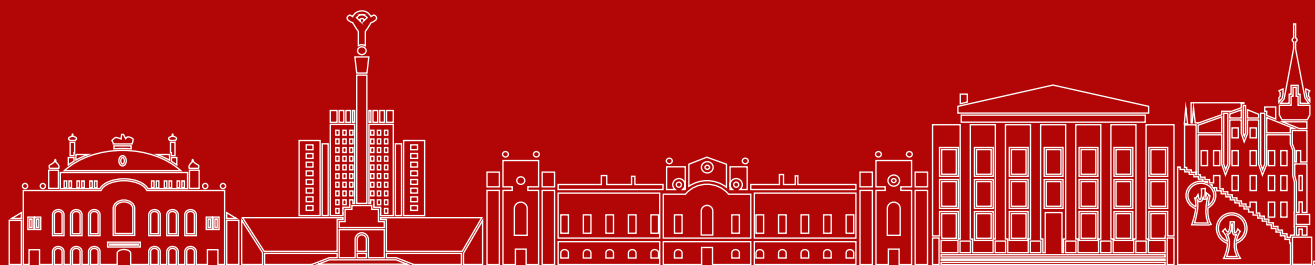


ARRICANO NEWS DIGEST №16



Results of the 4th quarter of 2018

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What new projects should be expected from Arricano as a partner in 2019?



Hello!

In the last two years, we have accumulated Consumer Experience, feeling that innovations “enter” our business model. In 2018 we’ve mastered another unique corporate phigital competence, which

allowed combining physical social space of our shopping malls with digital communication - we’ve created a media platform which unites the channels and is filled with the content most demanded by our visitors. The number of our active subscribers has already exceeded 200

thousand and is constantly growing, while the coverage amounts to millions of views. We were surprised when we realized how many different video content we shoot for different audiences!

I offer to use this advertising platform before we make the placement commercial! :)

This year we rise even higher. In the pyramid of human values, we promote mutual respect and trust.

Why it is necessary when we are talking about business?

The new reality pushes us towards the business model “Consumer - Retailer - Landlord” - which is an ecosystem, where new services and turnover growth are impossible without sharing data. Data exchange is impossible without trust. Well-coordinated work is impossible without mutual respect.

In the ecosystem, EVERYBODY wins or EVERYBODY losses!

Respect is the quality of the strong. Therefore, we are very proud that we work and win together with strong partners!

In our business, the winner is one who

offers a consumer the best solutions for which the latter votes with his/her wallet! This year we offer our partners a new tool for turnover increasing - Prospektus application, which has the modern functionality and which equivalent has only two NIKE stores in the USA. The application allows a consumer a real omnichannel consumption, removing most of the existing barriers in consumption both offline and online.

Join us!

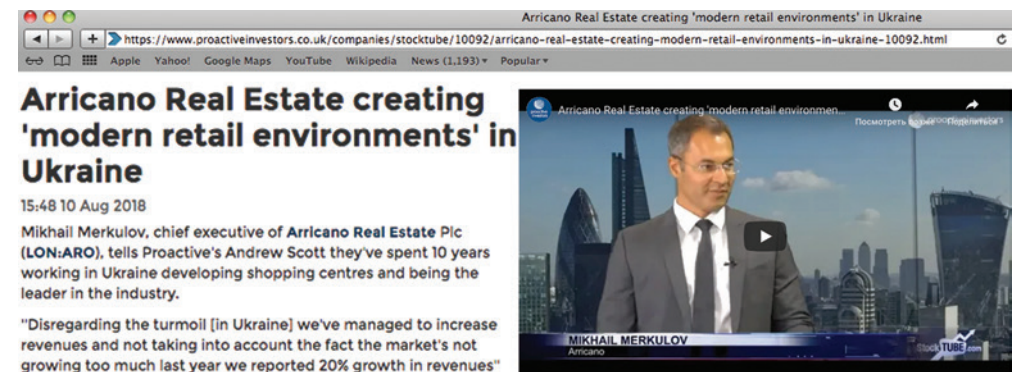
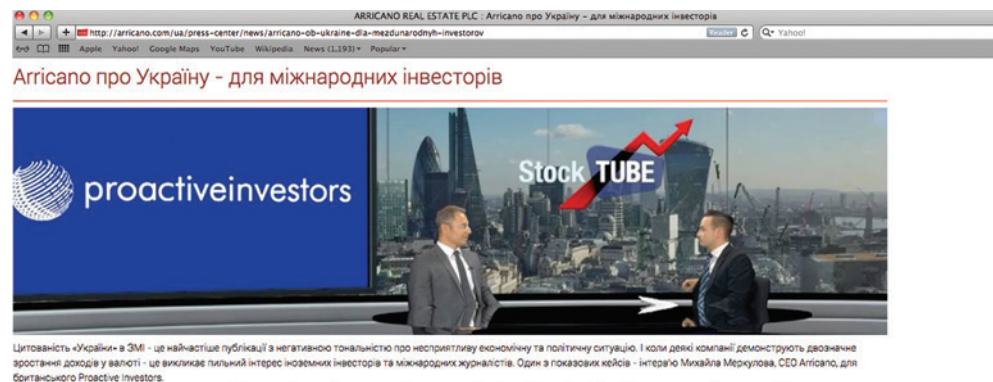
You can always count on our support!

