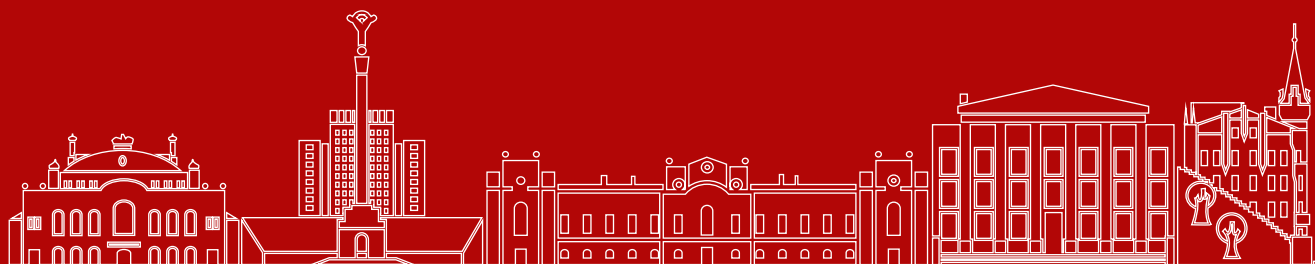


# ARRICANO NEWS DIGEST №17



## Results of the 1<sup>st</sup> quarter of 2019

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# About Technologies in details



## Greetings!

In this issue, we offer to play a game: fill in a checklist of technologies used in business.

In Arricano, we do it regularly, testing the technological innovations associated with retail, which already work in other countries.

Why it is so important to “check” what is happening in other markets? Because if the buyer feels convenient and comfortable somewhere, he/she would not return to the traditional retail.

It is the technologies that give you a feeling that it is easy and simple to try and buy something without taking a wallet out of your pocket. Today technologies are still underestimated, though the companies that are engaged in technological development win from corporations with outdated business models. Netflix won from Blockbuster due to the fact that it did not build its business using a template, but made a bet on high tech. Below there are the instructions and rules of the game, how to test the technologies that are available in retail today:

1. Print / download
2. Fill in
3. Take photo / save file
4. Keep for 5 years!

List of Technologies	Status of Technology		
	Already use	Plan to use	Nonsense
AR/VR/XR	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
QR Code	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
RFID	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Beacons	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Computer vision	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ML/AI	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Chatbots/Voice assistance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
DMP	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Digital Media	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Big Data/Small Data	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Omnichannel ERP/CRM/IMS	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

A few years ago, we could not imagine how technologies would affect our lives and how much value they will lose, becoming available in everyday life. To vacuum an apartment while staying in your office, try on clothes and choose looks being far outside the store ... There are thousands of examples demonstrating how our thinking and lifestyle have changed - at home, in the office, anywhere.

Which technology allows the customer to get more customer experience and increases his/her shopping list without taking his/her wallet out of the pocket? How many unnecessary things does this list contain - each retailer has to decide for himself/herself. Check - to tech or not to tech.

