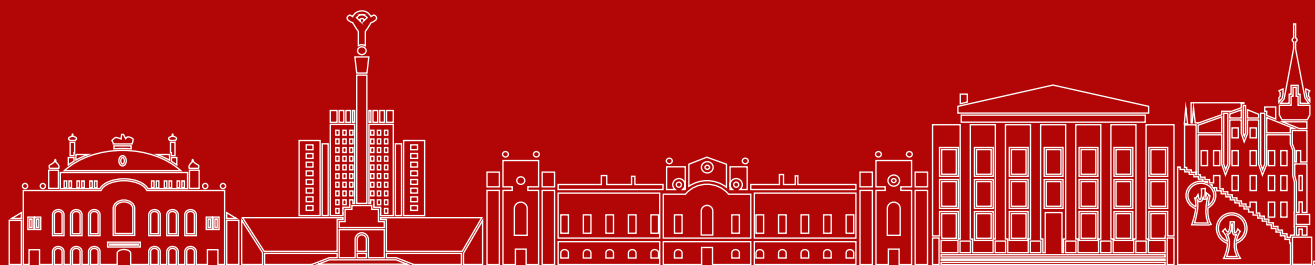


ARRICANO NEWS DIGEST №21



arricano
commercial real estate

The results of the 1st and 2nd quarters of 2020

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Dear partners!

The first half of 2020 turned out to be difficult. The commercial real estate market faced an unprecedented situation when shopping malls, shops and restaurants were forced either to restrict access to their visitors or close completely. Under such conditions, we were required to make quick decisions, make changes in the strategy of marketing promotion of our projects, increase the effectiveness of communication with our tenants and guests of the malls.

Now that we have prepared the regular issue of the digest, all shopping malls are already open to our visitors, life is gradually returning to normal, and the market is rethinking the concept of "the norm". The lockdown period has demonstrated that our customers do not want their real and virtual experiences to coincide. And this is the potential and the prospects for the development of shopping malls. By enhancing the benefits of our comfortable and safe shopping malls, we not only retain our loyal customers, but also attract new ones.

New and old challenges for today, both for retailers and malls:

- Ensuring a safe and secure stay of guests in the mall: cleaning and disinfection, contactless movement and contactless sales, creation of additional opportunities for self-service while shopping and delivery of purchased or ordered items.
- Improvement of quality of service for

buyers of our shopping malls: high-speed service, personal shopping assistants, trouble-free return of goods, click & collect. According to our survey conducted in April 2020, most customers will not return to the store where they were not satisfied with the service provided.

- Integration of online into offline to enhance and diversify the consumer experience, including virtual fitting and selection of looks, as well as the increase in the representation of brands in the digital space. After all, online gives shoppers a chance to learn about the benefits of an offline store.
- Offer of additional emotional options and special events that prolong time spent in a particular store or mall in general. As a result, our visitors are more motivated to buy and consume services.
- Development of social responsibility and values of brands, interaction with consumer communities.

This year Arricano celebrates its anniversary - 15 years in the Ukrainian market.

- During this time, our shopping malls have become favorite malls for locals. A new generation has even grown up together with our malls. We feel responsible to our visitors and are grateful to them for choosing our malls. We continue to develop and update social spaces for comfortable and safe shopping and

leisure.

We had positive corporate news:

- Arricano has become number one in the reputation rating of development of Ukraine, according to the organizing committee "Reputational ACTIVISTS".
- In April, we published the consolidated financial results for 2019. As a result, the company's net income has increased by 17% and amounted to 24.4 million US dollars compared to 2018. The value of Arricano's net assets in 2019 has increased by 36% and amounted to 127.9 million US dollars.
- According to the branch study prepared by the online edition Retailers.ua, Prospekt has become the most visited shopping mall in 2019.
- We've strengthened our team, having appointed three directors: Rental, Communications and Marketing.

In August, Arricano celebrates its 15th anniversary in the Ukrainian development market.

Our priorities today are to help to revive the retail market and implement traffic-generating projects in our malls. After all, working remotely, we have seen that although online is growing, offline experience and real shopping with entertainment are indispensable parts of lifestyle of modern Ukrainians



as well as of Europeans.

Now in our malls we develop interesting communication programs with creative messages for our consumers - Welcome to shopping and contemplation! Read more about this on the online columns of the corporate edition Arricano News Digest No.21.

Retailly yours,
Anna Chubotina

15 years retail yours in Ukraine

In 2020, the company celebrates its 15th anniversary in the commercial real estate market of Ukraine.