Retail yours,
Mikhail Merkulov

5 invest-hacks about Ukraine - messages about the investment climate in Arricano news for international investors

The citation of Ukraine in media often includes publications with a negative tone about the unfavorable economy and politics. European investors carefully watch the Ukrainian market as strategic one, with numbers, facts and trends. After all, Ukraine generates new business segments, localized within the country, but global in terms of sphere of influence.

Though the case of the raider seizure of Sky Mall has already become a marker for fighting corruption in the country, Arricano informs the business community and European investors about positive facts in Ukraine: in corporate presentations, news, as well as in interviews with CEO Arricano Mikhail Merkulov for European media.



1. Investment in Ukraine should be considered to be investment in a startup: high risk - high return - and doing due diligence not as a corporate business, but as a startup, investing when there is trust to a team, whether it is a corporation or a state.
2. Ukraine has attractive investment opportunities, but they are unevenly distributed on Ukrainian market. For example, such spheres as retail and development, on condition of proper management, demonstrate a double-digit growth of financial parameters in USD.
3. With regard to consumer experience, it can be stated that in Ukraine there is a cluster of solvent traffic, which lifestyle is very similar to European buying patterns. This is the same socialized and digitalized audience, for which the comfortable space of a mall, with a convenient parking and food court is important.
4. In Ukraine, there is an excellent opportunity to improve the interaction between the banking sector and the retail industry, which become more and more technological, with big data and automated processes, to launch industry start-ups and cyber-physical systems. Partners can safely choose those companies that are ready to grow together. If a company hires digital "special forces", becoming a digital and technological organization, you can do business with it. Leadership and development today depend on the speed and quality of digital transformation - both in Europe and in Ukraine.
5. Integrity is a new fashion trend of doing business in Ukraine both at B2B, B2C and B2G levels. Market players blend forces in the UNIC network, study world practices in order to build trust in the country and within the country and fight different forms of corruption.

5 retail trends of Arricano shopping malls

Following the trends and their development in shopping malls influences the expansion of customer interest in the facility, the influx of high-quality traffic, the obtaining of a positive consumer experience by guests and as a result - contributes to the increase in goods turnover of tenants. For Arricano the sales growth of tenants-partners is one of the strategic goals; therefore, in 2018, 5 retail trends were strengthened to develop the company's shopping malls.

1. Positive customer experience and actual product range

Due to the change in fashion trends and the development of a free style culture, the demand for comfortable and multifunctional clothes and shoes has increased. Regular study of the needs of our customers, knowledge of target audiences is the condition for obtaining a positive customer experience. Due to the change of preferences of target audiences, the category of sporting goods has expanded. PUMA and Under Armor brand stores have been opened in "Prospekt" shopping mall (Kyiv), Peak motivating for an active lifestyle - in "RayON" and restyling PUMA started to operate in "Sun Gallery" shopping mall (Kryvyi Rih).



