 1027708008613) of all obligations under Credit Agreement No. 03307/MP dated September 11, 2019 (hereinafter – the Credit Agreement), entered into by the Bank and the Borrower</p>	<p>Transaction parties: Guarantor – Issuer, Bank – VTB Bank (PJSC), beneficiary – ATLANTSTROY, Limited Liability Company</p>	<p>Garant-Invest Group, Joint Stock Company (Garant-Invest Group, JSC), Panfilov Aleksey Yurievich are recognized as the parties interested in the transaction, as they are simultaneously controlling parties of the Issuer and ATLANTSTROY, Limited Liability Company – the beneficiary to the transaction</p>

TRANSACTION AMOUNT IN MONETARY VALUE AND AS A PERCENTAGE OF THE VALUE OF THE ISSUER'S ASSETS	DEADLINE FOR FULFILLMENT OF OBLIGATIONS UNDER THE TRANSACTION	NOTE
178,500,000 roubles, which is 1.98% of the book value of the Issuer's assets as of March 13, 2019	Until May 5, 2032 inclusive	Information about approval of the transaction, if such transaction was approved by the authorized governance body of the Issuer or the entity provided the security for the Issuer's bonds and executed the transaction (name of the governance body of the entity made a decision to approve the transaction, the date of this decision, the date and the number of the Minutes of the meeting (session) of the governance body of the entity made the decision, if such a decision was made by the collegial governance body of the entity), or evidence of the fact that the transaction was not approved: this transaction was approved by the Board of Directors on April 26, 2019 (Minutes dated April 26, 2019), by the General Meeting of Shareholders on May 30, 2019 (Minutes dated June 4, 2019)
2,300,000,000 roubles, which is 28.57% of the book value of the Issuer's assets as of July 30, 2019	September 9, 2026 (2,555 calendar days from the date of entering into the Credit Agreement)	The Issuer's governance body made the decision to authorize the transaction or to approve the transaction subsequently, the date of the relevant decision (the date and the number of the Minutes of the Meeting), or evidence of the fact that this decision was not made: the decision to authorize the transaction was made by the Issuer's Board of Directors (Minutes No. 23 dated September 10, 2019)

TRANSACTION DATE	SUBJECT OF TRANSACTION AND OTHER SIGNIFICANT TERMS OF TRANSACTION	TRANSACTION PERSONS OR PARTIES	LEGAL ENTITY OR INDIVIDUAL INTERESTED IN THE TRANSACTION
November 22, 2019	<p>Agreement for pledge of interest in the authorized capital of ATLANTSTROY, Limited Liability Company No. 03307/MP-До3 dated November 22, 2019 between the Issuer and VTB Bank (PJSC) (PSRN 1027739609391, TIN 7702070139) (hereinafter - Pledge holder, Bank). The Pledgor shall transfer to the Pledge holder the interest in the authorized capital of ATLANTSTROY, Limited Liability Company being in its ownership (address: 115191, Moscow, Bolshaya Tuskaya Street, 11, TIN 7708204935, PSRN 1027708008613) (hereinafter - the Borrower, the Company) in the amount of 100%, of the nominal value of 10,000 roubles.</p> <p>The pledge secures fulfillment by the Borrower of all obligations under Credit Agreement No. 03307/MP dated September 11, 2019 (hereinafter - the Credit agreement), entered into by the Bank and the Borrower</p>	Pledgor - Issuer, Pledge holder - VTB Bank (PJSC), beneficiary - ATLANTSTROY, Limited Liability Company	Aleksy Yurievich Panfilov

TRANSACTION AMOUNT IN MONETARY VALUE AND AS A PERCENTAGE OF THE VALUE OF THE ISSUER'S ASSETS	DEADLINE FOR FULFILLMENT OF OBLIGATIONS UNDER THE TRANSACTION	NOTE
10,000 roubles, which is 0.0001% of the book value of the Issuer's assets as of September 30, 2019	September 9, 2026 (2,555 calendar days from the date of entering into the Credit Agreement)	Information about approval of the transaction, if such transaction was approved by the authorized governance body of the Issuer or the entity provided the security for the Issuer's bonds and executed the transaction (name of the governance body of the entity made a decision to approve the transaction, the date of this decision, the date and the number of the Minutes of the meeting (session) of the governance body of the entity made the decision, if such a decision was made by the collegial governance body of the entity), or evidence of the fact that the transaction was not approved: the decision to authorize the transaction was made by the Issuer's Board of Directors (Minutes No. 23 dated September 10, 2019)