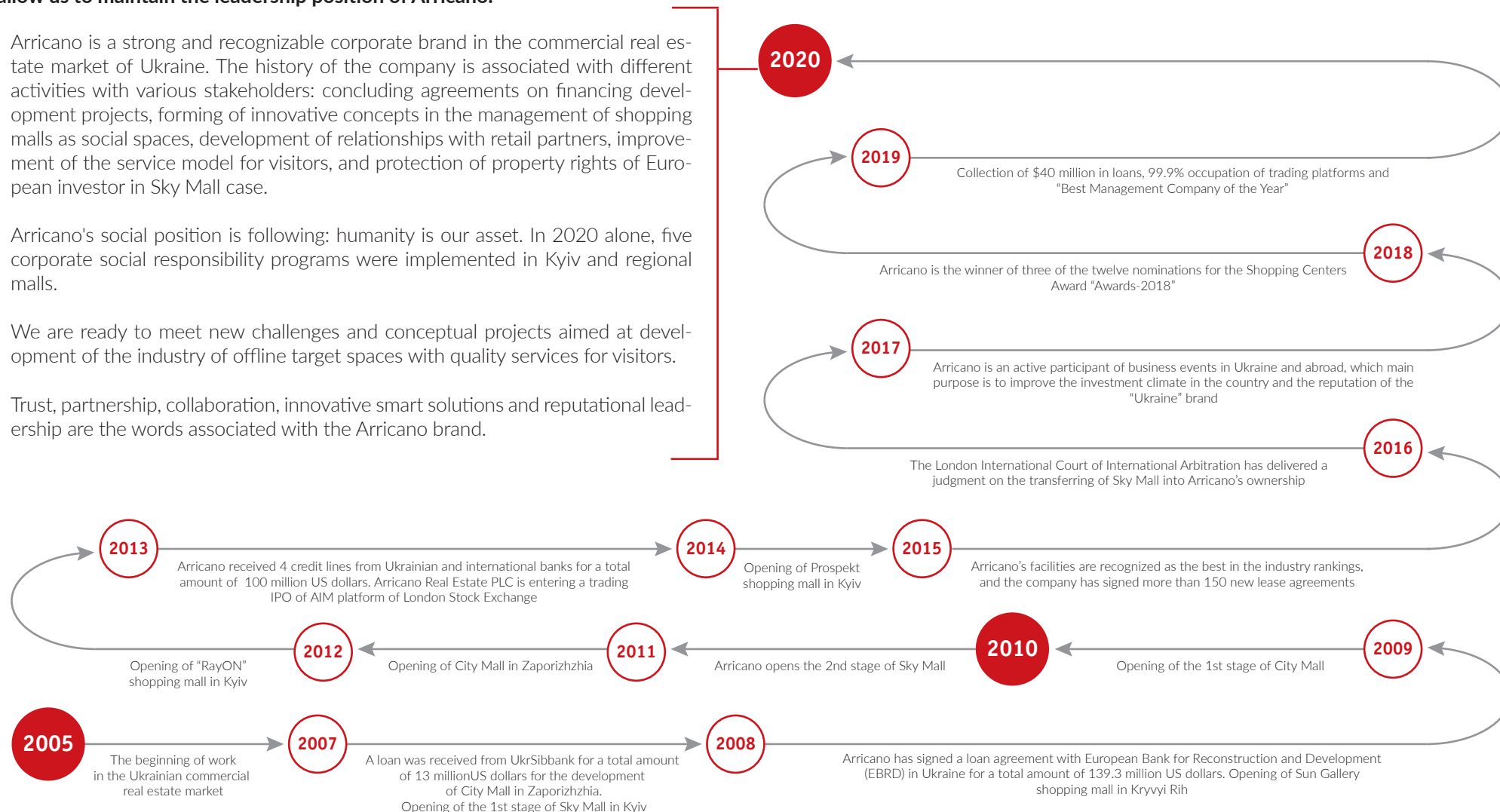
During this time, the company has gained the corporate experience in the field of cooperation with financial institutions, formation of special concepts for the development of shopping malls as social spaces and building relationships with tenant partners. Every year we meet new challenges, find smart solutions and make achievements, which allow us to maintain the leadership position of Arricano.

Arricano is a strong and recognizable corporate brand in the commercial real estate market of Ukraine. The history of the company is associated with different activities with various stakeholders: concluding agreements on financing development projects, forming of innovative concepts in the management of shopping malls as social spaces, development of relationships with retail partners, improvement of the service model for visitors, and protection of property rights of European investor in Sky Mall case.

Arricano's social position is following: humanity is our asset. In 2020 alone, five corporate social responsibility programs were implemented in Kyiv and regional malls.

We are ready to meet new challenges and conceptual projects aimed at development of the industry of offline target spaces with quality services for visitors.

Trust, partnership, collaboration, innovative smart solutions and reputational leadership are the words associated with the Arricano brand.



Olena Pogodina, "Today marketers face an interesting challenge - building a constructive dialogue with a consumer in the new reality"

Olena Pogodina, Arricano Marketing Director, about KPIs, new consumer realities and tools to stimulate offline shopping in the mall



experiencing moments of isolation with them. We've changed the tone-of-voice in communication during this period, communicating with the target audience "homey" and on current topics. About what to do with children and how to spend time at home. Instead, our users were happy to share with us their shopping intentions after the opening of shopping malls.