2. Visitors want diversity and convenience at F&B

For more than a half of the potential visitors, high-quality food court is one of the key factors by visiting a shopping mall. Arricano has programs for the formation of high-quality food courts, to make the mix of the restaurants with good service demanded by our guests available in every Arricano shopping mall, both in the regions and in the capital. In the two previous years, the total area of food courts in Arricano shopping malls expanded. The share of Food and Beverage increased at the end of 2017, when McDonald's was opened, and in 2018, when Salateira in "RayON" shopping mall (Kyiv) started to operate. The service of food courts operators becomes more diverse. McDonald's updates the format throughout the network, offering self-checkout and order customization (when a buyer can add ingredients to dishes to his/her taste). A new service format is already available in "RayON" shopping mall, by March it will be available in "Prospekt" shopping mall, by August - in "Sun Gallery" shopping mall. A new delivery service GLOVO from McDonald's, Salateira appears (at the moment only a restaurant near the Kyiv Opera Theater); Salateira tests a pilot of a bot, who knows how to process orders without a queue at a box office and accept payment online (expected in Arricano's projects).

3. The economy of impressions and the development of edutainment

The innovative entertainment center for children Multiland which offers a mix of entertainment and education was opened in "RayON" shopping mall. Multiland is a combination of information technologies, virtual reality, dynamic activities and creativity at the same format. On the area of 270 square meters 13 interactive locations with more than 1000 options for activities - moving drawings, a sandbox reacting to a change of a landscape, a "live" football field, a "smart" table, a cartoon wall, a light-sand table, a specially equipped room for a neon ribbon show were installed.



4. Online and offline integration

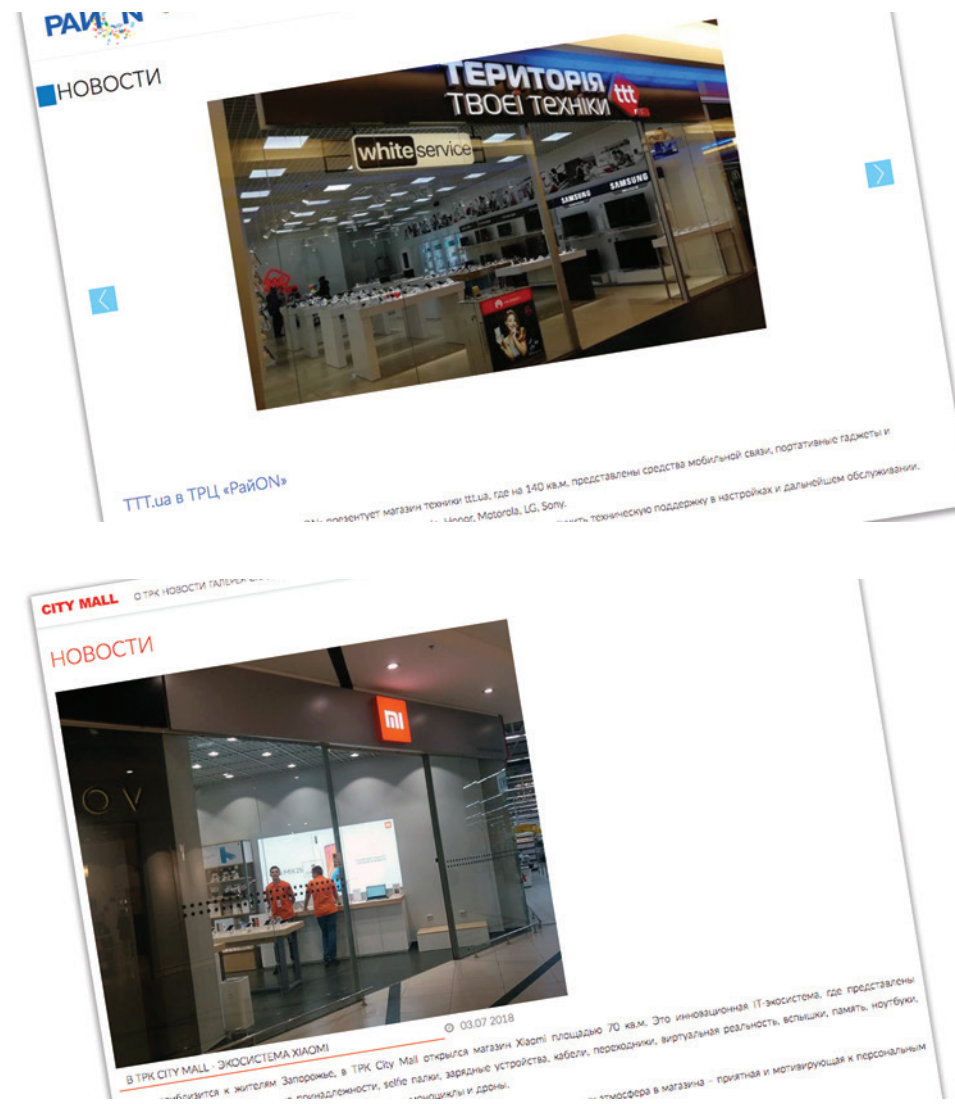
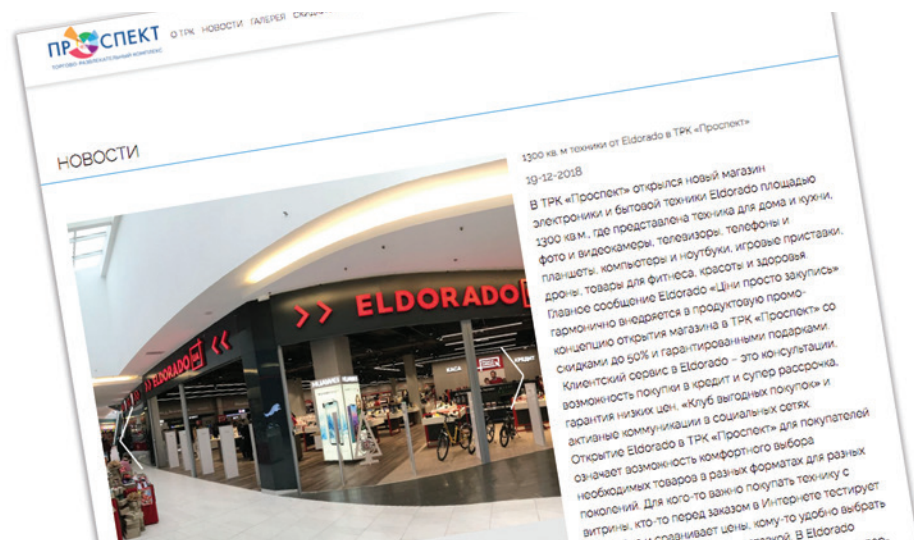
Mobile application Prospektus is an assistant of tenants in the process of digitalization. Retailers-tenants, including LC Waikiki, Colin's, grocery retailers, F&B segment operators and others, following the consumer's request, announced the active development of their online platforms. Prospektus mobile application in Prospekt shopping mall keeps on developing and helps the offline tenants of the mall to become digitalized. The application allows retailers to enhance their online presence: consumers can keep here their loyalty cards, get discounts, cashbacks, save money on all purchases - provided they make them using the application. By the way, Prospektus in February is in the TOP-5 rating of actively downloaded applications in the Play market (Android), consistently holding the 2nd or the 3rd place. In the AppStore (iOS), Prospektus ranked high in the TOP 30 (Lifestyle category).



