Half-year Report

24-Sep-2020 / 07:00 GMT/BST
Dissemination of a Regulatory Announcement that contains inside information according to REGULATION (EU) No 596/2014 (MAR), transmitted by EQS Group.
The issuer is solely responsible for the content of this announcement.

---

24 September 2020

Arricano Real Estate plc

("Arricano" or the "Company" or, together with its subsidiaries, the "Group")

Unaudited Interim Results for the 6 months ended 30 June 2020

Arricano is one of the leading real estate developers and operators of shopping centres in Ukraine. It owns and operates five completed shopping centres comprising over 148,100 sqm of gross leasable area and land for a further three sites under development.

Highlights

- The Covid-19 pandemic closed the Group's shopping centres for 10 weeks from mid-March reducing recurring revenues by 18% to USD 14.2 million (2019: USD 17.4 million)
- All shopping centres have now been open since beginning of June, the Group is stable and has maintained occupancy at 99%
- USD 1.2 million (23%) employee and operating cost reductions achieved
- Underlying operating profit before revaluation of investment property was therefore down by 16% to USD 9.6 million (2019: USD 11.4 million).
- Gain on revaluation of investment property of USD 30.1 million was primarily related to an increase of USD in relation to Group's functional currency. At the same time, the gain on revaluation was offset by a foreign currency translation difference in the same amount included into other comprehensive income.
- Profit before tax of USD 27.1 million (2019: USD 8.8 million)
- Cash flow from operating activities reduced by 35% from USD 10.1 million to USD 6.5 million reflecting lower revenues and slower collection
- Net asset value was USD 131.0 million as at 30 June 2020 (31 December 2019: USD 127.9 million)
- Henceforward, the property portfolio is moving to one revaluation per annum

Ganna Chubotina, Chief Executive Officer of Arricano, commented:

"Our trading performance like all businesses in the Ukraine and globally was significantly influenced by the coronavirus pandemic in the first half of 2020. Social distancing meant our shopping centres were mostly closed between March and May and this is reflected in our trading performance. Our response to this challenge has been in two parts, firstly we worked quickly and successfully to reduce our cost base where possible and secondly working as a team, we focused on preparing for when we were allowed to re-commence trading. Collaboration is at the heart of our approach and I believe it has been instrumental in supporting our tenants and visitors during this extraordinary period. Our shopping centres have now reopened, visitors are increasing and we are moving towards returning to business as normal."

For further information please contact:

CEO:

Arricano Real Estate plc Tel: +357 25 582 535

Ganna Chubotina

Nominated Adviser and Broker:

WH Ireland Limited Tel: +44 (0)20 7220 1666

Chris Fielding

Financial PR: Tel: +44 (0)20 3151 7008

Novella Communications Limited

Tim Robertson/Fergus Young

Chief Executive Officer's Report

Introduction

I am pleased to report a resilient performance by the Company during an extraordinary period for all businesses over the first six months of 2020. Trading for the first two months of 2020 was positive with recurring revenue 17% ahead on the prior year, however, the impact in March on our business with the near total closure of all five shopping centres naturally reduced Group income and profitability.

Working as a team we responded by making USD 1.2 million of costs reductions compared to the last year through a mix of temporary and permanent measures, we supported our tenants on a case by case basis, which limited the reduction in rental income whilst also maintaining investment in the development of the Lukyanivka shopping centre project in Kyiv.

As a result the business is stable with occupancy of 99%, the shopping centres are now open, visitor numbers are increasing and consumer sentiment is improving. We are mindful of ensuring the safety of visitors, tenants and employees and in each shopping centre hence strict PPE protocols are in place and are being adhered to.

The focus for the second half of 2020 is to continue the rehabilitation of the shopping centres, complete the current refinancing programme and, whilst mindful of operating in uncertain times, focus again on inspiring consumers to visit our shopping centres.

Results

Recurring revenues for the period decreased by 18% to USD 14.2 million (2019: USD 17.3 million). Operating profit increased to USD 39.7 million, compared to USD 10.4 million in 2019 primarily due to an increase in investment property portfolio value denominated in functional currency and a reduction in operating and employee costs of USD 1.2 million. At the same time, the gain on revaluation in the amount of USD 30.1

million was offset by a foreign currency translation difference in the same amount included into other comprehensive income.

Profit before tax of USD 27.1 million (2019: profit before tax USD 8.8 million). The increase primarily reflects increase in investment property portfolio value denominated in functional currency offset by increased finance costs and a reduction in finance income of which USD 7.1 million which are non-cash items relating to foreign exchange movements.

The Company is working with its lenders to restructure its existing banking facilities in light of the pandemic and good progress is being made with the average cost of bank loans from 31 July 2020 reducing to 10.7% from 12.5% and capital repayment dates being extended.

Cash flow from operating activities was down by 35% from USD 10.1 million to USD 6.5 million reflecting reduced income and slower collection with Group cash balances as at 30 June 2020 of USD 4.9 million.

Net asset value was USD 131 million as at 30 June 2020 (31 December 2019: USD 127.9 million).

The Market

The market in 2020 is like no other, as the world gets through the current crisis and then works to return to a normal trading environment. This will no doubt take time and there will be elements of social interaction which will change permanently. We believe our strategy of working collaboratively with mutual trust and respect will be well suited to navigating through these periods and we are confident our malls will maintain their reputations as market leading retail centres and continue to attract millions of visitors each year.

We are already seeing consumer confidence returning, evidenced by the gradual increase in visitor numbers across our portfolio. As before, our strategy remains centred around improving customer experiences. We seek innovative ways to influence and stimulate consumers, encouraging them to visit our shopping centres and once inside focus on creating the right balance between retail, leisure and socialising.

The first priority is the safety of our visitors and we have a rigorous programme of cleaning together with offering contactless movement and contactless sales, alongside the creation of additional opportunities for self-service while shopping and delivery of purchased or ordered items. This is essential for safety but also for re-building trust in our assets.

The next step is to help revive the retail market and implement traffic generating projects in our malls. While everyone was required to stay at home, online working and shopping grew substantially in the first half of 2020, however, it also demonstrated how much real shopping with entertainment was missed. To capitalise on this sentiment Arricano has focused on promoting offline shopping through multiple new communication lines including offering new cultural and art exhibitions which blend the emotional appeal of art and fashion. These events have helped increase footfall and the duration of individual visits.