What are the marketing KPIs today?

We face the task of increasing such parameters as attendance of the shopping malls, promoting of turnover increase of our tenants and increase of an average check in our malls stores.

Having studied the mood and the intentions of the audience, we can make a conclusion that marketing needs new solutions and approaches. (see Diagram 1 "Change in consumer intentions during the quarantine restrictions").

The main messages that a consumer perceives should be based on honesty, openness and vivid emotions.

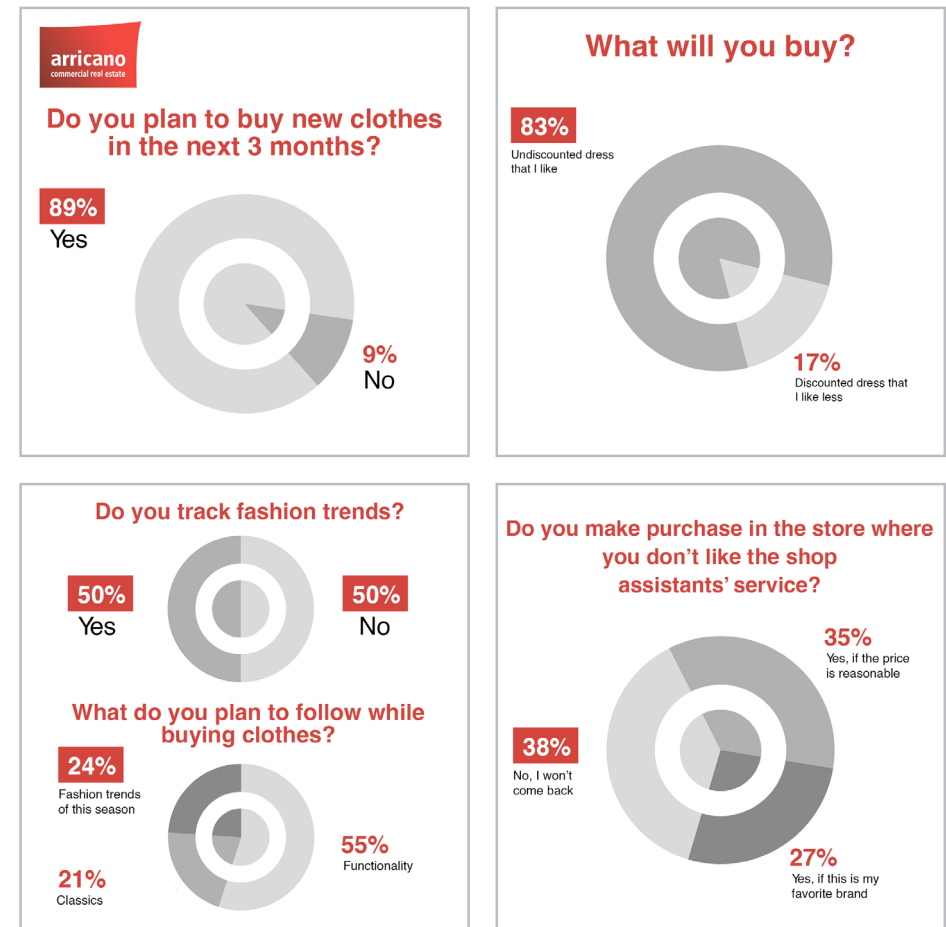
What has changed in marketing during the quarantine and after the opening of the mall?

In the last six months, a lot has changed, new values, needs and habits have appeared in the life of each of us. Currently, marketers face an interesting challenge - to build a constructive dialogue with a consumer in the new reality. A dialogue which is based on trust, mutual respect and support.

Throughout the period of quarantine restrictions, we maintain communication with our visitors through social networks, share the current status of our shops and services of the shopping malls, staying in touch and

Diagram 1.

Change in consumer intentions during the quarantine restrictions



What projects do we plan to implement by the end of the year?

During the second half of 2020, the main tasks are to continue working with micro-segmented target groups, focus on a loyal audience of consumers, who, in their turn, become real ambassadors of the brand and form a positive emotional perception of a mall.

We pay special attention to the positive atmosphere and shopping experience of visitors of our malls, because it is offline shopping that can turn a simple process of buying things into an exciting adventure, full of emotions, fun and "live" communication.

What marketing tools are the most effective in achieving goals?

The set of tools and communication channels to solve these problems is quite wide. We continue to develop the digital direction as the most computable and conversion of all types of direct advertising. I'd like to emphasize that the digitalization of marketing processes is not only about social networks and commu-

nication with a consumer. It is also about building a calculated model of in-depth analysis of visitors' behavior and consumer insights of the target audience of a shopping mall (see Diagram 2 "Dynamics of turnover by categories in June 2020"). Such model allows us to plan marketing activities more precisely and optimize marketing costs in favor of tools that at the lowest cost reach the highest performance. The social, aesthetic and creative components of content for promotion of a mall as a social space also gain special importance.