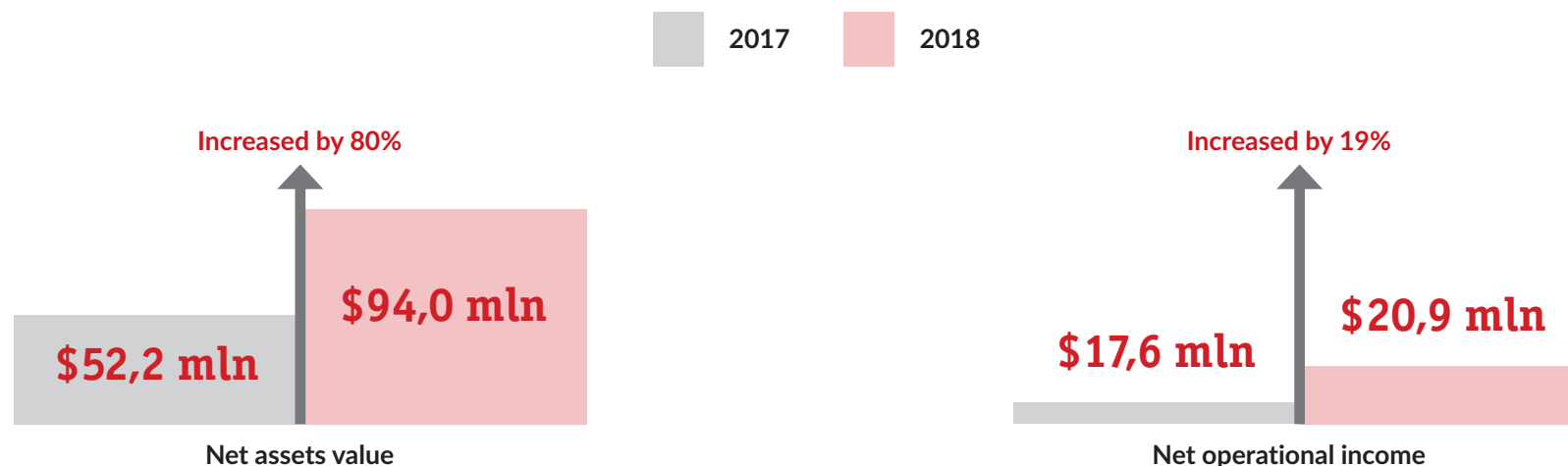
Retail yours,  
**Mike Merkulov**

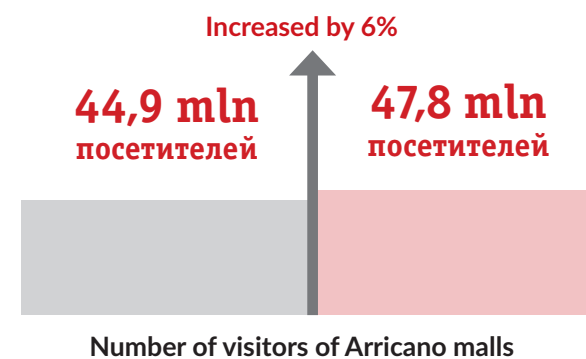
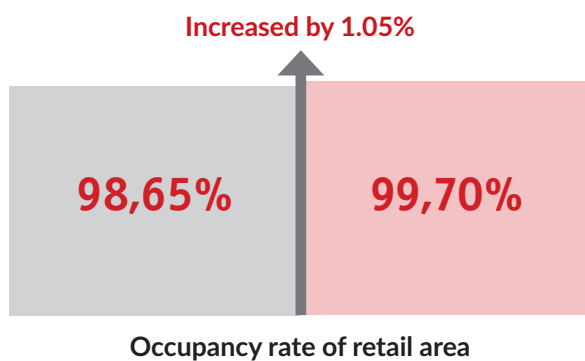
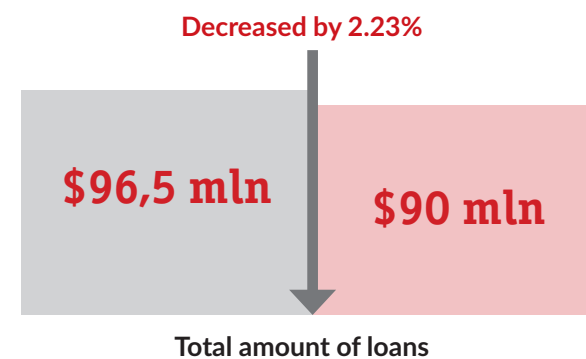
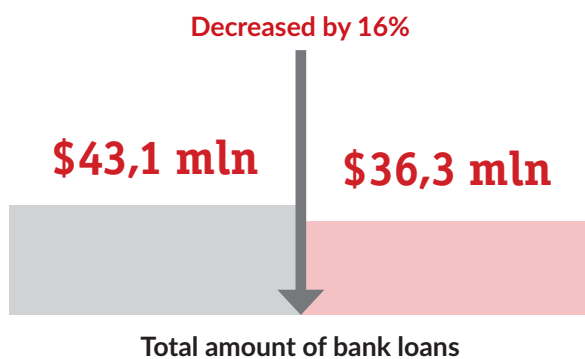
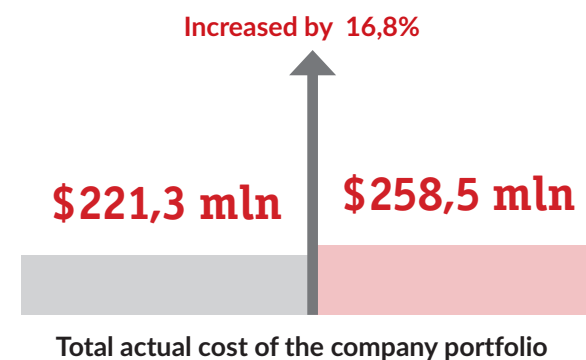
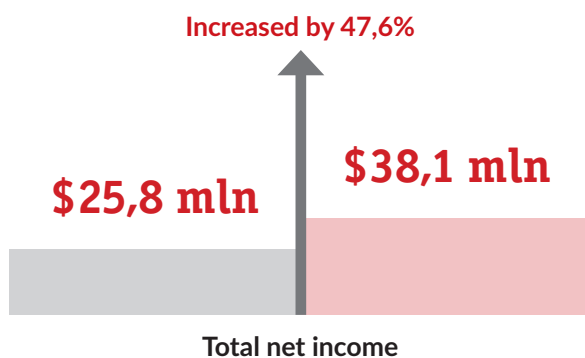
## Arricano company in 2018 demonstrated double-digit growth of financial parameters