Another key element of improving the customer experience is through working on the retail mix within each mall. We consistently focus on updating our tenant formats, expanding product categories and opening up new popular brands. With a very low vacancy rate it requires different and creative techniques to complete renewals and attract new retail operators. While understandably there has been less change to the retail mix in 2020 to date, we anticipate more change in the second half of 2020 and into 2021.

In terms of the new developments, the Group is progressing Lukyanivka project, Kyiv. The construction is underway, however, the COVID-19 pandemic has slowed development and will result in some delays. Nevertheless our commitment to the project remains unchanged with expected opening in 2022.

Outlook

Arricano is a successful business. Since 2014 we have been operating in extremely challenging economic and political conditions and while Covid-19 brought a different set of challenges we have again continued to protect, develop and invest in the future of the business. Central to our ability to do this has been our focus on collaboration, working closely with our partners to deliver mutual advantage on the basis success for our tenants translates into success for our shopping centres.

The focus now is to get through and beyond the effects of COVID-19, which I feel confident we will do by creating vibrant, socially exciting experiences across our malls alongside offering premium retail experiences and by doing this the Company will emerge in a good position.

Ganna Chubotina

Chief Executive Officer

23 September 2020

	Note	**30 June 2020 (unaudited)**	31 December 2019*
(in thousands of USD)			
Assets			
Non-current assets			
Investment property	*4*	**294,387**	289,300
Long-term VAT receivable		**1,394**	1,571
Property and equipment		**90**	130
Intangible assets		**144**	193
Total non-current assets		**296,015**	291,194
Current assets			
Trade and other receivables		**2,531**	1,634
Loans receivable		**-**	-
Prepayments made and other assets		**534**	959
VAT receivable		**2,663**	1,909
Assets classified as held for sale		**1,620**	1,826
Income tax receivable		**620**	34
Cash and cash equivalents		**4,895**	6,905
Total current assets		**12,863**	13,580
Total assets		**308,878**	304,774

Note	**30 June 2020**	31 December

(in thousands of USD)	Note	**(unaudited)**	2019*
Equity and Liabilities			
Equity			
Share capital		**67**	67
Share premium		**183,727**	183,727
Non-reciprocal shareholders contribution		**59,713**	59,713
Retained earnings		**69,045**	46,962
Other reserves		**(61,983)**	(61,983)
Foreign currency translation differences		**(119,611)**	(100,581)
Total equity		**130,958**	127,905
Non-current liabilities			
Long-term loans and borrowings	*5*	**25,807**	26,954
Lease liabilities (2018: Finance lease liability)		**-**	-
Trade and other payables		**14,716**	14,105
Other long-term liabilities	*7*	**127**	143
Deferred tax liability		**10,140**	10,693
Total non-current liabilities		**50,790**	51,895
Current liabilities			
Short-term loans and borrowings	*5*	**79,910**	75,445
Trade and other payables	*6*	**3,750**	6,460
Taxes payable		**3,915**	3,789
Advances received		**5,685**	6,668
Current portion of lease liabilities (2018: Current portion of finance lease liability)		**2**	-
Other liabilities	*7*	**33,868**	32,612
Total current liabilities		**127,130**	124,974
Total liabilities		**177,920**	176,869
Total equity and liabilities		**308,878**	304,774

These consolidated interim condensed financial statements were approved by the Board of Directors on 23 September 2020 and were signed on its behalf by:

Juri Pold
Director

George Komodromos
Director

(in thousands of USD, except for earnings per share)	*Note*	**Six months ended 30 June 2020 (unaudited)**	Six months ended 30 June 2019* (unaudited)
Revenue	*7*	**14,237**	17,351
Other income		**-**	1
Gain / (Loss) on revaluation of investment property		**30,096**	(991)
Goods, raw materials and services used		**(378)**	(527)
Operating expenses		**(3,122)**	(4,058)
Employee costs		**(1,031)**	(1,302)
Depreciation and amortization		**(66)**	(39)
Profit from operating activities		**39,736**	10,435
Finance income	*9*	**103**	4,832
Finance costs	*10*	**(12,702)**	(6,438)
Profit before income tax		**27,137**	8,829
Income tax expense	*11*	**(5,054)**	(273)
Profit for the period		**22,083**	8,556
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Foreign exchange (losses)/gains on monetary items that form part of net investment in the foreign operation, net of tax effect		**(33,427)**	15,916
Foreign currency translation differences		**14,397**	(6,733)
Total items that may be reclassified to profit or loss		**(19,030)**	9,183
Other comprehensive income		**(19,030)**	9,183
Total comprehensive income for the period		**3,053**	17,739
Weighted average number of shares (in shares)		**103,270,637**	103,270,637
Basic and diluted earnings per share, USD		**0.21**	0.08

(in thousands of USD)	*Note*	**Six months ended 30 June 2020 (unaudited)**	Six months ended 30 June 2019 (unaudited)
Cash flows from operating activities			
Profit before income tax		**27,137**	8,829

Adjustments for:			
Interest income	*8*	**(103)**	(279)
Interest expenses		**5,574**	6,438
Gain/(loss) on revaluation of investment property	*4(a)*	**(30,096)**	991
Depreciation and amortization		**66**	39
Unrealised foreign exchange loss/(gain)		**7,115**	(4,553)
Allowance for bad debts		**22**	-
Operating cash flows before changes in working capital		**9,715**	11,465
Change in trade and other receivables and prepayments made and other assets		**(807)**	401
Change in VAT receivable		**(995)**	(1,267)
Change in trade and other payables		**(95)**	2,071
Change in advances received		**(238)**	282
Change in other liabilities		**1,256**	51
Change in taxes payable		**549**	368
Income tax paid		**(679)**	(899)
Interest paid		**(2,166)**	(2,368)
Cash flows from operating activities		**6,540**	10,104
Cash flows from investing activities			
Acquisition of investment property, excluding capitalized borrowing costs and settlements of payables due to constructors		**(10,423)**	(9,912)
Acquisition of property and equipment and intangible assets		**(22)**	(82)
Interest received		**103**	279
Cash flows used in investing activities		**(10,342)**	(9,715)

