London Stock Exchange

EQS Half-year/Interim Report

Arricano Real Estate Plc: Interim Results

ARRICANO REAL ESTATE PLC

Released 07:00:33 30 September 2022

Arricano Real Estate Plc (ARO)
Arricano Real Estate Plc: Interim Results

30-Sep-2022 / 07:00 GMT/BST
Dissemination of a Regulatory Announcement that contains inside information in accordance with the Market Abuse Regulation (MAR), transmitted by EQS Group.

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30 September 2022

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 2022

Arricano is one of the leading real estate developers and operators of shopping centres in Ukraine with over 147,000 square metres of gross leasable area under operation and land for a further three sites under development.

Highlights

- The war in Ukraine has created significant uncertainty and distress. Nevertheless, all of Arricano's shopping malls have remained open and continue to trade, albeit at reduced volumes.
- The Company is financially and operationally well positioned to manage the business through the current crisis, subject to no material escalation of the war.
- Group revenue decreased by 22% to USD 13.2 million (1H 2021: USD 16.9 million)
- Underlying operating profit before revaluation of investment property decreased by 27% to USD 8.7 million (1H 2021: USD 11.9 million)
- Group average occupancy was 98.4% as at 30 June 2022 (2021: 99.5%)
- Investment property revaluation loss of USD 91.1 million due to the reassessment of the value of the Group's properties due to the current crisis
- Net asset value decreased to USD 83.2 million (31 December 2021: USD 163.8 million)

Ganna Chubotina, Chief Executive Officer of Arricano, commented:

"Our operational performance has been dramatically impacted by the military invasion of Ukraine by Russia. For four of the six months under review, our team and tenants have been operating under extraordinarily stressful circumstances where, to keep working, required dedication, selflessness and unconditional faith in our people and country. Thanks to their often heroic efforts, we managed to keep the business operating through the initial months of the crisis and are now well positioned to emerge again, once the war ends, with the ability to continue to grow and focus on our long-term goals.

"I would like to thank all of Arricano's stakeholders for their perseverance and contribution to the future prosperity of Ukraine and the Company."

This announcement contains inside information for the purposes of Article 7 of the UK version of Regulation (EU) No 596/2014 which is part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended ("MAR"). Upon the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.

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Chief Executive's Statement

I am extremely proud of the results the Company has produced during this tragic period following the invasion of our country by Russia. The Arricano team has come together under unique and often frightening circumstances, united by a common purpose to not be cowed by the invasion or let it halt our business, ensuring our shopping malls have continued to trade throughout the six months under review.

The financial results reflect the events of the war and, as the threat to Kyiv reduced, numbers of shoppers increased, leading to improved sales and cash flow recovery.

Today, our shopping centres are operating closer to normality with occupancy at 98.4% and reasonably high visitor numbers, resulting in turnover and cash flow rates being partially restored. I would like to believe that we have passed the acute phase of the crisis, at least in the regions where our shopping malls operate, however, the war continues.

Therefore, our focus remains on operating as efficiently as possible whilst maximising income; supporting our tenants, teams and shopping centre communities by providing the best possible services and safe working environments.

Results

Recurring revenues for the period reduced by 22% to USD 13.2 million (1H 2021: USD 16.9 million) primarily as a result of temporary rent concessions given to tenants. Underlying operating profit before revaluation of investment property was USD 8.7 million (1H 2021: USD 11.9 million).

The revaluation of the investment property portfolio resulted in a loss of USD 91.1 million (1H 2021: loss of USD 9.0 million), caused by the multiple negative financial impacts of the invasion by Russia (see Note 4). The total value of investment property portfolio comprised USD 231.1 million (31 December 2021: USD 323.9 million).

Cash flow from operating activities was USD 8.0 million with Group cash balances as at 30 June 2022 of USD 12.6 million (31 December 2021: USD 8.5 million).

Net asset value decreased to USD 83.2 million (31 December 2021: USD 163.8 million), reflecting the portfolio revaluation.