In April 2019, Arricano published the company's consolidated financial results for 2018, which demonstrated a steady double-digit growth in the reporting currency for the fourth year in a row. Against the background of complicated social and economic situation in Ukraine, the sustainable development of the company is the significant achievement of the entire Arricano team and the merit of the company and the company's partners.

The team systematically develops Arricano facilities, creates everywhere a comfortable social space - enhances the positive *customer experience* of visitors, partners and tenants, improves tenant-mix, implements innovative marketing solutions, digitizes the space of shopping malls, synchronizes online and offline communications both with consumers and tenants.

Mykhailo Merkulov, CEO of Arricano, notes, "The well-coordinated work of the team by implementing the strategy and the development of the *consumer-seller-landlord* ecosystem leads not only to excellent financial results, but also to changing the rules of the game on the market, launching new trends, digital technologies, increasing customer satisfaction both in B2B and B2C segments. Many initiatives that are being implemented by Arricano are based on trust and effective cooperation. CEO Arricano emphasizes that the changes, innovations and technologies that are already being launched will allow Arricano to become a qualitatively different, technological company in few years. Innovative approaches in management, marketing, technologies allow the company to reveal and use the hidden reserves of the market, increase corporate potential and convert it into business results.





## Lauri Reinberg: «Teamwork is the pledge of success»

Lauri Reinberg, Chief Financial Officer of Arricano Real Estate Plc, believes that finance is the most transparent, digitized and monetized corporate activity, where it is easy to calculate KPI and efficiency. Lauri Reinberg spoke about his professional experience, goals, objectives and achievements of the financial department and the company in general, about the qualities, principles and approaches necessary in modern realities in his exclusive interview for Arricano News Digest No. 17.



### **Tell us about your professional experience.**

My entire adult life I work in finance. I started from the position of an analyst, then, step by step, moved up the career ladder, from the main financial controller to the financial director at European banks. In 2007, I left the banking sector and started to work in the field of real estate. I joined Arricano team when shopping malls opened one after another: "Sun Gallery" in Kryvyi Rih, the first stage of Sky Mall in Kyiv and CityMall in Zaporizhzhia. After that, for a short period I returned to the banking sector, where I gained experience in the "problem assets" sector, as well as in launching a bank of a new technological format. In 2018, I returned to Arricano company to the position of the financial director.

### **What are the key vectors of financial services for the development of the**

### **company and the implementation of business objectives?**

The financial service implements both the business strategy in general and its financial part, in particular. It also provides support for decision-making in other departments, providing economic analytics for previous periods, and stimulates forecasts.

### **Finance is the circulatory system of business. What steps does the financial service take to ensure that the company works effectively?**

Financial service consists of 4 directions. Each of them has its own strategic goals and current tasks. In accounting - it is fulfillment of tax obligations towards the state, making of reports, payment for projects. The treasury manages the company's daily cash flows, ensures timely payments, efficient distribution of cash flows and timely fulfillment of all requirements of local authorities. The provision

of financing is one of the most important tasks for the functioning of a development company, especially in such market as the Ukrainian one. The well-known rule is that one who can attract external bank financing can succeed much more than others can. In 2018, we managed to attract funding for the development of a new facility - Lukianivka shopping mall. At the same time, we reduced the banking leverage by 16%. The financial department of Arricano makes reports according to international standards. We provide a large number of different reports to our partners, banks and potential investors, to boards of directors and shareholders. We create management reports to support business in making effective decisions for the departments of rent, operation and marketing.