	Note	**Six months ended 30 June 2020 (unaudited)**	Six months ende 30 June 201 (unaudited
(in thousands of USD)			
Cash flows from financing activities			
Proceeds from borrowings		**8,000**	13,25
Repayment of borrowings		**(5,991)**	(8,87
Lease payments (2018: Finance lease payments)		**-**	(26

Cash flows from/ (used in) financing activities	**2,009**	4,113
Net increase in cash and cash equivalents	**(1,793)**	4,502
Cash and cash equivalents at 1 January	**6,905**	4,224
Effect of movements in exchange rates on cash and cash equivalents	**(217)**	411
Cash and cash equivalents at 30 June	**4,895**	9,137

	Attributable to equity holders of the parent						
(in thousands of USD)	**Share capital**	**Share premium**	**Non-reciprocal shareholders contribution**	**Retained earnings**	**Other reserves**	**Foreign currency translation differences**	**Total**
Balances at 1 January 2019*****	67	183,727	59,713	38,937	(61,983)	(126,429)	94,032
Total comprehensive income for the period							
Profit for the period	-	-	-	8,556	-	-	8,556
Foreign exchange gains on monetary items that form part of net investment in the foreign operation, net of tax effect	-	-	-	-	-	15,916	15,916

Foreign currency translation differences	-	-	-	-	-	(6,733)	(6,733)
Total other comprehensive income	-	-	-	-	-	9,183	9,183
Total comprehensive income for the period	-	-	-	8,556	-	9,183	17,739
Balances at 31 June 2019 (unaudited)	67	183,727	59,713	47,493	(61,983)	(117,246)	111,771

	Attributable to equity holders of the parent						
(in thousands of USD)	**Share capital**	**Share premium**	**Non-reciprocal shareholders contribution**	**Retained earnings**	**Other reserves**	**Foreign currency translation differences**	**Total**
Balances at 1 January 2020	**67**	**183,727**	**59,713**	**46,962**	**(61,983)**	**(100,581)**	**127,905**
Total comprehensive income for the period							
Profit for the period (unaudited)				**22,083**			**22,083**
Foreign exchange gains on monetary items that form part of net investment in the foreign operation, net of tax effect (unaudited)						**(33,427)**	**(33,427)**
Foreign currency translation differences (unaudited)						**14,397**	**14,397**
Total other comprehensive income (unaudited)						**(19,030)**	**19,030**
Total comprehensive income for the period (unaudited)				**22,083**		**(19.030)**	**3,053**
Balances at 30 June 2020 (unaudited)	**67**	**183,727**	**59,713**	**69,045**	**(61,983)**	**(119,611)**	**130,958**

* The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. See Note 3.

. Background

a. Organisation and operations

Arricano Real Estate PLC (Arricano, the Company or the Parent Company) is a public company that was incorporated in Cyprus and is listed on the AIM Market of the London Stock Exchange. The Company's registered address is office 1002, 10th floor, Nicolaou Pentadromos Centre, Thessalonikis Street, 3025 Limassol, Cyprus. Arricano and its subsidiaries are referred to as the Group, and their principal place of business is in Ukraine.

The main activities of the Group are investing in the development of new properties in Ukraine and leasing them out. As at 30 June 2020, the Group operates five shopping centres in Kyiv, Simferopol, Zaporizhzhya and Kryvyi Rig with a total leasable area of over 148,100 square meters and is in the process of development of two new investment projects in Kyiv and Odesa, with one more project to be consequently developed.

b. Business environment

The market in 2020 is like no other, as the world gets through the current crisis and then works to return to a normal trading environment. This will no doubt take time and there will be elements of social interaction which will change permanently.

The first months of 2020 have seen significant global market turmoil triggered by the outbreak of the coronavirus. Together with other factors, this has resulted in a sharp decrease in the oil price and the stock market indices, as well as a depreciation of the Ukrainian Hryvnia and Russian ruble. These developments are further increasing the level of uncertainty in the Ukrainian business environment.
Responding to the potentially serious threat the COVID-19 presents to public health, Ukrainian government authorities have taken measures to contain the outbreak, introducing restrictions on the movement of people within Ukraine and the 'lock-down' of cities in regions likely to be affected by the outbreak, suspension of transport links with Ukraine and entry restrictions on visitors pending further developments. Some businesses have also instructed employees to remain at home and curtailed or temporarily suspended business operations.

The Ukrainian central and local governments, as part of their efforts to combat the COVID-19 pandemic, temporarily restricted customers access to Ukrainian retail shopping centres from 16 March 2019 to May 2020. This decision resulted in the temporary closure of much of four out of five of the Group's retail shopping centres: Prospekt (Kyiv), Rayon (Kyiv), City Mall (Zaporizhzhia) and Sun Gallery (Kryvyi Rig). Starting from 28 March 2020 the fifth retail shopping center, South Gallery (Simferopol), was also largely temporarily closed. However, the hypermarkets, pharmacies and some other stores located within the centres continue to operate. The trading activity of all the shopping centers was renewed during May 2020.

The events mentioned above had a significant impact on the Group's operating activities, reducing recurring revenues by 18% to USD 14.2 million (2019: USD 17.3 million).

The management of the company is already seeing consumer confidence returning, evidenced by the gradual increase in visitor numbers across Company's portfolio. As before, the strategy remains centred around improving customer experiences. Management seeks innovative ways to influence and stimulate consumers, encouraging them to visit the shopping centres and once inside focus on creating the right balance between retail, leisure and socialising.

Since 2014 Arricano has been operating in extremely challenging economic and political conditions and while Covid-19 brought a different set of challenges the management has again continued to protect, develop and invest in the future of the business.

Whilst management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, a continuation of the current unstable business environment could further negatively affect the Group's results and financial position in a manner not currently determinable. These consolidated interim condensed financial statements reflect management's current assessment of the impact of the business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2 Basis of preparation

(a) Statement of compliance

These consolidated interim condensed financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union (EU) and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2019 ("last annual financial statements"). Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual financial statements as at and for the year ended 31 December 2019. These consolidated interim condensed financial statements do not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

The results for the six-month period ended 30 June 2020 are not necessarily indicative of the results expected for the full year.

(b) Judgements and estimates

Preparing the consolidated interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense and the disclosure of contingent assets and liabilities. Actual results may differ from these estimates.