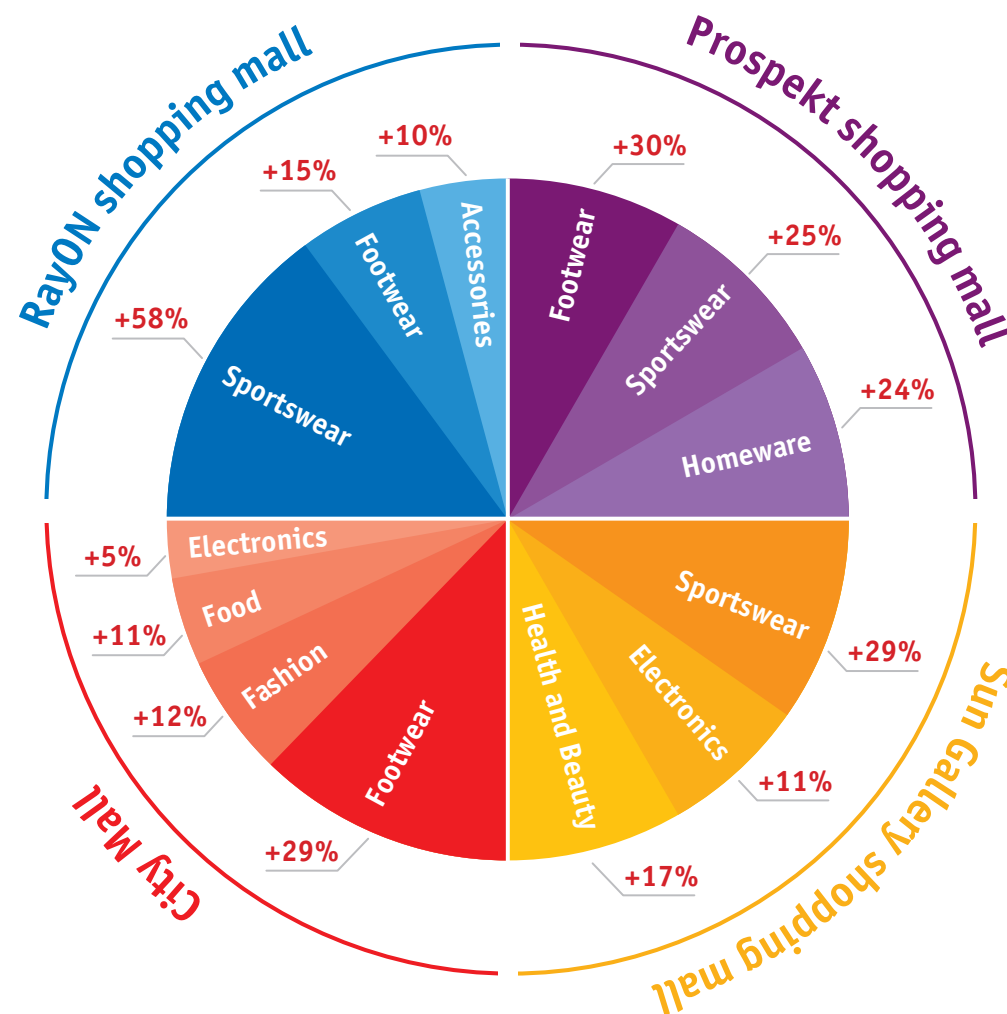
How to discover new consumer intentions in a mall?

We conducted our own special study on consumer intentions and patterns. The diagram shows some important results for the formation of a marketing plan by the end of the year.

Taking this opportunity, I would like to wish the visitors of our malls safe, positive, emotional and aesthetically rich shopping.

Diagram 2.