### **What financial parameters in 2018 do you consider to be the most significant, demonstrating growth and**

**development of the company?**

If we talk about the results for 2018, it was not a simple year both for Arricano and for the country in general, however we demonstrated good results. In 2018, Net Operating Income grew by 19% up to \$20.9 million US dollars. This result was achieved due to the right management decisions of the team - the correct selection of the pool of tenants, reduced vacancy, increased attendance, as well as the daily work of the operational department aimed at optimization of operational costs. Evaluation of Arricano's project portfolio has increased by 17% to \$ 258.5 million which means that our shopping malls became more expensive, which is significant both for shareholders, for lending banks, and for our tenant partners. We increased the attendance of projects by 6%. These are not only marketing and social events, but also work aimed at creation of comfort and coziness. To launch a shopping mall you can't just take a loan and construct a building. A lot of work has to be done to make guests visit your shopping mall again and again.

**What are the three key achievements in the financial sector in 2018?**

The first one is the growth of financial parameters in double-digit figures in the reporting currency (dollar) for the third year in a row.

The second one is the conclusion of a loan agreement with Raiffeisen Bank Aval for UAH 140 million (\$ 5.15 million) with a maturity date on December 31, 2023 for partial financing of the construction of Lukianivka shopping mall. The third one is the attraction of Ukrainian banks to refinance the loan portfolio.

**How much automated is the job of your financial department?**

In our work we use three software solutions - the program for recording data, for transforming statements into IFRS and budgeting, and the program for visualizing of key parameters.

**How automation of financial management is being implemented?**

Recently, we have implemented a project which gives the company's management the opportunity to enter the mobile application in any

place where there is Internet access and see the results of the company's work both in absolute figures and in dynamics - visualized information with diagrams. It is convenient to choose individual projects and periods. We also develop a "tenant portal", which allows exchanging financial information with our tenant partners. Today, technologies are developing so quickly that it's impossible to stay aside, or to be "out of the loop".

**What qualities in your opinion help the financial service staff to solve their tasks?**

The main quality is the professionalism. The permanent development of competences is also necessary for the position held and for personal growth. Positive atmosphere and focus on fulfillment of tasks and understanding of business goals. Besides, I would like to emphasize the ability to conduct a dialogue - to build communication with colleagues both within departments and between divisions. Success can't be achieved without teamwork.

**We increased the attendance of projects by 6%. These are not only marketing and social events, but also work aimed at creation of comfort and coziness. To launch a shopping mall you can't just take a loan and construct a building. A lot of work has to be done to make guests visit your shopping mall again and again.**

# Tenant-mix changes in Arricano shopping malls in Kyiv in the 1st quarter of 2019

In the first quarter of 2019, we implemented a tenant-mix strategy for the development of each Arricano shopping mall. In Prospekt shopping mall, we've strengthened the category "Sport", having opened the Under Armor store, the largest in Ukraine, and we plan to open the largest Sportmaster store. We've also updated the food court and re-organized islands for better synergy of large and small operators.

In "RayON" shopping mall Ukrainian brands UAmade and Staff which were not represented in our shopping malls were attracted and supported.

In "Sun Gallery" shopping mall the positioning of the quality offer on the food court has been strengthened and cooperation with three operators: "Nalyvonky dlia divonky", Pilaf and "Khinkalnya" began.

In City Mall we have developed a plan for the development of tenant-mix for the second half of 2019 and are negotiating with potential partners for updating the category of fashion.



- Store of American brand of sportswear and equipment Under Armour
- Coffee shop Merry Berry
- Jewelry Island 925 Silver Jewelry
- Currency Exchange



- Clothing shop for youth of Ukrainian brand Staff
- Shop of Ukrainian brands UAmade
- Fashion clothes store Megapolis
- Crockery shop Lefard
- Coffee Shop Coffeelat
- Sweets island Candy World
- Sweets island "Funduk-sunduk"



## Shopping mall as offline and online media space

Marketing and PR projects in the first quarter of 2019 are aimed at strengthening the presence of tenant brands in the media channels of our shopping malls and ensuring direct communication between the retailer and customers. At the beginning of the year, a new B2C digital option was launched - an online product catalog on Facebook pages of malls. During this period, more than 2.2 million users saw the brand content of tenants in their news feeds. In other words, photos and information about goods got into the personal shopping plan of subscribers of malls' Facebook-pages.