Operational Review

Today, we believe the role of our shopping malls in their respective communities have an increased social importance and a unique mission to help maintain stability and bring people together. For many people they represent a sense of normal life and Arricano is therefore focused on continuing to support the local communities connected to its malls by creating and leading educational and other social projects to encourage togetherness, enjoyment and making each mall a focal point for all.

This can be seen in the RayON shopping mall where a "Big Family Initiative" project was launched on 30 July 2022, the aim of which was to create a show of public support. This project was popular and successfully brought the local community together, whilst raising much needed money for a national military and medical clinical centre ("GVKG").

Educational initiatives took place in the City Mall and Sun Gallery shopping malls, involving local art schools and other creative groups located close to the respective malls.

The Prospekt mall launched the "Learn and Help" project involving a series of seminars on pre-hospital care, the purpose of which was to educate individuals on how to act in an emergency, teaching basic first aid skills and thereby developing vital knowledge across the community to be used to help save lives.

The safety of our customers and staff remains, as ever, our priority. The invasion has resulted in additional safety precautions and the Company ensures all requirements relating to air radar alert evacuations (as well as COVID-19) are met, primarily by communicating to our customers the current schedule of mall working hours, safety measures and evacuation rules in a calm, caring and supportive manner.

Arricano has also continued to focus on the execution of its core strategies, including being a socially responsible company focused on creating a better environment for our communities and society.

Corporate and social responsibility actions are implemented under the Company's framework of corporate governance and are designed to ensure effective interaction and constant dialogue with our communities, aimed at helping to solve the most urgent social problems and support for those who need it most.

Shopping mall visitor numbers sharply decreased initially following the conflict in Ukraine. However, as the threat to Kyiv receded in July, visitor numbers began to recover, reflecting the return of people to their homes, having in many cases migrated to safer parts of the country. We continue to see a positive trend in visitor numbers on a month-to-month basis which has in turn led to a partial recovery in sales and cash flow from operations.

War has a significant impact on consumer behavior, resulting in a combination of lower purchasing power and reduced consumer confidence naturally leading to a decline in sales. There was a 22% decrease in revenue in comparison with the same period last year but, since the half year end, there has been a more positive trend.

Despite the events in the first half of the year, the Company opened 19 new retail units across the shopping centre portfolio, including a mix of local and international brands: Ukrzoloto, Anabel Arto, Brand Store, BraBraBra, Zolota Krayina, Provocator, Diverse, Yabloki, ODH, Sushi to Go, Doner Kebab and Greek House. The total area of the stores that opened is 988 square metres.

People

On behalf of the Board, I would like to thank everyone involved with the Company, for their commitment to the business and their bravery in continuing to work.

Outlook

The business is stable and, since the half-year, trading has improved. Given the ongoing conflict in Ukraine, it is difficult to predict the future; however, the Company is well placed to recover to previous levels, when the war concludes. Until then, Arricano will continue to support all of its tenants, teams and the communities connected to and surrounding its shopping centres.

Consolidated interim condensed financial statements as at and for the six months ended 30 June 2022

Consolidated condensed statement of financial position as at 30 June 2022

(in thousands of USD)	*Note*	**30 June 2022 (unaudited)**	31 Decemb 2021 (
Assets			
Non-current assets			
Investment property	*4*	**231,081**	
Long-term VAT receivable		**1,260**	
Property and equipment		**73**	
Intangible assets		**50**	
Total non-current assets		**232,464**	
Current assets			
Trade and other receivables		**2,149**	
Prepayments made and other assets		**918**	
VAT receivable		**520**	
Assets classified as held for sale		**1,478**	
Income tax receivable		**1,078**	
Cash and cash equivalents		**12,649**	
Total current assets		**18,792**	
Total assets		**251,256**	