In preparing these consolidated interim condensed financial statements, significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2019

c. Functional and presentation currency

The functional currency of Arricano Real Estate PLC is the US dollar (USD). The majority of Group entities are located in Ukraine and in the Russian Federation and have the Ukrainian Hryvnia (UAH) and Russian Rouble (RUB) as their functional currencies since substantially all transactions and balances of these entities are denominated in the mentioned currencies.The Group entities located in Cyprus, Estonia, Isle of Man and BVI have the US dollar as their functional currency, since substantially all transactions and balances of these entities are denominated in US dollar.

For the benefits of principal users, the management chose to present the consolidated interim condensed financial statements in USD, rounded to the nearest thousand.

In translating the consolidated interim condensed financial statements into USD the Group follows a translation policy in accordance with International Financial Reporting Standard IAS 21 *The Effects of Changes in Foreign Exchange Rates* and the following rates are used:

Historical rates: for the equity accounts except for net profit or loss and other comprehensive income (loss) for the year.
Year-end rate: for all assets and liabilities.
Rates at the dates of transactions: for the statement of profit or loss and other comprehensive income and for capital transactions.

UAH and RUB are not freely convertible currencies outside Ukraine and the Russian Federation, and, accordingly, any conversion of UAH and RUB amounts into USD should not be construed as a representation that UAH and RUB amounts have been, could be, or will be in the future, convertible into USD at the exchange rate shown, or any other exchange rate.

The principal USD exchange rates used in the preparation of these consolidated interim condensed financial statements are as follows:

Currency	**30 June 2020**	31 December 2019
UAH	**26.69**	23.69
RUB	**69.95**	61.91

Average USD exchange rates for the six months period ended 30 June are as follows:

Currency	**2020**	2019
UAH	**25.98**	26.94
RUB	**69.34**	65.17

As at the date that these consolidated interim condensed financial statements are authorised for issue, 23 September 2020, the exchange rate is UAH 24,331 to USD 1.00 and RUB 76,2711 to USD 1.00.

d. Going concern

As at 30 June 2020, the Group's current liabilities exceed its current assets by USD 114,270 thousand (unaudited).

At the same time, the Group has positive equity of USD 130,955 thousand (unaudited) as at 30 June 2020, generated positive cash flows from operating activities of USD 6,540 thousand (unaudited) for the six months then ended.

Management is undertaking the following measures in order to ensure the Group's continued operation on a going concern basis:

The Group has negotiated restructuring of certain borrowings. Subsequent to the reporting date the Group concluded the additional agreements to postpone the maturity date with the entity under common control. According to the agreements the Group will not be required to settle the short- term loans payable, accrued interest to related parties totally amounting to USD 10,000 thousand as at 30 June 2020 plus any accruing interest thereon at least until 1 August 2021 and USD 21,288 thousand as at 30 June 2020 at least until 1 August 2023.

Subsequent to the reporting date the Group concluded the additional agreement to postpone the maturity date of repayment of other liabilities together with accrued interest. According to the agreement the Group will not be required to settle the other short- term payables and accrued interest totally amounting to USD 31,140 thousand as at 30 June 2020 at least until 1 August 2023.

Subsequent to the reporting date, the Group concluded the additional agreement to postpone the maturity date of loan payable to a third party, postponing the repayment of the loan until 1 August 2023, amounting to USD 24,408 thousand, which is payable on demand as at 30 June 2020 and presented as short-term liability.

Subsequent to the reporting date the Group concluded the additional agreement with a third party to postpone the maturity date of repayment of other liabilities together with accrued penalties. According to the agreement the Group will not be required to settle the other short- term payables and accrued penalties totally amounting to USD 410 thousand as at 30 June 2020 at least until 1 August 2023.

Management makes all efforts to keep occupancy rates of its shopping centers on high level. There was no significant decrease of occupancy rates as at 30 June 2020 as compared to 31 December 2019.

In accordance with the forecast for 2020 that is being revised on ongoing basis, taking into account already existing and potential future impact of COVID-19 on the Group's financial performance. The Group plans to earn revenue that together with other measures undertaken by the Group's management, including negotiations with lenders, will give an ability to settle the Group's current liabilities in the normal course of business.

In addition, the Group's management has negotiated loans restructuring with all financing banks with an aim to revise loan repayment schedules. As a result of loans restructuring, scheduled cash outflows on secured bank loans decreased in 2020.

Management believes that notwithstanding material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern in the foreseeable future exists, the measures that management undertakes, as described above, will allow the Group to maintain positive working capital, generate positive operating cash flows and continue business operations on going concern basis.

These consolidated interim condensed financial statements are prepared on a going concern basis, which contemplates the realisation of assets and the settlement of liabilities in the normal course of business.

e. Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

Note 4(b) - investment property; and

Note 9(a) - fair values.

f. Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Management believes that during the six months ended 30 June 2020 and the year ended 31 December 2019, the Group operated in and was managed as one operating segment, being property investment.

The Board of Directors, which is considered to be the chief operating decision maker of the Group for IFRS 8 *Operating Segments* purposes, receives semi-annually management accounts that are prepared in accordance with IFRS as adopted by the EU and which present aggregated performance of all the Group's investment properties.

3 Significant accounting policies

The accounting policies applied in these consolidated interim condensed financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2019. A number of new standards are effective from 1 January 2020 but they do not have a material effect on the Group's financial statements.

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted any of the forthcoming new or amended standards in preparing these condensed consolidated interim financial statements.**IFRS 16 *Lease***

The Group initially applied IFRS 16 Leases from 1 January 2019.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated - i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

a. Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4(m).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

The Group has used practical expedient in respect of recognition exemption for short-term leases, and thus no additional right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments were recognized.

b. As a lessee

As a lessee, the Group leases three land plots under acting shopping malls and three land plots sites under construction, as well as office premises. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most of these leases - i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

Leases classified as operating leases under IAS 17

Previously, the Group classified office premises leases as operating leases under IAS 17. The Group used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

Following these practical expedients, no right-of-use asset and lease liability was recognised as a result of implementation of IFRS 16.

Leases classified as finance leases under IAS 17

As a lessee, the Group leases three land plots under acting shopping malls and three land plots sites under construction.

These leases were classified as finance leases under IAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

These leases were classified as finance leases under IAS 17 and IAS 40 requirements. However, those leases include variable payments, which should not be included in calculation of lease liability under IFRS 16. Therefore, management derecognized respective lease asset and liability as at 1 January 2019 following requirements of IFRS 16.

c. As a lessor

The Group leases out its investment property. The Group has classified these leases as operating leases. The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor.