The author's content for the media platforms are native PR publications, posts and videos about lifestyle, shopping and positive emotions with mentioning of the tenants' brands.

### Fashion opportunities, leisure and socialization

"Tufli chy Cherevyky" on Cool School in **RayON shopping mall** together with Mida brand

BTL + Healthy Lifestyle "Mixology of trainings" in **Prospekt shopping mall**

Meeting of international delegation AIESEC in **Prospekt shopping mall**

Prospekt - Global Village

Fair of lovers in **City Mall**

"Scroll on Facebook more" - promotion of digital shopping mission to plan purchases online - for **Prospekt shopping mall**, "**RayON**", "**Sun Gallery**", **City Mall**

Edutainment in Klumba Children's Space in **Prospekt Shopping Mall**

### Special media projects and blogging culture

"Become a star of your Instagram" - a photo-workshop at **RayON shopping mall**

"#PuzzleCityMall: how well you know Zaporizhzhia." Joint media project of **City Mall** and city edition 061.ua

Smart shopping: gifts for erudition together with Fly Kids in **Sun Gallery shopping mall**

AR photo zone for lovers in **Prospekt Shopping Mall**

"Enjoy different dimensions of spring" - AR effects in **Prospekt Shopping Mall**

#незапостивнепоїв - promo-campaign in **Prospekt shopping mall**

"Feel the taste of food-blogging", photo-master-class in **Prospekt shopping mall**

### Fun-content

New festive issue of the Kachka News program for the YouTube channel of **RayON shopping mall**

New series of the series "Men and Shopping: the Survivors" for the YouTube channel of **Prospekt shopping mall**

Video report on purchases for Valentine's Day: life hacks from residents of Zaporizhzhia for YouTube channel of **City Mall**

Love is point - photo zone for lovers in **Sun Gallery shopping mall**

City Drift in **City Mall**

Cool School in **RayON shopping mall** with the brands "House of Toys" and Colin's





## Photo guide of events of the first quarter of 2019



Arricano Real Estate Plc Company has entered the TOP-100 Rating of 500 largest Ukrainian companies from the publishing house "Economics" and Delo.UA, which has been published in January 2019.

Arricano ranked:

**The 1<sup>st</sup>** position in the category "Real estate for rent";  
**The 46<sup>th</sup>** position in the TOP 100 companies by profit;  
**The 303<sup>rd</sup>** position in the TOP-500 - in terms of revenue.

Arricano Real Estate Plc CEO Mykhailo Merkulov in his interview "It's time to dismantle glass ceilings" for "TOP-100 Rating" told that it is impossible to develop business today without changing a paradigm, destruction of artificial barriers and creation of the culture "nothing is impossible."

Read the interview on page 82:  
[https://delo.ua/get\\_file/id/top-1002018small.pdf](https://delo.ua/get_file/id/top-1002018small.pdf)



On February 11, Mykhailo Merkulov, CEO of Arricano Real Estate Plc, took part in the industry Open Mind Conference, where the market representatives of real estate discussed the investment climate in Ukraine.

Read about the conference here <https://rau.ua/ru/news/open-mind-conference-2019/>

Read about Mykhailo's participation here <https://arricano.com/ua/press-center/news/ucastniki-open-mind-conference-optimistico-ocenivaut-investicionnyj-potencial-rynka-nedvizimosti>

**"The future of commercial real estate belongs to companies that change the rules of the game on the market, develop the industry and form the investment attractiveness of the sector."**

M. Merkulov



Two TOP-managers of Arricano, CMO Natalia Dmytrenko and the director of shopping malls Prospekt and RayON Inna Sotnykova, became the speakers of Property Management school (<https://pm-school.com.ua/>), organized by the business association of the real estate market "Ukrainian Real Estate Club" together with the academic partner of the project, MIM Business School, aimed at increase of the level of competence of professionals working in the field of real estate. Natalia Dmytrenko is the author of a thematic course on marketing and a school mentor, Inna Sotnykova is a mentor and an expert on school management of facilities and the creation of an effective management team.