# Consolidated financial statements including Auditor's report



Tel.: +7 495 797 56 65  
Fax: +7 495 797 56 60  
reception@bdo.ru  
www.bdo.ru

BDO Unicon (JSC), Russia  
117587, Moscow, Varshavskoe shosse,  
125, bldg. 1, section 11, floor 3,  
premises 1, room 50

## INDEPENDENT AUDITOR'S REPORT

To the shareholders of Garant-Invest Commercial Real Estate (JSC)

### Opinion

We have audited the consolidated financial statements of Garant-Invest Commercial Real Estate (JSC) (the Entity) (PSRN 1097746603680, 127051, Moscow, 1st Kolobovskiy Lane, 23, premises 1, room 3) and its subsidiaries (collectively referred to as "the Group") consisting of consolidated statement of financial position as of December 31, 2019, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year ended on the above date, as well as the notes to consolidated financial statements for 2019 including a summary of principal provisions of accounting policies and other explanatory information.

In our opinion, the attached consolidated financial statements give a true and fair view of the consolidated financial position of the Group as of December 31, 2019, as well as its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### Basis for Opinion

The audit has been conducted in accordance with the International Standards on Auditing (ISA).

In accordance with these standards, our responsibility is described in Section "Auditor's Responsibility for the Audit of the Consolidated Financial Statements" hereof. We do not depend on the Group in accordance with the ethics requirements applicable to our audit of consolidated financial statements in the Russian Federation, and we have fulfilled our other ethics obligations in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key matters of audit

Key matters of audit are the matters which, according to our professional judgment, were the most significant for our audit of the consolidated financial statements for the current period. These matters have been considered in the context of our audit of the consolidated financial statements as a whole and in the course of making our opinion on these statements, and we do not draw a separate opinion on these matters.

### *Fair value of the real estate buildings*

The estimation of investment properties at fair value is one of the most significant matters in our audit due to the fact that the estimation processes and assumptions used in determining the fair value are of complicated and subjective nature.

Information about the investment property is disclosed in note 6 to the consolidated financial statements.

We assessed the professional qualification and fairness of the independent appraisers performed the estimation. We assessed the assumptions used by appraisers to generate the forecasts concerning rental income and operating expenses. To analyze the assumptions used to estimate the fair value of investment properties, we engaged our experts in the field of real estate appraisal.

### Other information

The CEO of the Entity (Management) is responsible for other information. Other information includes the information contained in the annual report and the Issuer's report for the first quarter



of 2020, but does not include the consolidated financial statements and our auditor's report. The annual report and the Issuer's report for the first quarter of 2020 are expected to be provided to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

With regard to our audit of the consolidated financial statements, our responsibility is to read the other information above mentioned, when it will be provided to us, and to consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If, when reviewing the annual report and the Issuer's report for the first quarter of 2020, we conclude that they contain material misstatements, we will bring this to the attention of the employees responsible for corporate governance.

#### **Responsibility of management and employees responsible for corporate governance for the consolidated financial statements**

Director General of the Entity is responsible for preparation and fair presentation of these consolidated financial statements in accordance with IFRS, and for the internal control system the management considers necessary for preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or errors.

When preparing the consolidated financial statements, the management shall be responsible for assessing the Group's ability to continue as a going concern, for disclosure, as appropriate, of information related to going concern and for reporting based on the going concern assumption, unless the management intends to liquidate the Group, to cease its activities or the management has no other real alternative, except for liquidation or cessation of activities.

The employees responsible for corporate governance are responsible for supervision over the preparation of the consolidated financial statements of the Group.

#### **Auditors' Responsibility for the Audit of the Consolidated Financial Statements**

Our goal is to obtain reasonable assurance that the consolidated financial statements are free from material misstatements, whether due to fraud or errors, and to prepare an auditors' report containing our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect material misstatements if any. Misstatements can arise from fraud or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of the users taken on the basis of these consolidated financial statements.