The Group has applied IFRS 15 *Revenue from Contracts with Customers* to allocate consideration in the contract to each lease and non-lease component.

Amendments to IAS 23 *Borrowing Costs*

The Group has adopted amendments to IAS 23 *Borrowing Costs* issued by the International Accounting Standards Board as part of Annual Improvements to IFRS Standards 2015-2017 Cycle from 1 January 2019 and applies them to borrowing costs incurred on or after that date. The amendments clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Therefore, the Group treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. Borrowings that were intended to specifically finance qualifying assets which are now ready for their intended use or sale - or any non-qualifying assets - the Group includes in its general pool. This amendment had no impact on the Groups' consolidated financial statements.

A number of other new standards are effective from 1 January 2020 but they do not have a material effect on the Group's interim condensed financial statements. .

4 Investment property

(a) Movements in investment property

Movements in investment properties for the six months ended 30 June 2020 are as follows: fair value gain on revaluation in the amount of USD 30,096 (unaudited) (six months ended 30 June 2019: fair value loss on revaluation in the amount of USD 991 thousand (unaudited)); currency translation loss in the amount of USD 33,049 thousand (unaudited) (six months ended 30 June 2019: gain USD 17,378 thousand (unaudited)); and additions in the amount of USD 8,040 thousand (unaudited) (six months ended 30 June 2019: USD 6,387 thousand(unaudited)).

As at 30 June 2020, in connection with loans and borrowings, the Group pledged as security investment property with a carrying value of USD 171,150 thousand (unaudited) (31 December 2019: USD 171,150 thousand) (refer to Note 10(a)).

a. Determination of fair value

The fair value measurement, developed for determination of fair value of the Group's investment property, is categorised within Level 3 category due to significance of unobservable inputs to the entire measurement, except for certain land held on the leasehold which is not associated with completed property and is therefore categorised within Level 2 category.

As at 30 June 2020, the fair value of investment property categorised within Level 2 category is USD 29,600 thousand (unaudited) (31 December 2019: USD 29,600 thousand).

The revaluation of investment property took place as at 31 December 2019. To assist with the estimation of the fair value of the Group's investment property, which is represented by the shopping centres, management engaged registered independent appraiser Expandia LLC, part of the CBRE Affiliate network, having a recognised professional qualification and recent experience in the location and categories of the projects being valued.

Group Management carefully considered investment property revaluation as at 30 June 2020. As the result of the analysis of retail property market Group Management took a decision not to engage independent property appraiser as at 30 June 2020. The reason for the decision is that the estimated rental value of property denominated in USD did not change significantly as compared to 31 December 2019.

The fair values are based on the estimated rental value of property. A market yield is applied to the estimated rental value to arrive at the gross property valuation. When actual rents differ materially from the estimated rental value, adjustments are made to reflect actual rents. The valuation is prepared in accordance with the practice standards contained in the Appraisal and Valuation Standards published by the Royal Institution of

Chartered Surveyors ("RICS") or in accordance with International Valuation Standards published by the International Valuation Standards Council.

Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Company and the lessee, and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

Land parcels are valued based on market prices for similar properties.

As at 31 December 2019, the estimation of fair value was made using a net present value calculation based on certain assumptions, the most important of which were as follows:

monthly weighted average rental rates per shopping centers excluding turnover income, ranging from USD 9 to USD 22 per sq.m., comprising minimum rental rate of USD 3 and maximum rental rate of USD 215 per sq.m., which were based on contractual and market rental rates, adjusted for discounts or fixation of rental rates in Ukrainian hryvnia at a pre-agreed exchange rate, occupancy rates ranging from 98.8% to 100%, capitalisation rates ranging from 12.3% to 16.0% p.a. which represented key unobservable inputs for determination of fair value;
all relevant licenses and permits, to the extent not yet received, will be obtained, in accordance with the timetables as set out in the investment project plans.

As at 30 June 2020, fair value of investment property, denominated in functional currency amounted to UAH 5,637,393 thousand (unaudited) and RUB 3,826,336 thousand (unaudited) (31 December 2019: UAH 5,002,525 thousand and RUB 3,386,242 thousand). The increase in fair value of investment property in Ukrainian hryvnia and in Russian Rouble results from change in the currency exchange rates.

Sensitivity at the date of valuation

The valuation model used to assess the fair value of investment property as at 31 December 2019 is particularly sensitive to unobservable inputs in the following areas:

If rental rates are 1% less than those used in valuation models, the fair value of investment properties would be USD 2,366 thousandlower. If rental rates are 1% higher, then the fair value of investment properties would USD 2,366 thousand higher.

If the capitalisation rate applied is 1% higher than that used in the valuation models, the fair value of investment properties would be USD 16,759 thousand lower. If the capitalisation rate is 1% less, then the fair value of investment properties would USD 19,557 thousand higher.

If the occupancy rate is 1% higher than that used in the valuation model for shopping center "Sun Gallery" and is assumed to be 100% for other shopping centers, the fair value of investment properties would be USD 283 thousand. If the occupancy rates are 1% less, then the fair value of investment properties would be USD 2,106 thousand lower.

5 Loans and borrowings

This note provides information about the contractual terms of loans.

(in thousands of USD)	**30 June 2020 (unaudited)**	31 December 2019
Non-current		
Secured bank loans	**25,610**	26,768
Unsecured loans from third parties	**197**	186
	25,807	26,954

Current		
Secured bank loans (current portion of secured long-term bank loans)	**23,899**	16,626
Unsecured loans from related parties (including current portion of long-term loans from related parties)	**31,603**	35,161
Unsecured loans from third parties	**24,408**	23,658
	79,910	75,445
	105,717	102,399

Terms and debt repayment schedule

As at 30 June 2020, the terms and debt repayment schedule of bank loans are as follows (unaudited):