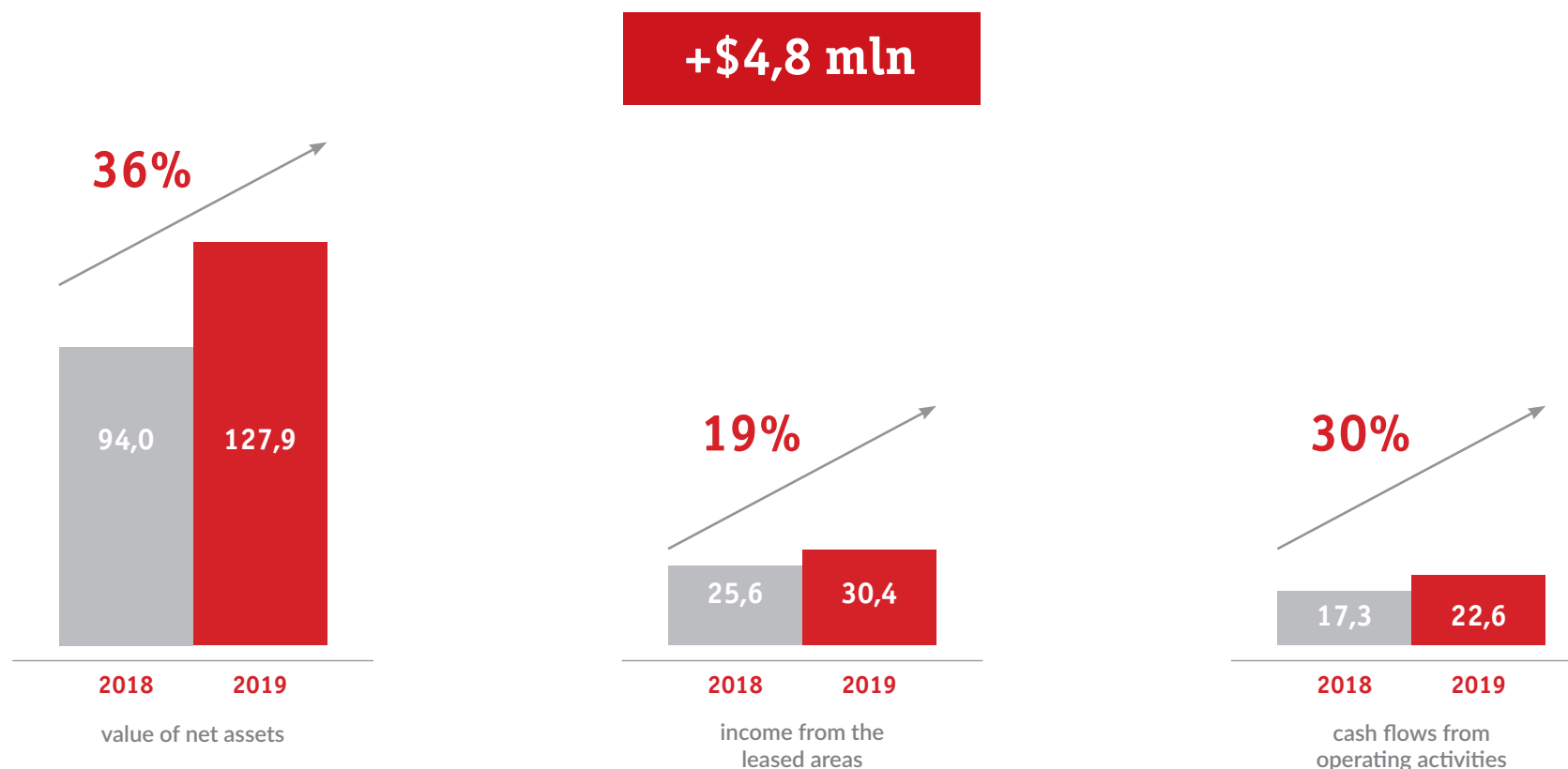
Dynamics of turnover growth in the specified categories, comparing the results for June 2020 and June 2019