5. Buyers' Lifestyle determines tenant-mix in shopping malls

Technologization, digitalization and gadgetisation of customers' life are a tendency. In 2018, sales of electronics and home appliances increased by more than 30% compared to the previous period. The turnover of sales of goods in this category is twice higher than the total turnover in the country. The bestsellers are "smartphones and mobile phones", with the increase by more than 37%.

Considering the buyers' interest in electronics and technology, the offer of operators in Arricano shopping malls has increased: "ALLO" (City Mall and "RayON" shopping malls, "Terytoria Tvoei Tekhniki" ("RayON"), Vodafone ("Sun Gallery", "RayON" shopping malls), "Eldorado" ("Prospekt" shopping mall), Xiaomi ("RayON" shopping mall and City Mall).



The tenant-mix changes in the 4th quarter of 2018 in Arricano shopping malls

In the fourth quarter of 2018, on the eve of the New Year holidays, Arricano shopping malls strengthened their positions in the categories “souvenirs & gifts” and “jewelry”, as well as in those related categories where gifts may be bought: appliances, electronics, gadgets and accessories. Innovation in the children's entertainment segment was the opening of Children's Technology Center Multiland in “RayON” shopping mall.



- Home appliances and electronics store “Eldorado”
- Women's clothing store “Love Republic”
- Jewelry store “Gold Country”



- Shop of Japanese designer brand “Miniso”
- Representative of leading Ukrainian mobile operator “Vodafone”
- Youth Clothing and Shoe store “Urban Planet”
- Innovative entertainment Children's center Multiland
- Jewelry shop “Ukrzoloto”
- Jewelry Shop
- Metropolitan Jewelry Manufacture “Stolychna Yuvelirna Fabryka”
- Island of gadgets and accessories “Techno Yozh”

CITY MALL

- Metropolitan Jewelry Manufacture “Stolychna Yuvelirna Fabryka”
- Watches Store “Second” (“Sekunda”)



- Island of gifts and souvenirs “Miljul”
- Island of natural cosmetics “Riche”
- Confectionary Island “Cat Ice Roll”
- Island of children's textiles “Textile Baby”
- Island of tickets Karabas.com

Shopping mall as a social space and retail brands development: Marketing & PR projects in the 4th quarter of 2018

In the fourth quarter of 2018, over 50 events were held offline and online in Arricano shopping mall.

Shopping and leisure in fun-socialization and contentization style is the main concept of BTL and digital activities in Arricano shopping malls.

Fashion opportunities, leisure and socialization

Cossacks Day at **"Prospekt"** shopping mall

"Cool School! And no learning" in **"RayON"** shopping mall in edutainment format

Evening English classes in **City Mall**

Salsa-bachata-kizomba. Dance lessons in **"Sun Gallery"** shopping mall

Halloween night out in **"Prospekt"** shopping mall

About love for life and care for animals with schoolchildren in **"Prospekt"** Shopping Mall. Tour to MasterZoo

Expression of rhythm and style at the birthday party of **"Prospekt"** shopping mall. Festive concert of Ukrainian singer Artem Pyvovarov and LAFESTA group, drawing of iPhone XS from ALLO and online communication with the hashtag #prospekt_expression

Special media projects and blogging culture

The art reportage from **"Prospekt"** shopping mall and city sketches from Kyiv sketchers. Segmentation of target audience by hobbies and professions

Blogo-master-class "Become a star of your Instagram" in **"RayON"** shopping mall

What do customers think - "Top 10 Questions" in **"Prospekt"** shopping Mall from the entertainment publication "Weekend": stories about whom you can go shopping with, what to do with unnecessary things, how to choose classic black or bright colors in a trend and how buyers imagine an ideal seller.

Fun-content

Continuation of video series "Survivors of Shopping" on the YouTube channel of **"Prospekt"** shopping mall

New series of the program "Fake-News" on the YouTube-channel of **"RayON"** shopping mall

The reportage "Craft Zaporizhzhia" on YouTube channel of **City Mall**



CITY MALL

СОЛНЕЧНАЯ ГАЛЕРЕЯ

Shopping mall as a social space and retail brands development: Marketing & PR projects in the 4th quarter of 2018

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Fashion opportunities, leisure and socialization

Black weekend sale in **"Sun Gallery"** shopping mall

Black weekend in **"RayON"** shopping mall

Black Weekend in **"Prospekt"** shopping Mall

Black weekend in **City Mall**

Festive meetings with Saint Nicholas in **"RayON"** shopping mall

Festive Fair and Santa's House in **"Sun Gallery"** shopping mall

Large-scale opening of "Eldorado" in **"Prospekt"** shopping Mall

WowBox from Nova Poshta - especially for buyers of **"Sun Gallery"** shopping mall

Christmas Fair "Craft Zaporizhzhia" in **City Mall**

Special media projects and blogging culture

#PuzzleCityMall: Do you know Zaporzhzhia well?

Instablogger's master class on creating New Year flat lay in **"Prospekt"** shopping mall

Great devirtualization of bloggers in off-line of **"Sun Gallery"** shopping mall

"A gift improves your mood" for subscribers of **City Mall**

Fun-content

Video-developmentalization of bloggers on the You-Tube channel of **"Sun Gallery"**