(in thousands of USD)	*Note*	**30 June 2022 (unaudited)**	31 Decemb 2021 (
Equity and Liabilities			
Equity			
Share capital		**67**	
Share premium		**183,727**	
Non-reciprocal shareholders contribution		**59,713**	
Retained earnings		**28,857**	
Other reserves		**(61,983)**	
Foreign currency translation differences		**(127,170)**	(
Total equity		**83,211**	
Non-current liabilities			
Long-term borrowings	*5*	**65,612**	
Long-term trade and other payables	*6*	**17,312**	
Long-term advances received		**704**	
Other long-term liabilities	*7*	**34,732**	
Deferred tax liability		**1,548**	
Total non-current liabilities		**119,908**	
Current liabilities			
Short-term loans and borrowings	*5*	**29,269**	
Short-term trade and other payables	*6*	**3,465**	
Taxes payable other than income tax		**1,854**	
Short-term advances received		**7,133**	
Other short-term liabilities	*7*	**6,416**	
Total current liabilities		**48,137**	
Total liabilities		**168,045**	

Total equity and liabilities	**251,256**	

These consolidated interim condensed financial statements were approved by the Board of Directors on 29 September 2022 and were signed on its behalf by:

George Komodromos
Director

Frank Lewis
Director

Consolidated interim condensed financial statements as at and for the six months ended 30 June 2022

Consolidated condensed statement of profit and loss and other comprehensive income for the six months ended 30 June 2022

	Note	**Six months ended 30 June 2022 (unaudited)**	Six montl 30 Ju (un
(in thousands of USD, except for earnings per share)			
Revenue	*8*	**13,210**	
Loss on revaluation of investment property	*4*	**(91,106)**	
Goods, raw materials and services used		**(433)**	
Operating expenses		**(2,763)**	
Employee costs		**(1,241)**	
Depreciation and amortization		**(45)**	
Profit from operating activities		**(82,378)**	
Finance income	*9*	**284**	
Finance costs	*10*	**(5,918)**	
Loss before income tax		**(88,012)**	
Income tax gain	*11*	**11,823**	
Loss for the period		**(76,189)**	
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		**(23,215)**	
Foreign currency translation differences		**18,839**	
Total items that may be reclassified to loss or profit		**(4,376)**	
Other comprehensive income (loss)		**(4,376)**	
Total comprehensive income (loss) for the period		**(80,565)**	
Weighted average number of shares (in shares)		103,270,637	103,
Basic and diluted earnings (loss) per share, USD		**(0.7378)**	

Consolidated interim condensed financial statements as at and for the six months ended 30 June 2022
Consolidated condensed statement of cash flows for the six months ended 30 June 2022

	Note	**Six months ended 30 June 2022 (unaudited)**	Six months ended 30 June 2021 (unaudited)
(in thousands of USD)			
Cash flows from operating activities			
Profit (loss) before income tax		**(88,012)**	(1,124)
Adjustments for:			
Interest income, excluding foreign exchange gain	*9*	**(284)**	(338)
Interest expenses, excluding foreign exchange loss	*10*	**5,361**	6,362
Loss/ (gain) on revaluation of investment property	*4(a)*	**91,106**	9,027
Depreciation and amortization		**45**	57
Unrealised foreign exchange (gain)/loss		**874**	(1,982)
Allowance for bad debts		**133**	133

Operating cash flows before changes in working capital	**9,223**	12,135
Change in trade and other receivables and prepayments made and other assets	**(931)**	342
Change in VAT receivable	**(37)**	221
Change in trade and other payables	**113**	285
Change in advances received	**849**	825
Change in other liabilities	**(25)**	-
Change in taxes payable	**513**	(835)
Income tax paid	**(577)**	(605)
Interest paid	**(1,111)**	(2,401)
Cash flows from operating activities	**8,017**	9,967
Cash flows from investing activities		
Acquisition of investment property, excluding capitalized borrowing costs and settlements of payables due to constructors	**(1,697)**	(4,059)
Acquisition of property and equipment and intangible assets	**(3)**	(68)
Interest received	**65**	96
Cash flows used in investing activities	**(1,635)**	(4,031)

	Note	**Six months ended 30 June 2022 (unaudited)**	Six montl 30 Ju (un
(in thousands of USD)			
Cash flows from financing activities			
Proceeds from borrowings		**6,720**	
Repayment of borrowings		**(8,620)**	
Cash flows from used in financing activities		**(1,900)**	
Net increase in cash and cash equivalents		**4,482**	
Cash and cash equivalents at 30 June		**8,530**	
Effect of movements in exchange rates on cash and cash equivalents		**(363)**	
Cash and cash equivalents at 30 June		**12,649**	