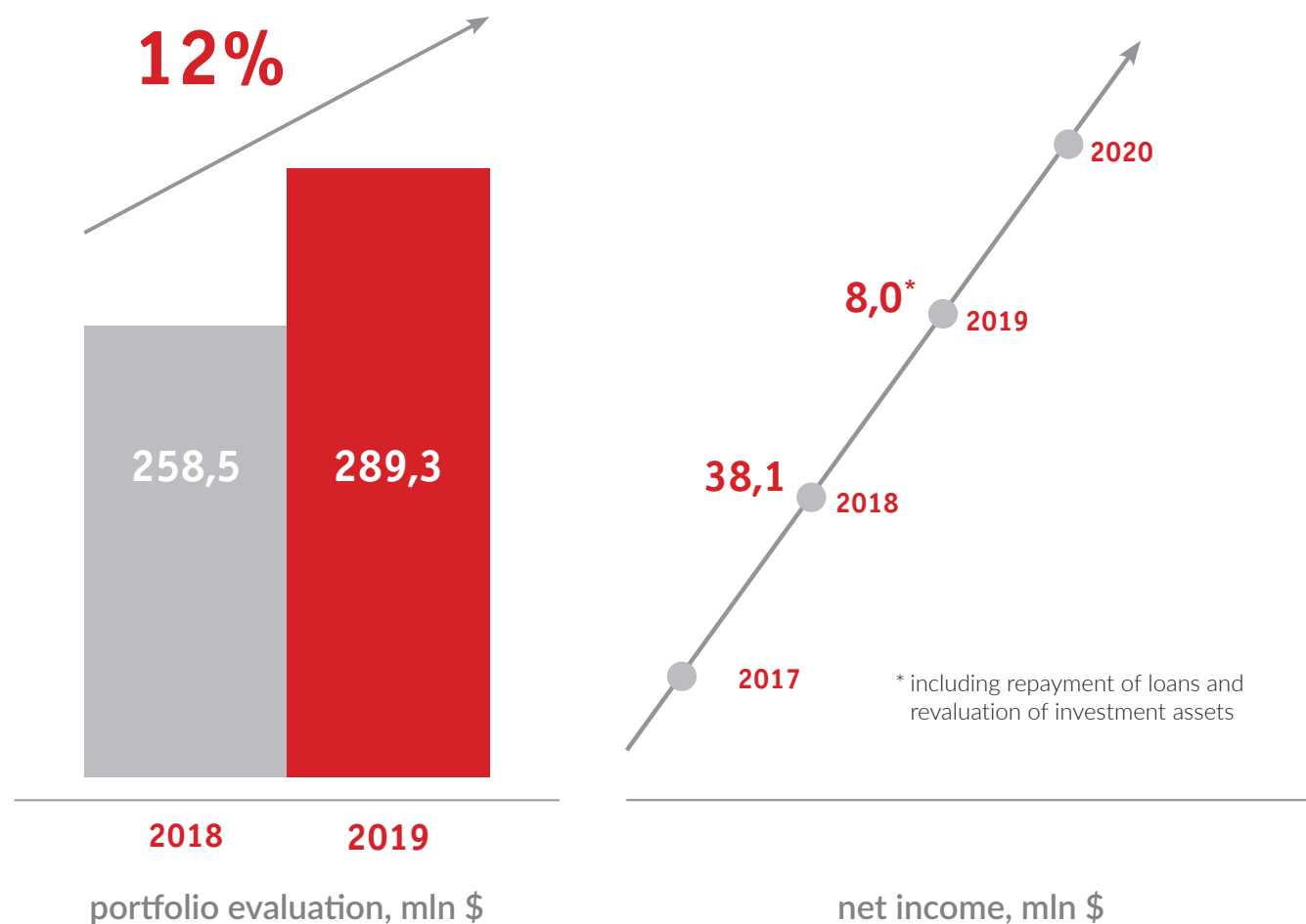
About Arricano's consolidated financial results for 2019

The value of Arricano's net assets in 2019 has increased by 36% and amounted to 127.9 million US dollars (compared to 94.0 million US dollars as of December 31, 2018). The company's revenue from the leased space in shopping malls in 2019 amounted to 30.4 million US dollars. This is 4.8 million US dollars more than in 2018. At the same time, cash flows from Arricano's operating activities increased to 22.6 million US dollars (in 2018 - 17.3 million US dollars). The company used these funds to acquire investment property and cover construction loans.

The total fair value of Arricano's portfolio made 289.3 million US dollars (as of December 31, 2018, 258.5 million US dollars). The company's net profit for 2019 made 8.0 million US dollars (in 2018 it was 38.1 million US dollars). This process went on mainly due to the decrease in return from revaluation of investment assets by 54.4 million US dollars, which was compensated by the decrease in net financial expenses by 13.2 million US dollars and the increase in revenue by 5.7 million US dollars.



About Arricano's consolidated financial results for 2019



Anna Chubotina, CEO of Arricano, said,

"The language of figures most accurately demonstrates the company's growth dynamics, key parameters and priorities. We are proud that during the past year the overall fair valuation of the company's portfolio has increased, as well as the operating income and the value of net assets."

All these achievements became possible due to our Arricano team, which persistently continues to implement the best European practices and generate new innovative ideas, increasing the value and quality of business and the industry in general."

About social and motivational communications of Arricano shopping mall

One of the advantages of the mall is the reality. The principle “here and now”, which is accompanied by real service, real feelings and a real atmosphere of spending time in a mall, where you can touch, try on, see yourself in a mirror and have a talk. Therefore, positioning of a mall as a comfortable social space which you can visit and meet friends is lively and attractive.

Malls actively communicate with their visitors, offering motivational, socially oriented and emotionally important messages that create mood and positivity, set up creativity and discussion.

During the quarantine, communication messages of Arricano shopping malls were aimed at keeping in touch and having a di-

alogue with visitors, discussing interesting moments of life and useful tips. The online meeting with a psychologist with appropriate life hacks useful during the quarantine was especially successful.

The main online communication tools of our mall are thematic videos, visual layouts and memes with messages, special media

projects, personalized posts, motivational hashtags, interviews with thought-leaders. According to the results of coverage in social networks, the most popular communication messages were “#Don't waste time”, personal guarantees of the directors of the malls concerning safety and disinfection and social and charitable projects under the slogan “Humanity is our asset”.