(in thousands of USD)	Currency	Nominal and effective interest rate	Contractual year of maturity	Carrying value
Secured bank loans				
Secured bank loans	**USD**	**10.50%-11.25%**	**2020-2026**	**38,880**
Secured bank loans	**UAH**	**18.00%-19.75%**	**2020-2023**	**10,629**
				49,509
Unsecured loans from related parties				
Unsecured loans from related parties	**USD**	**10.0%-12.0%**	**2019-2020**	**31,536**
Unsecured loans from related parties	**UAH/USD**	**0-3.2%**	**2019**	**67**
				31,603
Unsecured loans from third parties				
Unsecured loan from third party	**USD**	**10.55%**	**2020**	**24,408**
Unsecured loans from third parties	**USD**	**3.2%**	**2022**	**197**
				24,605
				105,717

As at 31 December 2019, the terms and debt repayment schedule of loans and borrowings are as follows:

(in thousands of USD)	Currency	Nominal and effective interest rate	Contractual year of maturity	Carrying value
Secured bank loans				
Secured bank loans	USD	10.50%-11.25%	2020-2024	31,589
Secured bank loans	UAH	18.00%-19.75%	2020-2023	11,805
				43,394
Unsecured loans from related parties				
Unsecured loans from related parties	USD	10.0%-12.0%	2019-2020	35,102
Unsecured loans from related parties	UAH/USD	0-3.2%	2019	59

				35,161
Unsecured loans from third parties				
Unsecured loan from third party	USD	10.55%	2020	23,658
Unsecured loans from third parties	USD	3.2%	2022	186
				23,844
				102,399

For a description of assets pledged by the Group in connection with loans and borrowings refer to Note 10(a).

As mentioned in Note 1(b), during the first months of 2020 the Group has encountered significant global market turmoil triggered by the outbreak of the COVID-19. Therefore, in order to keep the liquidity at the proper level, Group has entered into amendments to the bank loan agreements:

JSC "State Savings Bank of Ukraine"
The Group has entered additional agreement to loan agreement with State Savings Bank of Ukraine in order to postpone until 25 July 2024 the repayment of the principal amount of the loan in the amount of USD 440 thousand , which was payable by 31 July 2020. Also, the payment of interest which was payable by 31 July 2020 was postponed until November - December 2020.

JSC "Taskombank"

The Group has entered additional agreement to loan agreement with JSC "Taskombank" to postpone until 24 June 2024 the repayment of the principal amount of the loan in the amount of USD 690 thousand which was to be paid by 30 September 2020.

Syndicated loan from JSC "Tascombank" and PJSC "Universal Bank"

The Group has entered additional agreement to loan agreement to postpone until 29 July 2023 the repayment of the principal amount of the loan in the amount of USD 960 thousand, which was to be paid by 30 September 2020.

Raiffeisen Bank Aval

The Group has entered additional agreements to loan agreement for the facility granted in 2015 with an outstanding principal of UAH 140,000 thousand, which is equal to USD 5,245 thousand as at 30 June 2020 to postpone until 20 August 2020 the repayment of the principal amount of the loan in the amount of UAH 5.9 million, which was to be paid in March-June 2020 and to postpone until 20 August 2020 the payment of interest, which was to be paid by March-June 2020.
For the facility granted in 2019 with an outstanding principal of UAH 134 million, which is equal to USD 5,020 thousand as at 30 June 2020 to postpone until 31 December 2023 the repayment of the principal amount of the loan in the amount of UAH 1.2 million, which was to be paid in March-June 2020 and to postpone until July 2020-January 2021 the payment of interest, which was to be paid by March-June 2020.

Comfort letters

Based on the terms of the loan agreement with a third party, the loan with the carrying amount of USD 24,409 thousand as at 30 June 2020 (31 December 2019: USD 23,658 thousand) is repayable on demand but not later than the final repayment date of 31 July 2020. In September 2019, the Group obtained a letter from the lender waiving the right to demand repayment of the loan during eighteen months ending 31 December 2020. In April 2020 the lender confirmed waiving the right to demand repayment of the loan principal and any interest until 31 December 2020.

Loan due to related party in the amount of USD 28,128 thousand (31 December 2019: USD 27,162 thousand) has maturity on 30 June 2020. In addition, there is loan due to related party in the amount of USD 3,407 thousand, which is classified as on demand as at 30 June 2020 (31 December 2019: the loan amounted to USD 7,700 thousand). In September 2019, the Group obtained a letter from this lender waiving the right to demand repayment of these loans during the eighteen months ending 31 December 2020. In April 2020 the lender confirmed waiving the right to demand repayment of these loans until 31 December 2020.

During six months ended 30 June 2020 a number of other covenants under loan agreements with banks were amended.

6 Trade and other payables

As at 30 December 2019 Trade and other payables mainly comprise the amount of Payables for construction works, amounting to USD 2,680 thousand, which was repaid as at 30 June 2020.

7 Other liabilities

As at 30 June 2020 other liabilities mainly comprise the amount of principal and the amount of interest of the deferred consideration that is payable in respect of the acquisition in 2013 of Wayfield Limited and its subsidiary Budkhol LLC, amounting to USD 20,000 thousand (unaudited) and USD 11,139 thousand (unaudited), respectively (31 December 2019: USD 20,000 thousand and USD 10,167 thousand, respectively). As at 30 June 2020 and 31 December 2019, deferred consideration is presented as short-term in accordance with its contractual maturity, that is 30 June 2020, and bears 9.75% interest rate per annum.

Subsequent to the reporting date the maturity date of the deferred consideration and accrued interest was postponed to 31 July 2023.

8 Revenue

The Group's operations are those described in the last annual financial statements. The major amount of the Group's revenue is represented by rental income from investment properties that falls within the requirements of IFRS 16 *Leases* and amounts to USD 10,694 thousand (unaudited) for the six months ended 30 June 2020 (six months ended 30 June 2019 (unaudited): USD 14,066 thousand).

All other types of services are derived from contracts with customers and fall within the scope of IFRS 15 *Revenue*.

(a) Disaggregation of revenue

The following table shows the revenue, other than rental income, disaggregated by major service lines, as at 30 June. All below types of the Group's revenue are represented by services transferred over time.

(in thousands of USD)	**2020 (unaudited)**	2019
Common parts exploitation services	**3,415**	3,150
Marketing services	**128**	135
	3,543	3,285

9 Finance income

As at 30 June 2020, finance income comprises interest income of USD 103 thousand (unaudited) (six months ended 30 June 2019: foreign exchange gain USD 4,553 thousand and interest income of USD 279 thousand).