As part of the audit conducted in accordance with International Standards on Auditing, we apply our professional judgment and maintain professional skepticism throughout the audit. In addition, we perform the following:

- a) identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or errors; develop and perform audit procedures in response to those risks; obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control system;
- b) obtain an understanding of internal control system relevant to the audit in order to develop audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the efficiency of the Group's internal control system;
- c) evaluate the appropriate nature of the accounting policy applied, the reasonableness of accounting estimates made by the management and the respective disclosure of information;

- d) conclude on the appropriateness of the going concern assumptions made by the management and, based on the audit evidence obtained, whether material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are improper, to modify our opinion. Our conclusions are based on the audit evidence obtained prior to the date of our auditors' report. However, future events or conditions may cause that the Group shall lose the ability to continue as a going concern;
- e) Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that ensures their fair presentation;
- f) Obtain sufficient appropriate audit evidence related to the financial information of entities or activities within the Group in order to express the opinion on the consolidated financial statements. We are responsible for management, supervision and performance of auditing of the Group. We remain fully responsible for our audit opinion.

We exchange information with the employees responsible for corporate governance, bringing to their notice, among other things, the information on the planned scope and time limits of the audit, as well as on significant remarks on the audit results, including major deficiencies in the internal control system that we reveal during the audit.

We also guarantee to the employees responsible for the corporate governance that we have complied with the applicable ethical requirements in respect of independence and have informed them of all the interrelations and other matters that can reasonably be considered influencing the auditor's independence, and, if necessary, of the relevant protective measures.

Out of the matters communicated by us to the employees responsible for the corporate governance, we have selected the matters that are the most significant for the audit of the consolidated financial statements for the current period and, therefore, are the key matters of audit. We describe these matters in our auditor's report, except when disclosure of information on such matters is prohibited by any law or regulation, or in rare cases when we conclude that the information on any matter must not be included in our report, as it may reasonably be assumed that the negative effects of communicating such information will exceed the publicly significant benefits from communicating it.

Manager of the Audit Engagement of the basis of  
which this Independent Auditor's Report has been  
issued

*/Signature/*

D.A. Tiradov

*Official seal: JOINT STOCK COMPANY BDO Unicon \* PSRN 1037739271701 \* MOSCOW*

Auditing company:

BDO Unicon, Joint Stock Company

PSRN 1037739271701,

117587, Russia, Moscow, Varshavskoe Shosse, 125, bldg. 1, section 11, 3rd floor, Premises I, room 50, Member of Self-Regulatory Organization of Auditors Association "Sodruzhestvo",

PNRE 12006020340

June 11, 2020

**Garant-Invest Commercial Real Estate (JSC)**  
**Consolidated Statement of Financial Position as of December 31, 2019**  
*(in thousands of Russian roubles)*

	Note	December 31, 2019	December 31, 2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment property	5	26,452,531	24,821,531
Fixed assets and intangible assets	6	409,964	406,704
Construction in progress	7	15,588	48,906
Long-term financial assets	8	6,254,577	3,787,764
Goodwill	25	725,861	753,027
Deferred tax assets	22	153,711	138,933
<b>Total non-current assets</b>		<b>34,012,232</b>	<b>29,956,865</b>
<b>Current assets</b>			
Cash and cash equivalents	9	729,105	149,609
Short-term financial assets	8	1,472,716	1,728,308
Accounts receivable	10	298,896	365,064
Advances paid	11	442,502	54,842
Other assets	12	273,057	311,588
Current tax assets		5,958	4,801
<b>Total current assets</b>		<b>3,222,234</b>	<b>2,614,212</b>
<b>Total assets</b>		<b>37,234,466</b>	<b>32,571,077</b>
<b>CAPITAL AND LIABILITIES</b>			
<b>Long-term liabilities</b>			
Credits raised	13	14,355,748	13,813,016
Loans raised	13	23,784	113,577
Debt securities issued	15	5,977,204	1,497,018
Accounts payable	14		244,767
Deferred tax liabilities	22	2,663,023	2,394,874
<b>Total long-term liabilities</b>		<b>23,019,758</b>	<b>18,063,252</b>
<b>Short-term liabilities</b>			
Credits raised	13	576,258	1,261,509
Debt securities issued	15	1,302,883	1,374,410
Accounts payable	14	493,669	795,161
Advances received	16	609,683	643,911
Current tax liabilities		1,175	4,954
Other liabilities	17	141,707	70,770
<b>Total short-term liabilities</b>		<b>3,125,376</b>	<b>4,150,715</b>
<b>Total liabilities</b>		<b>26,145,134</b>	<b>22,213,967</b>
<b>Capital</b>			
Authorized capital	24	35,000	35,000
Reserve for revaluation of fixed assets		752,138	742,975
Retained profit		10,075,000	9,354,145
<b>Total capital due to the shareholders of the Group</b>		<b>10,862,138</b>	<b>10,132,120</b>
Non-controlling interests		227,195	224,990
<b>Total capital</b>		<b>11,089,332</b>	<b>10,357,110</b>
<b>Total liabilities and capital</b>		<b>37,234,466</b>	<b>32,571,077</b>