Consolidated interim condensed financial statements as at and for the six months ended 30 June 2022

Consolidated condensed statement of changes in equity for the six months ended 30 June 2022

	Attributable to equity holders of the parent						
	Share capital	**Share premium**	**Non-reciprocal shareholders contribution**	**Retained earnings**	**Other reserves**	**Foreign currency translation differences**	**Total**
(in thousands of USD)							
Balances at 1 January 2021	67	183,727	59,713	67,142	(61,983)	(129,272)	119,394
Total comprehensive income for the period							
Profit for the period (unaudited)				(386)			(386)
Foreign exchange gains on monetary items that form part of net investment in the foreign operation, net of tax effect (unaudited)						11,322	11,322
Foreign currency translation differences (unaudited)						(5,096)	(5,096)
Total other comprehensive income						6,226	6,226
Total comprehensive income for the period				(386)		6,226	5,840
Balances at 30 June 2021 (unaudited)	67	183,727	59,713	66,756	(61,983)	(123,046)	125,234

	Attributable to equity holders of the parent						
	Share capital	Share premium	Non-reciprocal shareholders contribution	Retained earnings	Other reserves	Foreign currency translation differences	Total
(in thousands of USD)							
Balances at 1 January 2022	**67**	**183,727**	**59,713**	**105,057**	**(61,983)**	**(122,794)**	**163,787**
Total comprehensive income for the period							
Profit for the period (unaudited)				**(76,189)**			**(76,189)**
Foreign exchange gains on monetary items that form part of net investment in the foreign operation, net of tax effect (unaudited)						**(23,215)**	**(23,215)**
Foreign currency translation differences (unaudited)						**18,839**	**18,839**
Total other comprehensive income				**(76,189)**		**(4,376)**	**(80,565)**
Total comprehensive income for the period				**(76,189)**		**(4,376)**	**(80,565)**
Balances at 30 June 2022 (unaudited)	**67**	**183,727**	**59,713**	**28,857**	**(61,983)**	**(127,170)**	**83,222**

Consolidated interim condensed financial statements as at and for the six months ended 30 June 2022

Notes to the consolidated interim condensed financial statements

1. Background

a. Organisation and operations

Arricano Real Estate PLC ("Arricano", the "Company" the "Parent Company" or, together with its subsidiaries, the "Group") 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 2022, the Group operates shopping centres in Kyiv, Simferopol, Zaporizhzhya and Kryvyi Rig with a total leasable area of over 147,000 square meters and is in the process of development of two new investment projects in Kyiv and Odesa, with one more project to be developed.

b. Business environment

The Group's operations are primarily located in Ukraine. Consequently, the Group is exposed to the economic and financial markets of Ukraine, which display characteristics of an emerging market. The political and economic situation in Ukraine has been subject to significant turbulence in recent years. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which, together with other legal and fiscal impediments, contribute to the challenges faced by entities operating in Ukraine. Additionally, an armed conflict in certain parts of Lugansk and Donetsk regions, which started in spring 2014, has not been resolved and part of the Donetsk and Lugansk regions remains under control of the self-proclaimed republics, and Ukrainian authorities are not currently able to fully enforce Ukrainian laws on this territory. Various events in March 2014 led to the accession of the Republic of Crimea to the Russian Federation, which was not recognised by Ukraine and many other countries. Consequently, operations in the country involve risks that do not typically exist in other markets.

On 21 February 2022, the Russian Federation officially recognised two Ukrainian breakaway regions of Luhansk and Donetsk and authorised the use of military forces in those territories. On
24 February 2022, Russian troops invaded Ukraine and commenced military activities in multiple locations. These ongoing activities have led to casualties, significant dislocation of the population, damage to infrastructure, introduction of certain administrative restrictions on currency conversion transactions and payments abroad by the National Bank of Ukraine and overall significant disruption to economic activity in Ukraine. This has had a detrimental impact on the political and business environment in Ukraine, including on the ability of many entities to continue business as usual. In response to military actions, the Decree of the President of Ukraine No. 64/2022 imposed martial law, which has now been extended until 21 November 2022.