10 Finance expenses

During six months ended 30 June 2020, finance expenses mainly comprises interest expenses of USD 5,585 thousand (unaudited) (six months ended 30 June 2019: USD 6,150 thousand (unaudited)) and foreign exchange loss of USD 7,117 thousand (six months ended 30 June 2019: USD 0 thousand).

11 Income tax expenses

During six months ended 30 June 2020, Income tax expenses mainly comprises deferred income tax expense of USD 4,677 thousand (unaudited) (six months ended 30 June 2019: deferred income tax benefit of USD 300 thousand (unaudited)) and current income tax expense of USD 377 thousand (six months ended 30 June 2019: USD 573 thousand)

12 Financial risk management

During the six months ended 30 June 2020, the Group had no significant changes in financial risk management policies as compared to 31 December 2019.

(a) Fair values

Estimated fair values of the financial assets and liabilities have been determined using available market information and appropriate valuation methodologies. However, considerable judgment is required in interpreting market data to produce the estimated fair values. Accordingly, the estimates are not necessarily indicative of the amounts that could be realised in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair values.

The estimated fair values of financial assets and liabilities are determined using discounted cash flow and other appropriate valuation methodologies, at year-end, and are not indicative of the fair value of those instruments at the date these consolidated interim condensed financial statements are prepared or distributed. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Group's entire holdings of a particular financial instrument. Fair value estimates are based on judgments regarding future expected cash flows, current economic conditions, risk characteristics of various financial instruments and other factors.

Fair value estimates are based on existing financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities not considered financial instruments. In addition, tax ramifications related to the realisation of the unrealised gains and losses can have an effect on fair value estimates and have not been considered.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value:

	30 June 2020 (unaudited)		31 December 2019	
	Carrying amount	**Fair value Level 2**	Carrying amount	Fair value Level 2
(in thousands of USD)				
Financial liabilities not measured at fair value				
Non -current				
Secured bank loans	**25,610**	**29,225**	26,768	29,120
Unsecured loans from third parties	**197**	**210**	186	199
Payables for construction works	**14,708**	**16,072**	14,105	15,404
	40,515	**45,507**	41,059	44,723

Current				
Secured bank loans (current portion of long-term bank loans)	**23,899**	**26,119**	16,626	17,073
Unsecured loans from related parties (including current portion of long-term loans from related parties)	**31,603**	**32,091**	35,161	35,369
Unsecured loans from third parties	**24,408**	**24,451**	23,658	23,658
Deferred consideration	**31,140**	**31,515**	30,167	30,395
	111,050	**112,247**	105,612	106,495
	151,565	**157,754**	146,671	151,218

13 Commitments and contingencies

(a) Pledged assets

In connection with loans and borrowings, the Group pledged the following assets:

(in thousands of USD)	**30 June 2020 (unaudited)**	31 December 2019
Investment property (note 4(a))	171,150	171,150
Bank balances	464	1,135
	171,614	206,085

As at 30 June 2020 (unaudited) and 31 December 2019, the Group has also pledged the following:

Rights on future income of Prisma Alfa LLC under all lease agreements for the period of validity of loan agreement between Prisma Alfa LLC with Raiffeisen Bank Aval.

Investments in the following subsidiaries: PrJSC Ukrpangroup, Comfort Market Luks LLC and PrJSC Livoberezhzhiainvest.

(b) Construction commitments

The Group entered into contracts with third parties to construct a shopping centre in Kyiv and a shopping centre in Odesa for the total amount of USD 48,469 thousand as at 30 June 2020 (unaudited) (31 December 2019: USD 61,549 thousand).

b. Taxation contingencies

(i) Ukraine

The Group performs most of its operations in Ukraine and therefore within the jurisdiction of the Ukrainian tax authorities. The Ukrainian tax system can be characterised by numerous taxes and frequently changing legislation which may be applied retroactively, open to wide interpretation and in some cases are conflicting. Instances of inconsistent opinions between local, regional, and national tax authorities and between the Ministry of Finance and other state authorities are not unusual. Tax declarations are subject to review and investigation by a number of authorities that are enacted by law to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years, however under certain circumstances a tax year may remain open longer. These facts create tax risks substantially more significant than typically found in countries with more developed systems.

Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation and official pronouncements. However, the interpretations of the relevant authorities could differ and the effect on these consolidated interim condensed financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

(ii)Russian Federation

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities.

Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year generally remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance-based position in their interpretation and enforcement of tax legislation.

In addition, a number of new laws introducing changes to the Russian tax legislation have been recently adopted. In particular, starting from 1 January 2015 changes aimed at regulating tax consequences of transactions with foreign companies and their activities were introduced, such as concept of beneficial ownership of income, etc. These changes may potentially impact the Group's tax position and create additional tax risks going forward. This legislation is still evolving and the impact of legislative changes should be considered based on the actual circumstances.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the tax authorities and courts, especially due to reform of the supreme courts that are resolving tax disputes, could differ and the effect on these consolidated interim condensed financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

(iii)Republic of Cyprus

Operations of the Group in Cyprus are mainly limited to provision of intra-group financing, transactions related to Assofit legal case and various management activities. Transactions performed by the Cyprus entities of the Group fall within the jurisdiction of Cyprus tax authorities. The Cyprus tax system can be characterized by numerous taxes, legislation may be applied retrospectively, open to wide interpretation. VAT and income tax declarations are subject to review and investigation by authorities that are enacted by law to impose severe fines, penalties and interest charges. A tax year remains open for review by the Tax department during the six subsequent calendar years, however under certain circumstances a tax year may remain open longer.

Additionally, a new transfer pricing legislation was enacted in Cyprus from 30 June 2017, which requires entities to conduct intra-group financing transactions on the arm's length principle (a principle under which transactions are performed at market rates, as would have been performed between unrelated entities). The legislation requires taxpayers to prepare and submit to the tax authorities Transfer pricing study documents justifying margins applied to the intra-group financing. The compliance of margins applied to the arms' length principle could be a subject to scrutiny on the basis of unjustified tax benefit concept. Given the fact that the above rule has been in force for a limited period of time, currently, there is no established practices of its application by the tax authorities, and there can be no assurance that the tax authorities' interpretations of the approaches used by the Group may differ, which could result in accrual of fines and penalty interest on the Group.