*/Signature/*

Panfilov A.Yu.  
 Chief Executive Officer  
 June 11, 2020

*/Signature/*

Morozova E. Yu.  
 Chief Accountant

*Official seal: Garant-Invest Commercial Real Estate, JOINT STOCK COMPANY*  
*Garant-Invest Commercial Real Estate (JSC)*  
*"Garant-Invest Commercial Real-Estate" JSC*  
*PSRN 1093746603680 TIN 7726637843 MOSCOW*

**Garant-Invest Commercial Real Estate (JSC)**  
**Consolidated Statement of Profit and Loss and Other Comprehensive Income as of December 31, 2019**  
*(in thousands of Russian roubles)*

	Note	2019	2018
Revenue from the investment property rental agreements	6	2,873,448	2,734,764
Cost of the investment property rental agreements	6	(711,436)	(765,003)
Revaluation of investment property	6	573,270	1,405,532
<b>Gross operating income</b>		<b>2,735,283</b>	<b>3,375,293</b>
Interest income	18	657,647	427,995
Interest expenses	18	(1,876,271)	(1,761,195)
Income less losses from revaluation of foreign currency		158,486	(452,641)
Provision for expected credit losses on accounts receivable, loans issued and other assets	8,10,11,12	(55,241)	14,553
Goodwill impairment		(52,000)	-
Other operating income	19	134,426	1,129,252
Other operating expenses	20	(164,425)	(430,473)
<b>Operating income</b>		<b>1,537,905</b>	<b>2,302,784</b>
General and administrative expenses	21	(688,568)	(599,926)
<b>Profit before tax</b>		<b>849,337</b>	<b>1,702,858</b>
Current profit tax expenses	22	(19,296)	(9,557)
Deferred profit tax expenses	22	(224,656)	(411,536)
<b>Net profit</b>		<b>605,386</b>	<b>1,281,765</b>
<b>Other comprehensive income</b>			
<i>Items beyond subsequent reclassification to profit or loss</i>			
Revaluation of fixed assets	6	11,453	24,507
Profit tax related to other comprehensive income	22	(2,290)	(4,901)
<b>Other comprehensive income after tax</b>		<b>9,163</b>	<b>19,606</b>
<b>Total comprehensive income for the period</b>		<b>614,549</b>	<b>1,301,371</b>
<b>Profit due to:</b>			
- the shareholders of the Group		593,911	1,243,851
- non-controlling interests		11,475	37,914
<b>Other comprehensive income due to:</b>			
- the shareholders of the Group		603,074	1,263,457
- non-controlling interests		11,475	37,914

*/Signature/*

Panfilov A.Yu.  
 Chief Executive Officer  
 June 11, 2020

*/Signature/*

Morozova E. Yu.  
 Chief Accountant

*Official seal: Garant-Invest Commercial Real Estate, JOINT STOCK COMPANY*  
*Garant-Invest Commercial Real Estate (JSC)*  
*"Garant-Invest Commercial Real-Estate" JSC*  
*PSRN 1093746603680 TIN 7726637843 MOSCOW*

**Garant-Invest Commercial Real Estate (JSC)**  
**Consolidated Statement of Cash Flows as of December 31, 2019**  
*(in thousands Russian roubles)*