With the beginning of the military invasion of Russian troops, all rating agencies have worsened Ukraine's credit rating. On 20 May 2022, Moody's Investors Service downgraded Ukraine's credit rating to Caa3, on 27 May 2022, Standard & Poor's downgraded Ukraine's credit rating to CCC+ with a review of the possible downgrade, on 22 July 2022, Fitch downgraded Ukraine's credit rating to C.

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 negatively affect the Group's results and financial position in a manner not currently determinable.

These unaudited consolidated interim condensed financial statements reflect management's current assessment of the impact of the Ukrainian 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 2021 ("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 2021. 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 2022 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 2021.

c. Functional and presentation currency

The functional currency of Arricano Real Estate PLC is the US dollar (USD). The 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 aforementioned 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 choose 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 2022**	31 December 2021
UAH	**29.25**	27.28
RUB	**51.16**	74.29

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

Currency	**2022**	2021
UAH	**28.91**	27.78
RUB	**76.57**	74.33

As at the date that these consolidated interim condensed financial statements are authorised for issue, 29 September 2022, the exchange rate is UAH 26.57 to USD 1.00 and
RUB 58.45 to USD 1.00.

d. Going concern

As at 30 June 2022, the Group's current liabilities exceeded its current assets by
USD 29,345 thousand. At the same time, the Group had positive equity of USD 83,211 thousand as at
30 June 2022, and generated positive cash flows from operating activities of USD 8,017 thousand for the six months then ended.

In current circumstances the Group conducts its operating activities in territories which are not significantly affected by the military actions, as described in Note 1(b). Taking this into account, the Group's management has considered the uncertainty related to the consequences of military invasion and concluded that the Group is expected to be able to continue as a going concern based on the following considerations:

- Although it is extremely difficult to predict the duration of the war, in its adverse but plausible scenario, the Group's management expects the war to continue until the end of 2022 and for the Group to be able to conduct its operating activities in the non-occupied territory of Ukraine during this period. Management plans that the Group will earn revenue that together with other measures undertaken by the Group's management, including negotiations with lenders and banks about postponing of debt repayments, will give an ability to settle the Group's liabilities in the normal course of business.
- The Group's management believes that the recovery of business activity continues as rental revenue has stabilised or even improved in the last few months compared to first months of the war. As at the date these unaudited consolidated financial statements are authorised for issue, all of Arricano's shopping centers were operational, with an occupancy rate greater than 95%. The Group's revenues decreased by 22% in for the 6 months 2022 period primarily as a result of temporary rent concessions given to tenants.
- The Group`s management have also been working with tenants, suppliers and bank lenders to negotiate terms of continuing cooperation, possible restructuring of working conditions and repayment of debts, etc.
- In addition to restructuring of bank loans already made in the 6 months to 30 June 2002 (see Notes 5 and 15), management expects that bank lenders will continue to support the Group by extending the repayment schedules of outstanding loans.
- The Group expects to have sufficient financial resources to finance its operations during the military invasion and in the foreseeable future, even in a more severe scenario. The main sources of funding are expected to be cash balances and ongoing rental income from tenants.
- In addition, the Group's management received a waiver from the Joint Stock Company
"State Savings Bank of Ukraine" of the condition that the lender can request repayment of the full amount of the loan within 3 months and as result USD 15,9 million (31 December 2021: USD 16,5 million) of the loan recognised as short-term liabilities is expected to be repayable after 31 December 2022.
- As at the date the financial statements were authorized for issue, the Group's management does not intend to suspend or liquidate its activities in Ukraine.

However, as at that date, it is also difficult to predict the period and duration of military aggression in Ukraine. Continuation of military aggression will result in prolongation of existing administrative restrictions from the National Bank of Ukraine, including a ban on any payments to the Group's foreign counterparties, as well as additional administrative restrictions which may be introduced by
the Ukrainian authorities. Further, prolongation of military activities may result in the Group's inability to restart its full-scale operating activities, as a result of significant disruption to the Group's supply chain or significant damage to the Group's infrastructure, as well as insufficient human resources to conduct the daily operating activities of the Group. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern, and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of 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 war in Ukraine could negatively affect the Group's results and financial position in a manner not currently determinable, including its ability to continue as a going concern. These financial statements reflect management's current assessment of the impact of the Ukrainian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

These consolidated 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 12(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 2022 and the year ended 31 December 2021, the Group operated in and was managed as one operating segment, being property investment.