#Don't waste time

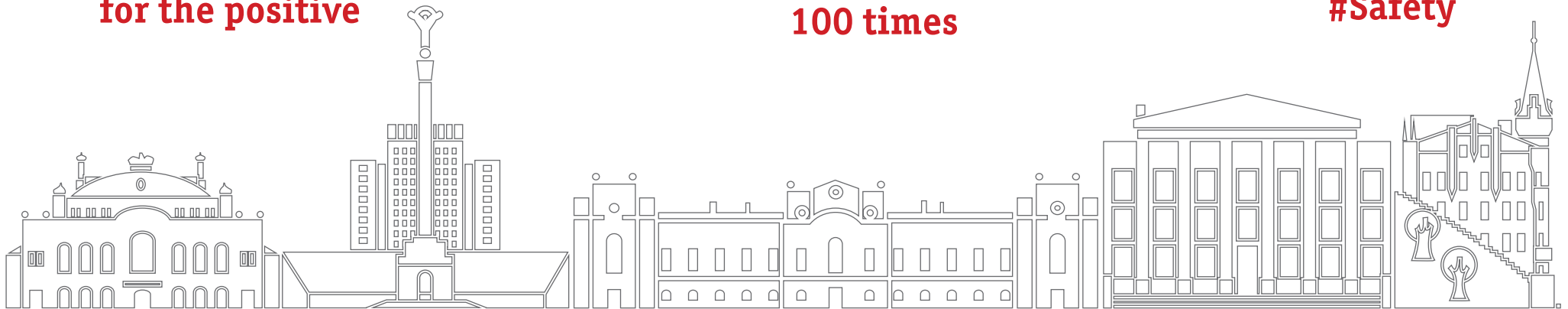
#Humanity

**Time
to reboot**

**Time
for the positive**

**To say “love”
100 times**

#Safety



Communication projects and motivating messages of our shopping malls

"Spring Diversity", **Prospekt shopping mall**

"#Spring trends. We are looking for new meanings",
"RayON" shopping mall

"People's health is the most important value",
Prospekt shopping mall, "RayON" shopping mall,
"Sun Gallery" shopping mall, City Mall

"About people, gratitude and care",
Prospekt shopping mall, "RayON" shopping mall,
"Sun Gallery" shopping mall, City Mall

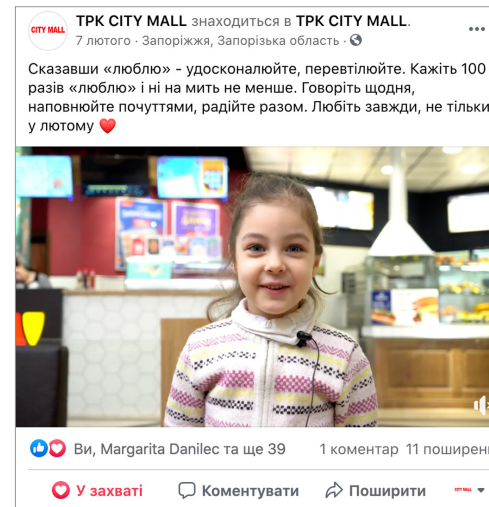
"Discounts, masks, mannequins. How shopping malls
are getting ready for the opening",
Prospekt shopping mall

"About respect, social distance and respiratory
etiquette" **Prospekt shopping mall**, "RayON" shopping
mall, "Sun Gallery" shopping mall, City Mall

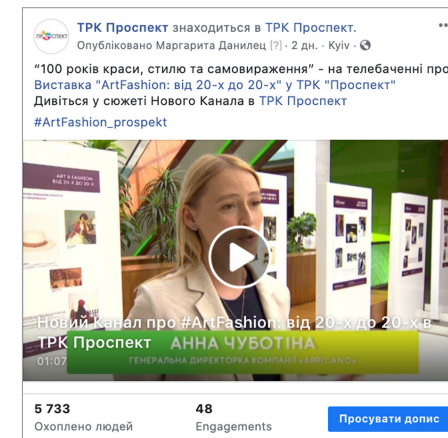
"Summer of our clothpectations",
"Sun Gallery" shopping mall, City Mall

How the security of the social space of a mall is
guaranteed: Maryna Baranova, director of "Sun
Gallery" shopping mall, Vardui Batrakova, director
of City Mall, Inna Sotnikova, director of **Prospekt**
shopping mall, "RayON" shopping mall