Unpacking WowBox on the YouTube channel of **"Sun Gallery"** shopping mall



CITY MALL

СОЛНЕЧНАЯ ГАЛЕРЕЯ

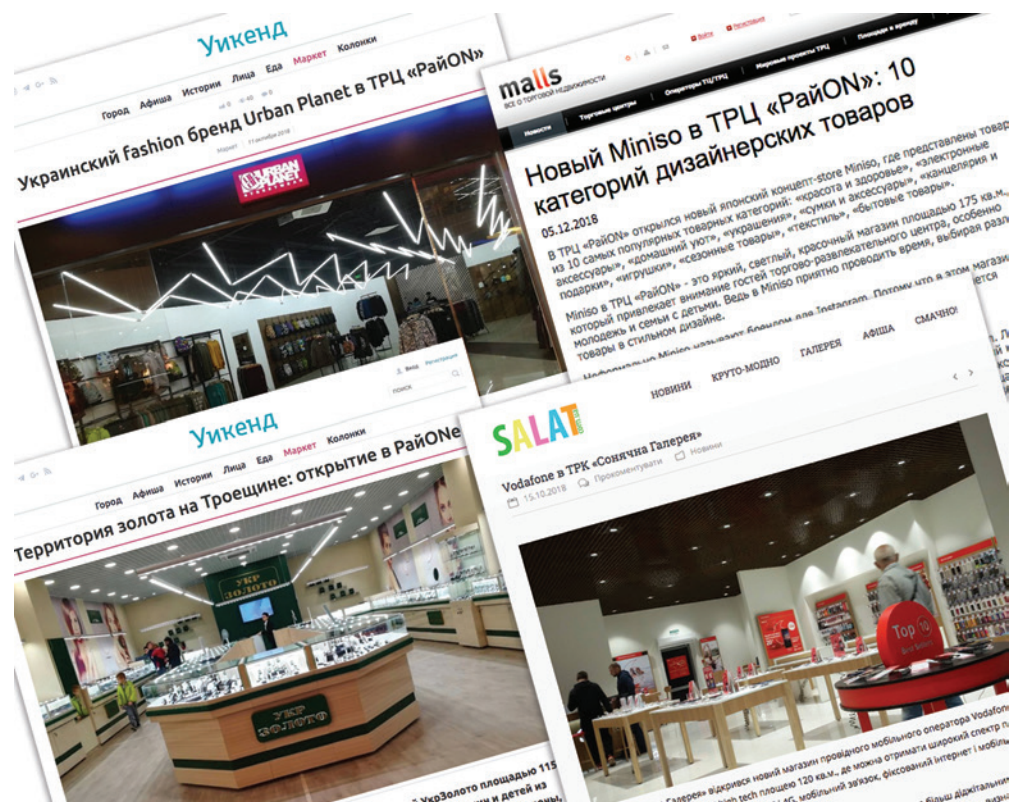
Joint projects in shopping malls mean effective communications, customer experience, development of a retail brand and media awareness. And a lot of interesting articles and headlines.



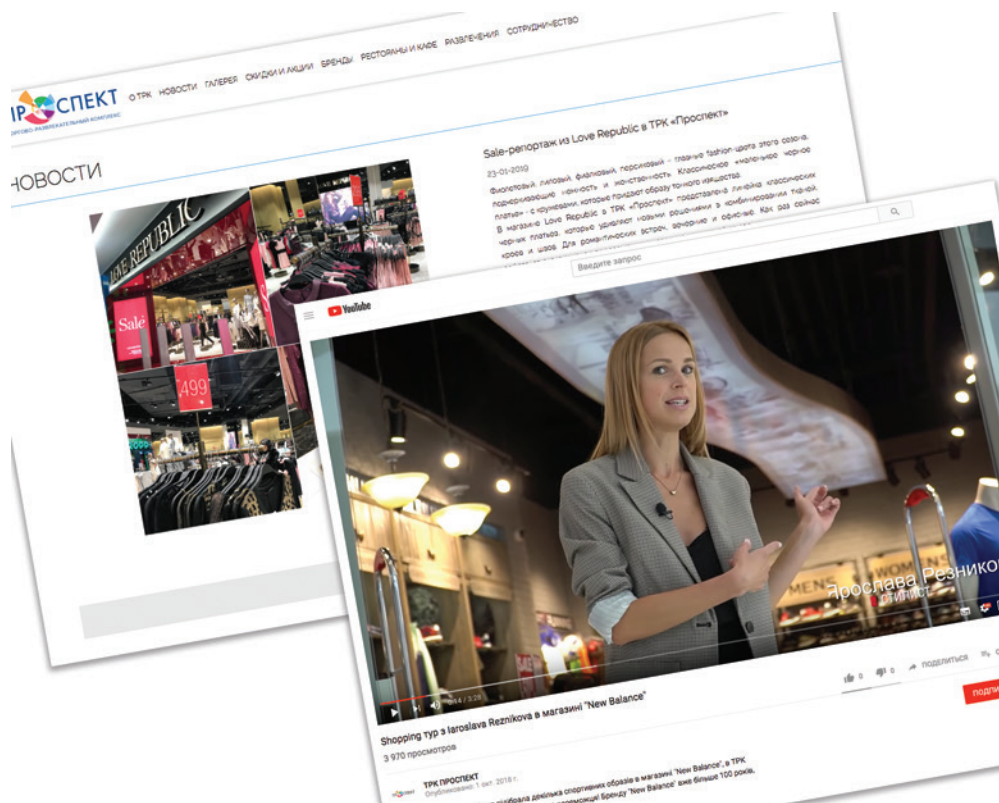
The tools we use. And what about you?