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 2021.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2022.

A number of other new pronouncements are effective from 1 January 2022 but they do not have a material effect on the Group's financial statements.

4 Investment property

(a) Movements in investment property

Movements in investment properties for the six months ended 30 June 2022 are as follows: fair value loss on revaluation in the amount of USD 91,106 thousand (unaudited) (six months ended 30 June 2021: fair value loss on revaluation in the amount of USD 9,027 thousand (unaudited)); currency translation loss in the amount of USD 3,485 thousand (unaudited) (six months ended 30 June 2021: gain USD 10,179 thousand (unaudited)); and additions in the amount of USD 1,697 thousand (unaudited) (six months ended 30 June 2021: USD 4,987 thousand(unaudited)).

As at 30 June 2022, in connection with loans and borrowings, the Group pledged as security investment property with a carrying value of USD 155,579 thousand (unaudited) (31 December 2021: USD 204,700 thousand) (refer to Note 13(a)).

(b) Determination of fair value

The fair value measurement, developed for determination of fair value of the Group's investment property, is categorised within the Level 3 category due to the 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 the Level 2 category.
As at 30 June 2022, the fair value of investment property categorised within the Level 2 category is USD 29,400 thousand (unaudited) (31 December 2021: USD 29,400 thousand).

The most recent independent revaluation of investment property took place as at 31 December 2021. 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.

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 where 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 2021, 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 12 to USD 25 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 98.6% to 100%, and capitalisation rates ranging from 12.5% to 16.5% 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.

Group Management carefully considered investment property revaluation as at 30 June 2022. In light of the analysis of the retail property market and the current situation in Ukraine, Group Management took a decision not to engage an independent property appraiser as at 30 June 2022. The reason for the decision is that the retail property market for the properties similar to Group's investment properties is not properly functioning at the current moment with no transactions being made.

As at 30 June 2022, the estimation of fair value of the Group retail properties in Ukraine was made using a net present value calculation based on certain assumptions, the most important of which were as follows:

- Net rental income will recover to the previous levels, which have been used in the estimation of fair value as as 31 December 2021 in 4 years.
- The capitalisation rates will return to the same level which have been used in the estimation of fair value as as 31 December 2021 in 4 years.
- The discount rate used in the net present value calculation was set at 20% to account for increased risk to the Group operations due to the war in Ukraine.

Loss on revaluation of investment property includes a write off of all Group assets related to Russia in total amount of USD 43.0 million. The Group has assessed that in current situation, where there is no control over the cash flows and operations of the Group's Russian entities, the sum of estimated future cash flows from Russian entities is expected to be zero.

As at 30 June 2022, the fair value of investment property, denominated in the functional currency, amounted to UAH 5,455,427 thousand (USD 231,081 thousand).

Sensitivity at the date of valuation

The valuation model used to assess the fair value of investment property as at 31 December 2021 is particularly sensitive to unobservable inputs in the following areas:

- If the capitalisation rate applied is 1% higher than that used in the valuation models, the fair value of investment properties would be USD 11,669 thousand lower. If the capitalisation rate is 1% less, then the fair value of investment properties would USD 13,601 thousand higher.
- If the discount rate applied is 1% higher than that used in the valuation models, the fair value of investment properties would be USD 3,534 thousand lower. If the capitalisation rate is 1% less, then the fair value of investment properties would USD 3,650 thousand higher.

5 Loans and borrowings

This note provides information about the contractual terms of loans.