	2019	2018
<b>Cash flow from operating activities</b>		
Profit before tax	849,337	1,702,858
Adjustments:		
Depreciation of fixed assets (Note 6)	36,281	43,900
Provision for expected credit losses of advances granted, accounts receivable and other assets	55,241	(14,553)
Revaluation of investment property (Note 5)	(573,270)	(1,405,473)
Unrealized profit from foreign currency revaluation	(158,486)	452,641
Goodwill impairment	52,000	
Other	(6,003)	563,031
<b>Total adjustments</b>	<b>255,100</b>	<b>1,342,404</b>
<b>Cash flow received from/ (used in) operating activities before changes in operating assets and liabilities</b>		
<b>Net (increase)/ decrease in operating assets</b>		
Accounts receivable	133,223	23,702
Advances paid	(56,651)	(17,501)
Other assets	37,418	(142,182)
<b>Net increase/ (decrease) in operating liabilities</b>		
Accounts payable	(301,492)	(98,854)
Advances received	(34,228)	190,809
Other liabilities	70,937	(3,264)
<b>Cash flow received from/ (used in) operating activities</b>	<b>104,306</b>	<b>1,295,114</b>
Profit tax paid	(10,133)	(7,252)
<b>Net cash flow from operating activities</b>	<b>94,172</b>	<b>1,287,862</b>
<b>Cash flow from investment activities</b>		
Loans granted	(3,642,307)	(2,948,958)
Repayment of loans issued and deposits placed	1,406,651	1,724,428
Net investments in assets under construction	(10,223)	31,050
Sale of assets under construction	23,095	
Acquisition of subsidiaries net of cash acquired	(129,644)	
Advances under the contracts of sale and purchase of shares in the authorized capital	(330,820)	
Acquisition and modernization of investment property	(1,037,029)	(1,104,529)
Acquisition and modernization of fixed assets	(21,499)	(40,246)
<b>Net cash flow from investment activities</b>	<b>(3,741,776)</b>	<b>(2,338,255)</b>
<b>Cash flow from financial activities</b>		
Credits and loans raised	4,123,635	4,241,085
Repayment of credits and loans	(4,179,749)	(3,637,377)
Repayment of the issued bills of exchange	(20,000)	(10,000)
Bills of exchange issue	12,000	
Bonds issued	6,458,397	500,000
Repayment of the bonds issued	(2,157,910)	
Dividend payment	(9,271)	(5,269)
<b>Net cash flow from financial activity</b>	<b>4,227,100</b>	<b>1,090,439</b>
<b>Effect of exchange rate fluctuations on cash and cash equivalents</b>		<b>(2,926)</b>
<b>Net change of cash and cash equivalents</b>	<b>579,496</b>	<b>37,120</b>
Cash and cash equivalents as of the beginning of the reporting period (Note 10)	149,609	112,489
<b>Cash and cash equivalents as of the end of the reporting period (Note 10)</b>	<b>729,105</b>	<b>149,609</b>

*/ Signature /*

Panfilov A. Yu.  
 Chief Executive Officer  
 June 11, 2020

*/ Signature /*

Morozova E. Yu.  
 Chief Accountant



*Garant-Invest Commercial Real Estate (JSC)*  
*Consolidated Statement of Changes in Equity for the year ended on December 31, 2019*  
*(in thousands Russian roubles)*

	Authorized capital	Reserve for revaluation of fixed assets	Retained profit	Total	Non-controlling interest	Total capital
Balance as of January 1, 2018	35,000	723,369	8,110,294	8,868,663	190,346	9,059,009
Transactions with interests in subsidiaries	-	-	-	-	-	-
Comprehensive income for 2018	-	19,606	1,243,851	1,263,457	37,914	1,301,371
Profit distribution (Note 25)	-	-	-	-	(3,270)	(3,270)
<b>Balance as of December 31, 2018</b>	<b>35,000</b>	<b>742,975</b>	<b>9,354,145</b>	<b>10,132,120</b>	<b>224,990</b>	<b>10,357,110</b>
Effect of transition to IFRS 16 (Note 4)	-	-	126,944	126,944	-	126,944
<b>Balance as of January 01, 2019 (revised)</b>	<b>35,000</b>	<b>742,975</b>	<b>9,481,089</b>	<b>10,259,064</b>	<b>224,990</b>	<b>10,484,054</b>
Comprehensive income for 2019	-	9,163	593,911	603,074	11,475	614,549
Profit distribution (Note 25)	-	-	-	-	(9,271)	(9,271)
<b>Balance as of December 31, 2019</b>	<b>35,000</b>	<b>752,138</b>	<b>10,075,000</b>	<b>10,862,138</b>	<b>227,194</b>	<b>11,089,332</b>

*/Signature/*

Panfilov A. Yu.  
 Chief Executive Officer  
 June 11, 2020

*/Signature/*

Morozova E. Yu.  
 Chief Accountant

*Official seal: Garant-Invest Commercial Real Estate, JOINT STOCK COMPANY*  
*Garant-Invest Commercial Real Estate (JSC)*  
*"Garant-Invest Commercial Real-Estate" JSC*  
*PSRN 1093746603680 TIN 7726637843 MOSCOW*

## About the Report

### Approach to reporting

This annual report (hereinafter – the Report) provides information on the results of activities of Garant-Invest Commercial Real Estate (JSC) (hereinafter – the Company) for 2019, based on the information available for the period from January 1 to December 31, 2019. The Company should be understood as a group of legal entities consisting of Garant-Invest Commercial Real Estate (JSC) and subsidiaries under its control.