Read more at <https://arricano.com/ua/press-center/news/top-menedzery-arricano-mentory-property-management-school>

Two regional shopping malls of Arricano company - "Sun Gallery" (Kryvyi Rih) and City Mall (Zaporizhzhia) - became the winners of the VII National Award of Ukraine in the field of retail Retail Awards "Consumer Choice-2018" and received awards at the solemn ceremony on February 28, 2019 for innovation and efficiency of marketing activities that were implemented in 2018.

Read more at <https://arricano.com/ua/press-center/news/dva-trk-kompanii-arricano-sol-necnaa-galerea-i-city-mall-vybor-potrebitela-2018>

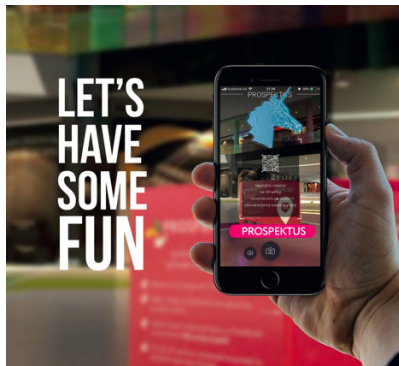


Retail Award is the only retail award in Ukraine, where the choice is made exclusively by consumers.





Arricano has become an active participant of the Third International Specialized Industry Exhibition Retail & Development Business Expo - 2019, which took place in March 28-29. The program of one of the largest events in the industry included the conference and exhibition, partner meetings and networking, acquaintance with innovations and successes in the industry.



Within the framework of the conference, Mykhailo Merkulov, CEO of Arricano, spoke in the panel "Sales in Retail. How to sell more?" During his presentation "Future of Retail is already here! What about you?" The speaker

talked about innovations, the change of the paradigm in retail sector, about the approaches that are becoming relevant in the industry in the world of technology and globalization. Mykhailo believes that the physical store has become media.

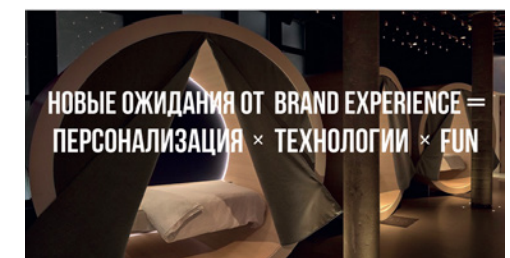
Consumers already use a lot channels (are omnichannel) online and they want to get the same options offline. Among the technologies available today, the speaker noted the added and virtual reality, XR, chat bots, voice assistants, big data and small data, DPM, digital media, QR codes, beacons, computer vision, omnichannel ERR CRM, IMS sys-

tems. Mykhailo's speech can be found in the 12th issue of Retail Consultant on [Arricano Live channel](#).

During the fair robot Prospektus walked among the people, communicated with visitors, distributed promotional gifts and invited to use a personal shopping assistant by downloading a mobile application.

Prospektus mobile app developed for Prospect shopping mall is a personalized omnichannel shopping assistant for a buyer and a sales assistant for a retailer. Thanks to gamification, a buyer can make shopping lists and lists of desires, use information filters, select a look

from the goods that are in the stores of a shopping mall. The application also solves most of the pain points of the retailer- reduces the cost of advertising, personalize micro-targeting, provide inventory management and the collection of abandoned baskets.



KShort report on the first day of RDBExpo 2019 - on the link <https://rau.ua/novyni/pervyj-den-rdbexpo-fotoobzor/>

## 5 book recommendations



**Anna Chubotyna**, Director of Retail Areas Department

*Why zebra does not have a heart attack?*

**Robert Sapolski**

The book tells how stress affects body systems and which mechanisms help to resist the stress. People react in different ways to the same stressors: someone becomes furious, getting into a 5-minute cork, others become emotionally involved only in life-threatening situations. This is a key to effective management of stress and minimization of its influence on human body, and, correspondingly,

on the quality of life. The book is written in simple language and with humor. It will be interesting for anyone who tries to improve his/her efficiency, at the same time remaining healthy.