During the prior years, the Group incurred certain foreign legal expenses, where the VAT accounted for on these expenses was fully claimed. Management believes that the Group properly claimed the VAT accounted for on these expenses, on the basis of the plans to further collect reimbursement of the said expenses, being purely of legal nature, from respective parties in full.

Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation, official pronouncements and court decisions.

14 Related party transactions

(a) Control relationships

The Group's largest shareholders are Retail Real Estate OU, Dragon - Ukrainian Properties and Development plc, Deltamax Group OU, Mr. Rauno Teder and Mr. Jüri Põld. The Group's ultimate controlling party is Estonian individual Mr. .Rauno Teder.

On 20 March 2020, Hillar Teder transferred his equity interest in Retail Real Estate OU to Rauno Teder. As a result, Rauno Teder, who already had held 15.92% of the issued voting rights of the Parent Company (7.48% - directly and 8.34% through Deltamax Group OU), will acquire interest of 55.04% in the Parent Company (though RRE), thus increasing his aggregate interest to 70.86% of the Parent Company.

(b) Transactions with management and close family members

Key management remuneration

Key management compensation included in the consolidated condensed statement of profit or loss and other comprehensive income for the six months ended 30 June 2020 is represented by salary and bonuses of USD 252 thousand (unaudited) (six months ended 30 June 2019: USD 456 thousand (unaudited)).

Directors' interests

The direct and indirect interest of the members of the Board in share capital of the Company as at 31 December 2019 and 30 June 2020 and as at the date of signing of these consolidated interim condensed financial statements is as follows:

Name	Type of interest	Effective shareholding rate
Mr. Jüri Põld	Direct shareholding	7.07%

(c) Transactions and balances with entities under common control

Outstanding balances with entities under common control are as follows:

(in thousands of USD)	**30 June 2020 (unaudited)**	31 December 2019
Short-term loans receivable	**11,312**	11,218
Trade receivables	**16**	18
Other receivables	**8,160**	8,160
Provision for impairment of loans receivable and trade and other receivables	**(19,370)**	(19,376)
	118	20
Short-term loans and borrowings	**31,603**	35,161
Trade and other payables	**213**	1,039
Advances received	**26**	29
Other liabilities	**-**	30,167
	31,842	66,396

Expenses incurred and income earned from transactions with entities under common control for the six months ended 30 June are as follows:

(in thousands of USD)	**2020 (unaudited)**	2019 (unaudited)
Interest expense	**(1,553)**	(2,420)

All outstanding balances with related parties are priced on an arm's length basis and are to be settled in cash in accordance with contractual terms, except for those mentioned in Note 2(d). None of the balances are secured.

15 Subsequent events

(a) Changes in loan agreements

In July 2020 LLC "Comfort Market Luks", a subsidiary of the Group, which owns and operates the Kyiv Shopping Center "Prospekt" has entered into an amendment to the current loan agreement with "State Savings Bank of Ukraine" to decrease the interest rate from 10.5% to 8.5% per annum.

On 29 July 2020 the Group entered into a new loan agreement with "Raiffeisen Bank Aval" to refinance two loans with the same bank granted in 2015 and in 2019. The main terms of the loan agreement are as follows:

- loan facility amount: up to UAH 290 million;
- repayment date: 31 December 2025;
- interest rate: 13.25% per annum.
- Fixed amount of principal repayment for the period of March - December was waived. The amount of principal and interest repayment for the period of March -December 2020 is calculated on the basis of cash inflows of the project.

Also since August 2020 the Group agreed the reduction of interest rate from 10.75% to 9.75% per annum on the USD 12 million loan agreement of PJSC "Ukrpangroup" with JSC "Tascombank" repayable in June 2024.

The Group has negotiated restructuring of certain borrowings. In September 2020 the Group concluded the additional agreements to postpone the maturity date with the entity under common control. According to the agreements the Group will not be required to settle the short- term loans payable, accrued interest to related parties totally amounting to USD 10,000 thousand as at 30 June 2020 plus any accruing interest thereon until 1 August 2021 and USD 21,288 thousand as at 30 June 2020 at least until 1 August 2023.

In September 2020 the Group concluded the additional agreement to postpone the maturity date of repayment of other liabilities together with accrued interest. According to the agreement the Group will not be required to settle the other short- term payables and accrued interest totally amounting to USD 31,140 thousand as at 30 June 2020 until 1 August 2023..

In September 2020, the Group concluded the additional agreement to postpone the maturity date of loan payable to third party, postponing the repayment of the loan duntill 1 August 2023, amounting to USD 24,408 thousand, which is payable on demand as at 30 June 2020 and presented as short-term liability.

In September 2020 the Group concluded the additional agreement with third party to postpone the maturity date of repayment of other liabilities together with accrued penalties. According to the agreement the Group will not be required to settle the other short- term payables and accrued penalties totally amounting to USD 410 thousand as at 30 June 2020 until 1 August 2023.

Details of the loans' maturity postponement are disclosed in the table below.

Lender	Original agreement	Original and current amount including capitalised interest (USD)	New facility size (USD)	Previous coupon pa	New coupon pa	Previous repayment date	New repayment date
Retail Real Estate OU ("RRE")	Loan agreement, 29/05/2014	Initial loan, 18,000,000 As at 31/07/20, 28,292,779	28,292,779	12%	10.50%	30/06/2020	USD 6,872,394, 01/08/2021 Remaining balance, 01/08/2023
RRE	Loan agreement, 18/09/2014	Initial loan, 10,000,000 As at 31/07/20, 3,127,606	3,127,606	10.50%	10.50%	23/09/2019	01/08/2021
Vunderbuilt S.A.	Share exchange agreement ,05/09/2013	Initial deferred consideration, 20,000,000 As at 31/07/20, 31,305,249	31,305,249	9.75%	10.50%	30/06/2020	01/08/2023
Vunderbuilt S.A.	Loan agreement, 05/07/2013	Initial loan, 15,300,000	24,545,027	9.55%	10.50%	31/07/2020	01/08/2023

		As at 31/07/20, 24,545,026					

ISIN: CY0102941610
Category Code: MSCH
TIDM: ARO
LEI Code: 213800F8AMPULEKXFX22
OAM Categories: 3.1. Additional regulated information required to be disclosed under the laws of a Member State
Sequence No.: 84757
EQS News ID: 1135861

End of AnnouncementEQS News Service