The report is published annually in Russian and in English for a wide range of stakeholders in electronic and printed formats. The annual report for 2018 was published on April 9, 2019.

Other annual reports of the Company are available in "For Investors" section of the official website: [www.com-real.ru/investors](http://www.com-real.ru/investors).

### Scope of reporting

The Report discloses the Company's financial and non-financial results based on the consolidated statements for 2019 prepared in accordance with International Financial Reporting Standards (hereinafter – IFRS). When preparing the Report all the current requirements of IFRS were taken into consideration in full (in case of adoption of IFRS ahead of schedule or in case of restrictions in their adoption in the Company's accounting policy, the relevant provisions are made). The Report gives significant attention to the Company's activities in the field of social responsibility and sustainability.

### Information concerning audit

The audit of the Company's consolidated financial statements for 2019 in accordance with IFRS was conducted by BDO Unicon (JSC).

---

### Disclaimer

This Report contains information on the results of the Company's activities in 2019 as well as forward-looking statements and assessments concerning financial, economic and social indicators characterizing further development of the Company. The occurrence and assessment of real events and their results may differ from forward-looking assumptions and assessments. The implementation of expectations and intentions is directly related to the political, economic, social and legal situation in the Russian Federation and worldwide and to the existing uncertainty in forecasting particular events. For this reason the actual results of the Company's activities in the future may differ from the forward-looking statements, assumptions and assessments made in the Report.

## CONTACT DETAILS



**Garant-Invest**



### **Invest Group**

127051, Moscow, 1st Kolobovskiy Lane, 23,  
tel. +7 (495) 650-90-03  
www.garant-invest.ru, e-mail: mail@garant-invest.ru

### **Garant-Invest Commercial Real Estate (JSC)**

127051, Moscow, 1st Kolobovskiy Lane, 23,  
tel. +7 (495) 650-90-03  
www.com-real.ru, e-mail: cre@com-real.ru

### **Airport Gallery Shopping Center**

125319, Moscow, Leningradskiy Prospekt, 62a  
tel.+7 (495) 771-71-61  
www.g-a.ru, e-mail: info@g-a.ru

### **Moskvorechie Shopping and Entertainment Center**

115522, Moscow, Kashirskoye Highway, 26  
tel.+7 (495) 966-00-02  
www.trk-m.ru, www.москворечье.рф, e-mail: аренда@garant-invest.ru

### **Retail Park Shopping Center**

117556, Moscow, Varshavskoye Highway, 97  
tel. +7 (495) 980-25-25  
www.retail-park.ru, e-mail: info@retail-park.ru

### **Tulsky Mixed-Use Center**

115191, Moscow, Bolshaya Tulsкая Street, 11  
tel. +7 (495) 663-84-64  
www.tulsky.ru, e-mail: tinfo@tulsky.ru

### **Kolomensky Shopping Center**

115487, Moscow, Prospekt Andropova, 23  
tel. +7 (495) 984-61-21  
www.tc-kolomensky.ru, e-mail: info@tc-kolomensky.ru

### **Prazhsky Grad Shopping&Restaurant Center**

115487, Moscow, Kirovogradskaya Street, 24a, bldg. 1  
tel. +7 (495) 984-20-07  
www.pragtsky-grad.ru, e-mail: info@pragsky-grad.ru

### **PEROVO MALL Shopping and Entertainment Center**

111394, Moscow, Perovskaya Street, 61a  
tel. +7 (495) 668-55-32  
www.perovomall.ru, e-mail: info@perovomall.ru

### **Neighborhood Shopping Centers "Small"**

115191, Moscow, Bolshaya Tulsкая Street, 11, office 21  
tel.+7 (495) 988-07-78  
www.small.msk.ru, e-mail: info@small.msk.ru

### **Garant-Invest Development (LLC)**

127051, Moscow, 1st Kolobovskiy Lane, 23,  
tel. +7 (495) 650-90-03

### **Mixed-use building "Kolobovskiy Lane, 19"**

127051, Moscow, 1st Kolobovskiy Lane, 19,  
tel.+7 (495) 650-30-35



**FSC**  
www.fsc.org

**MIKS**

Responsible  
sources paper

FSC C108022



[WWW.GARANT-INVEST.RU](http://WWW.GARANT-INVEST.RU)

[WWW.COM-REAL.RU](http://WWW.COM-REAL.RU)