(in thousands of USD)	**30 June 2022 (unaudited)**	31 December 2021 (audited)
Non-current		
Secured bank loans	**25,453**	22,256
Unsecured loans from related parties	**13,050**	20,343
Unsecured loans from third parties	**27,109**	27,110
	65,612	69,709
Current		
Secured bank loans (current portion of secured long-term bank loans)	**24,010**	21,744
Unsecured loans from related parties (including current portion of long-term loans from related parties)	**2,358**	1,479
Unsecured loans from third parties	**2,901**	1,467
	29,269	24,690
	94,881	94,399

Terms and debt repayment schedule

As at 30 June 2022, 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 valu**
Secured bank loans				
Secured bank loans	**USD**	**5%-6.8%**	**2024-2026**	**42,53**
Secured bank loans	**UAH**	**13.25%**	**2025**	**6,92**
				49,46
Unsecured loans from related parties				
Unsecured loans from related parties	**USD**	**10.50%**	**2023**	**15,09**
Unsecured loans from related parties	**USD**	**10%**	**on demand**	**26**
Unsecured loans from related parties	**UAH/USD**	**0-3.2%**	**2019**	**4**
				15,40
Unsecured loans from third parties				
Unsecured loan from third party	**USD**	**10.50%**	**2023**	**29,80**
Unsecured loans from third parties	**USD**	**3%**	**2022**	**20**
				30,01
				94,88

As at 31 December 2021, 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 valu**
Secured bank loans				
Secured bank loans	USD	5%-6.8%	2024-2026	36,31
Secured bank loans	UAH	13.25%	2025	7,68
				44,00
Unsecured loans from related parties				
Unsecured loans from related parties	USD	10.50%	2023	21,51
Unsecured loans from related parties	USD	10%	on demand	25
Unsecured loans from related parties	UAH/USD	0-3.2%	2019	4
				21,82
Unsecured loans from third parties				
Unsecured loan from third party	USD	10.50%	2023	28,37
Unsecured loans from third parties	USD	3%	2022	20
				28,57

	94,39

For a description of assets pledged by the Group in connection with loans and borrowings refer to Note 13(a).

a. Joint Stock Company "Tascombank"

During the six months period ended 30 June 2022 the Group signed an amendment to the loan agreement to postpone principal repayments in total of USD 560 thousand to June 2024.

b. Joint Stock Company "State Savings Bank of Ukraine"

During the six months period ended 30 June 2022 the Group signed amendments to the loan agreements to postpone interest and principal repayments in total of USD 1,455 thousand to 2024-2026.

In accordance with the loan agreement, the lender may require early repayment of the loan facility amount. Respectively, the total loan amount of USD 15,950 thousand is presented within current liabilities as at 30 June 2022 (31 December 2021: USD 16,350 thousand).

(c) Joint Stock Company “Alfa-Bank”

During the period ended 30 June 2022 the Group signed a number of amendments to the loan agreement in order to postpone the principal amount payments most recently until July 2022 in respect of USD 1,052 thousand.

6 Trade and other payables

As at 30 June 2022, included in payables for construction works are accrued financial charges under construction agreement with third parties amounting to USD 16,849 thousand (unaudited) (31 December 2021: USD 16,546 thousand). In 2017-2018, the constructors claimed the Group to reimburse finance and foreign currency losses incurred by constructors due to untimely fulfillment of obligations by the Group companies under construction agreements, as well as fee for restructuring of accounts payable.

As a result of negotiation accomplished on 12 July 2017, interest rate of 10.00% per annum was imposed on charges payable, they were converted to USD and maturity was postponed to 31 December 2025.

7 Other liabilities

As at 30 June 2022, 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 34,592 thousand (unaudited) and USD 3,324 thousand (unaudited), respectively (31 December 2021: USD 34,592 thousand and USD 1,522 thousand, respectively). As at 30 June 2022 and 31 December 2021, deferred consideration is presented in accordance with its final contractual maturity and bears 10.5% interest rate per annum.

8 Revenue

The revenue for the 6 months period ended 30 June is represented as follows (unaudited):

(in thousands of USD)	**2022**	2021
Rental income:		
Fixed lease payments	**8,907**	12,013
Variable lease payments	**1,162**	1,177
	10,069	13,190
Revenue from contract with customers:		
Common parts exploitation services	**3,048**	3,566
Marketing services	**93**	150
	3,141	3,716
	13,210	16,906

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 10,069 thousand (unaudited) for the six months ended 30 June 2022 (six months ended 30 June 2021 (unaudited): USD 13,190 thousand).