**Stanislav Shulha**, Deputy Director of

Retail Areas Department

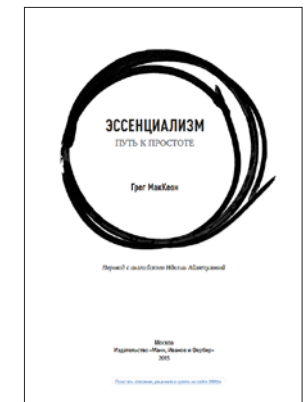
*Essentialism*

**Greg McKeon**

The author states that the way of the essentialist is a constant aspiration to get less, but better. If you really want to get rid of unnecessary things in your life and return control over your life and over your time, don't forget to read this book. It is a classical manual on minimalism.

The modern world is filled with information noise and multitasking. The author recommends to get rid of extraneous "things" that constantly distract you and to focus on what is really important.

People and things that are constantly around us are struggling for our attention. We unconsciously allow them to fill our lives. Then it is they, and not we, who choose our "priorities".





**Natalia Dmytrenko**, Marketing Director

**Bad blood**

**John Carreiro**

Bad blood is a challenge book. It is my personal challenge for several reasons. First, in the last years a couple of times I mentioned in my speeches Elizabeth Holmes as an example of a gifted girl who build up communication with surrounding world of startups and big money. Secondly, it is not often that I have an opportunity to read Ukrainian, particularly, business literature. By the way, the translation

is really nice, the book is read easily.

Why this book is worth reading?

It will help you to find answers to the following questions:

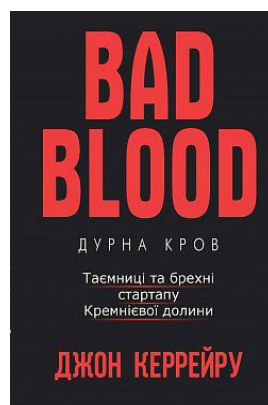
What kind of managerial defects will definitely lead to the death of your business?

Why do talented and experienced managers easily leave very interesting and well-paid places?

Why the following of the brightest examples of big business have to be conscious and moderate?

How can faith into one's own big idea hold on communication surface unbelievable fake making others believe that it is true?

In fact, "Bad Blood" put before the reader even more questions. And gives the answers to the questions. Read and make sure.



**Oleksandr Dobrynychuk**, Financial Controller

**Atlas Shrugged**

**Ayn Rand**

The book about great people and their desire to improve the world, about titanic efforts and unshakable persistence, which subsequently become the engine of the development of human civilization.

The scenes of this novel lay in a world created by people - with all its problems and shortcomings. The main characters every minute are faced challenges

and obstacles on their way. The overcoming of barriers, approaches to finding right decisions and determination in the actions of the characters cause excitement and become examples that are applicable today. Reading this book, first published in the distant 1957, you catch yourself thinking that the norms of the society today only acquired new features, but did not change their essence.

The author provides an opportunity to analyze your own qualities, such as the firmness and patience, that each of us uses to realize our ambitions. Ayn Rand also stresses that on your way you will always meet a lot of obstacles that you have to overcome. After reading this book you feel admired with the possibilities of the human mind and with the devotion of a person to his/her labor of love.





**Olena Obukhivska**, communication manager

**Principles: Life and for Work i**

**Ray Dalio**

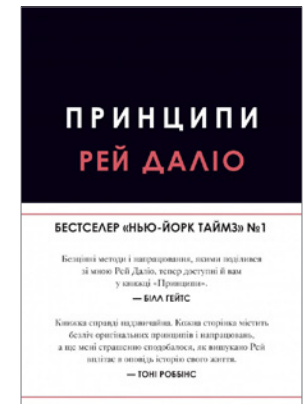
In the bookstore the book “Principles” immediately has fallen into my eyes as the bestseller of “The New York Times”, due to the recommendations of Bill Gates and Tony Robbins - a big size and a high price. The most interesting thing was inside, in the stories about the author's life story and business of the American businessman Ray Dalio, how he got into the hundred of the most influential and richest people in the world. Sincerely about the cause-effect relationship and rules. Some of them I chose for myself:

No.1 You can't be sure of anything.

No.2 Learn how to guide your pain and make progress.

No.3 Make decisions, taking into account the consequences of the first, the second and the third orders.

The book is filled with ideas on how to add to everyday things philosophical principles, transforming your life into a meaningful experience, through which you can earn by sharing it with others. In a word, recognize yourself and others following the principles of cause-effect relationship. The book is worth buying, reading, and putting it on a shelf to be read by your children when they grow and realize that it is time to formulate their own principles.



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