Shopping starts with communication. Sales of the store depend on how creative, inspiring and convincing it is. Fashion retail becomes more and more dependent on positive emotions and content. In 2018, 6 thematic PR tools, promoting purchase, brands and customer experience were used in Arricano shopping malls. Both entertainment media and own media of the shopping malls - web-sites, Facebook, Instagram, YouTube were used as the communication platforms. The advantage of own media is that they provide contact and direct targeting to loyal visitors who come to a specific shopping mall.

1. Information about opening of a store in a shopping mall, posted on a website, on the social networking sites of a shopping mall, in the life-style and industry media is the first step to attract buyers informed about the offline location of a brand.
2. Original news articles about a brand are an opportunity to talk about events, promotions, features and uniqueness of a brand. It is also an opportunity to invite visitors of a shopping mall to your store.



3. **Reporting from a store.** Video, photo or text report from a store reveal an atmosphere and values of a brand, being an invitation to do shopping “here, now, in our store”.



4. **SMM content.** Social networks directly influence a choice of a buyer, because the brand is “in sight”, “interesting” and “catchy”. A dialogue with micro-targeting audiences provides users with useful life-hacks.



5. **Interviews with representatives of a brand.** Today, each person can become a media representative if he/she tells about his/her impressions about a product, a store, a brand, shares life hacks, and gives a reasoned opinion. As the research has shown, Ukrainians increasingly trust not only famous and popular people, but also the ordinary customers. The interview genre allows to tell about the brand and personal experience in more detail than, for example, news.
6. **Storytelling** is a skillfully told, interesting, informative story about a character - about a person, about others, about a shop, about a product. This is a way to reach your client, telling "your" story with an interesting plot, unique emotions, experiences, conclusions and tips.



6 book recommendations

Arricano's office has its own business library with regular new arrivals. You can freely visit it and take a book. Instead of a library pass, the office manager takes a photo – what books a visitor chooses. Each employee receives a book as a birthday present. The employees of the company often discuss what they have read, what thoughts were interesting and what new arrival should be paid attention to. Among the most interesting and recommended by Arricano books are:



Oleksander Nemer, IT Director

How Google works

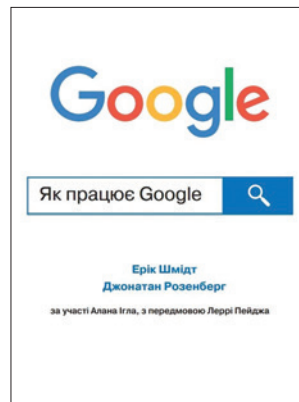
Eric Schmidt and

Jonathan Rosenberg

The authors of the book, the chairman of the board and the vice president of Google, openly tell how the successful company was born.

7 quotes that make it clear what this book is about.

1. In the epoch when everything changes faster than you notice it, the best option is to attract smart, creative people and create an environment where they can develop new ideas.
2. If you want to get the best results from the best employees, appreciate them.
3. Determine which of the employees have the greatest influence, and form teams around them.
4. In the old world, you devoted 30% of your time to create a great service and 70% - to "shout" about it. In the new world, the opposite is the true.
5. Development of a strategy, creation of a unique corporate culture - all this is a preparation for the main type of activity - decision making.
6. Aim at finding the best solution, not at making something your own way.
7. If you have the right employees and bold enough dreams, then, as a rule, you will succeed.