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

9 Finance income

During six months ended June 2022 finance income comprised interest income of USD 198 thousand, other finance income of USD 86 thousand (unaudited) (six months ended 30 June 2021: foreign exchange gain of USD 2,043 thousand (unaudited), interest income of USD 229 thousand (unaudited), other finance income of USD 109 thousand (unaudited)).

10 Finance expenses

During the six months ended 30 June 2022 finance expenses comprised interest expenses of USD 5,361 thousand (unaudited) and foreign exchange loss of USD 557 thousand (unaudited) (six months ended 30 June 2021: interest expenses of USD 6,362 thousand (unaudited)).

11 Income tax expenses

During the six months ended 30 June 2022 income tax expenses mainly comprised deferred income tax benefit of USD 12,341 thousand (unaudited) (six months ended 30 June 2021: deferred income tax benefit of USD 1,242 thousand (unaudited)) and current income tax expense of USD 518 thousand (six months ended 30 June 2021: USD 504 thousand).

12 Financial risk management

During the six months ended 30 June 2022, the Group had no significant changes in financial risk management policies as compared to 31 December 2021.

13 Commitments and contingencies

a. Pledged assets

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

	30 June 2022	31 December 2021 (audited)

(in thousands of USD)	**(unaudited)**	
Investment property (note 4(a))	**155,579**	204,700
Bank balances	**2,224**	1,958
	157,803	206,658

As at 30 June 2022 (unaudited) and 31 December 2021, the Group had 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: 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 53,074 thousand as at 30 June 2022 (unaudited) (31 December 2021: USD 57,998 thousand).

c. 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, is 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.

i. 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 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 the 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.

ii. Republic of Cyprus

Operations of the Group in Cyprus are mainly limited to provision of intra-group financing, transactions related to the 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 characterised by numerous taxes, legislation may be applied retrospectively, and can be 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 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 practice of its application by the tax authorities, and there can be no assurance that the tax authorities' interpretations of the approaches will concur with those used by the Group, which could result in the 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 the 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 Capital Investments Limited, Deltamax Group OU, Mr. Rauno Teder and Mr. Jüri Põld. The Group's ultimate controlling party is the Estonian individual Mr. Rauno Teder.

During the year ended 31 December 2021, Hillar Teder transferred his equity interest in
Retail Real Estate OU to Rauno Teder. As a result, Rauno Teder, who had already held 15.92% of the issued voting rights of the Parent Company (7.48% - directly and 8.34% through Deltamax Group OU), acquired an 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 2022 is represented by salary and bonuses of USD 493 thousand (unaudited) (six months ended 30 June 2021: USD 365 thousand (unaudited)).

Directors' interests

The direct and indirect interests of the members of the Board in the share capital of the Company as at 31 December 2021 and 30 June 2022 and as at the date 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 2022 (unaudited)**	31 December 2021
Short-term loans receivable	**11,609**	11,479
Trade receivables	**1**	1
Other receivables	**8,160**	8,160
Provision for impairment of trade and other receivables and loans receivable from related parties	**(19,768)**	(19,637)
	2	3
Long-term loans and borrowings	**13,050**	20,344
Short-term loans and borrowings	**2,358**	1,479
Trade and other payables	**168**	214
Advances received	**24**	27
	15,600	22,064

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)	**2022 (unaudited)**	2021 (unaudited)
Interest expense	**(878)**	(1,502)

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. None of the balances are secured.

15 Subsequent events

In August 2022 the Group signed an amendment to its loan agreement with "Tascombank" to postpone principal repayments in the amount of USD 900 thousand to January 2023.

In September 2022 the Group signed an amendment to its loan agreement with Raiffeisen Bank Aval to postpone principal repayments of the loan due in 2022 in the amount of USD 1,168 thousand to January 2023.

ISIN: CY0102941610
Category Code: IR
TIDM: ARO
LEI Code: 213800F8AMPULEKXFX22
OAM Categories: 1.2. Half yearly financial reports and audit reports/limited reviews
Sequence No.: 191460
EQS News ID: 1453493

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