Olena Obukhivska, communication manager

The Inevitable. 12 technological trends that define our future

Kevin Kelly

The book of the futurologist Kevin Kelly "The Inevitable" is about 12 technologies forming the future. Describing 12 technological changes in the society, the author shows how they complement or intersect each other, from virtual reality and the economy "on demand" to artificial intelligence built into most of the manufactured products. This is an opportunity to tune your brain in a different way and understand how "today" is being dynamically transformed remixing "yesterday" and speeding up "tomorrow". How social norms change, trying to become a part of high tech and how "reality is stuffed with hidden keys."

The author predicts an obvious increase in the cost of attention, an increase in cash-back, a cumulative reduction in the cost of things and the introduction of payment for reading an announcing email or commercial news. "Inevitable" focuses on where to invest, what to learn in business and life, how to work in the "inevitable" world. I believe that the book must be read to be ready for new dynamic inevitable future.



**Mikhail Merkulov**, CEO Arricano

Start with "Why?"

How outstanding leaders inspire to act

Simon Sinek

The ability to ask the right questions is one of the most important skills. "Absolutely all companies or business leaders know WHAT they do, some know HOW, but very few know WHY," the author is convinced. It's not about making a profit. Answers to the questions: "What do you believe in? What is your goal? What is your company for?"

Why do you wake up in the morning? And why should anyone care about it?" help to understand what influences decision-making, what are the motives of behavior and actions of people and who is a leader. It is important because today's consumer has become more demanding; he makes senseless purchases less and less frequently. He/she looks for meanings which exceed a product or a service.

It is proved that "people buy not WHAT you do, they buy something WHY you do it". Creating of meanings becomes a competitive advantage of a manufacturer of a product or a service. Each purchase has a meaning for a consumer. He/she makes his/her choice in favor of something that inspires him/her. People are happy to share information that inspires them. Trust appears when a company, a person and a brand generate meanings and find their answers to their why.

**Svitlana Renkas**, Director of Legal Department (residents)

Do not work with assholes

Robert Sutton

Have we ever thought that people who are unpleasant for their colleagues in the office, affecting the whole organization? If yes, then this book is for you. It contains practical tips and ideas that reduce the damage that the "assholes" bring. Sutton answers to many questions about the quality of relationships. I especially liked the author's

advice to start the change from myself. In order to free the world from the assholes, you should first look in the mirror: "The only right way is to follow da Vinci's rule, keeping away from unpleasant people and places. Avoid the temptation to work with a bunch of assholes, even if you are promised many bonuses and benefits. Even if you've made such a mistake, run away from there as soon as possible.

Remember, the very first step in following the said rule is to recognize yourself as an asshole". In my opinion, the book is a must-read for anyone who wants to build a productive and civilized working relationship or make sure that such relationship are already formed. The essence is very simple: life is too short to waste it for people who insult you with their disgusting actions.





Anna Chubotina, Director of Retail Spaces
From Good to Great
Jim Collins

For several years, the author and his team conducted research of 500 companies from Fortune list, trying to understand why some companies achieve outstanding results and hold leading positions for many years, while others fail. The research was based on financial parameters, interviews with top managers, analytical reports. According to the results of the research, the patterns that led “good companies” to greatness were found. It turned out that this is a complex of factors: a leader with certain qualities and characteristics, a right team, a chosen niche, a culture of discipline and technology. “In the great companies they know that it is necessary to deal only with what really fascinates,” the author says. Hope, you agree, all this is relevant today. This easy and interesting book with a lot of useful tips and stories will help improve your work, achieve high results, and make a quality breakthrough.



Natalia Dmytrenko, CMO
Skin in the game
Nicholas Nassim Taleb

We often think how to live and work correctly, how to treat ourselves and others, how to evaluate success. The latter is a particularly difficult exercise in business. While many authors of business literature preach environmental friendliness, talk about the importance of increased responsibility in work, suggest being adaptive, friendly and social and not “eating alone,” cynical Taleb reduces everything to real instruments. For example, the author believes that “in real life it’s not important how often you are right in your predictions, but how much you earn when you are right.”

This book is about everything that we meet every day, there are people in it with whom we contact daily in various fields. This is a book for anyone who likes to think and does not tolerate vanity and populism. “Skin in the game” is ironic enough and difficult enough to read now and to feel an aftertaste.



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