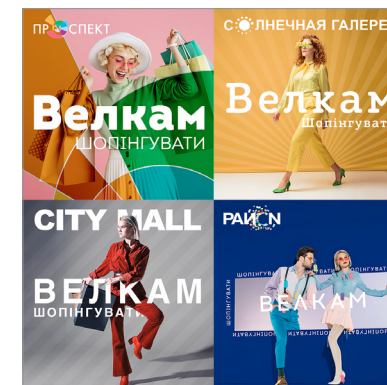
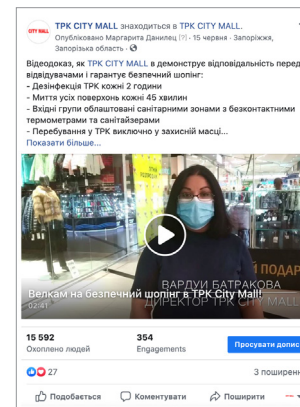
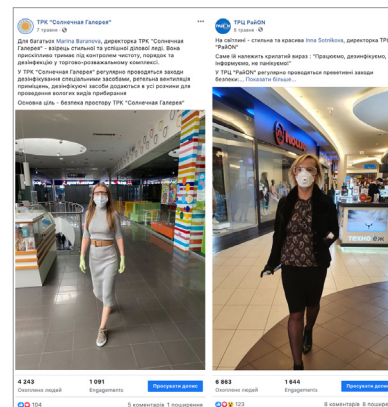
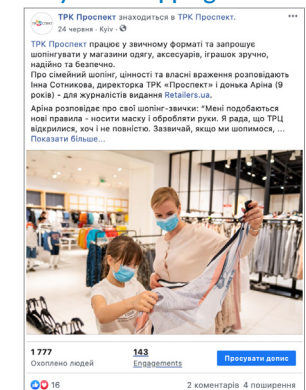
"Love is the main word of the month" in
Prospekt shopping mall, "RayON" shopping
mall, "Sun Gallery" shopping mall



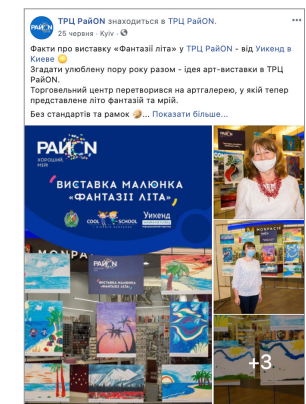
Art & Fashion project: from the 20s to the
20s, **Prospekt shopping mall**, "RayON"
shopping mall



Exhibition of children's
drawings "Fantasies of
Summer",
Prospekt shopping mall,
"RayON" shopping mall



"Welcome to shopping"
Prospekt shopping mall, "RayON"
shopping mall, "Sun Gallery"
shopping mall, City Mall



Exhibition of children's
drawings "Fantasies
of Summer", **Prospekt**
shopping mall, "RayON"
shopping mall

Motivation fun during the quarantine



“Tell us, what interesting do you have?”
Prospekt shopping mall, “RayON” shopping mall, “Sun Gallery” shopping mall, City Mall

“What children advise their parents at home?”
Prospekt shopping mall, “RayON” shopping mall, “Sun Gallery” shopping mall, City Mall

“Cool School online”,
“RayON” shopping mall

“# PauseChallenge”, **Prospekt shopping mall**

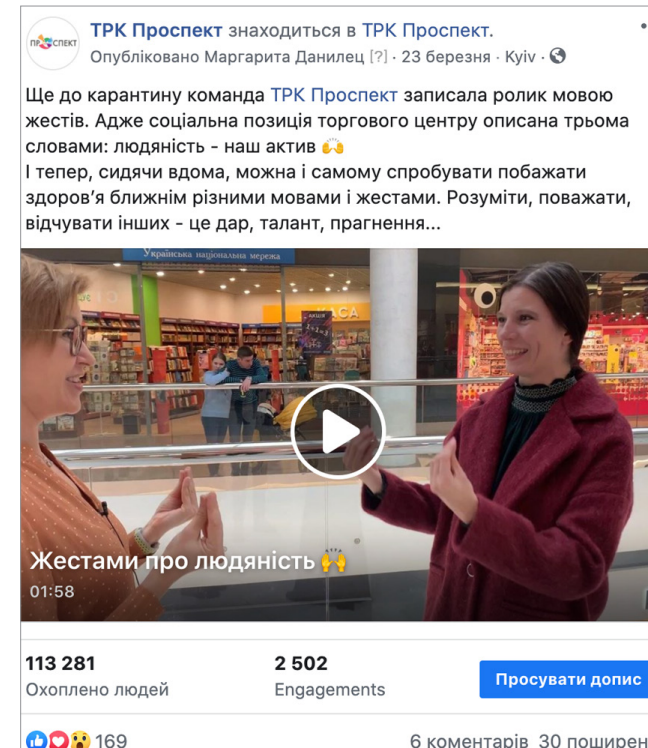
“Meet & Talk: don't panic. Instruments of Positive”, **Prospekt shopping mall**

“#nopanik_instruments of the positive”,
Prospekt shopping mall

“#Don't waste time”, **Prospekt shopping mall, “RayON” shopping mall, “Sun Gallery” shopping mall, City Mall**



Charity, social position and inclusion



Video clip “Tell about humanity using gestures”,
Prospekt shopping mall

“About humans and humanity, personality and special people”, **Prospekt shopping mall**

“Humanity is our asset: visit to the infectious disease hospital of Kryvyi Rih”,
“Sun Gallery”

“Transfer of humanitarian aid. Equipment was transferred to Kryvyi Rih Hospital No.1 to improve the quality of medical care and comfort of patients”

Food packages for retirees in Zaporizhzhia and Kyiv as a part of a social project

“Humanity is our asset: sets of disinfectants for retirees” from **City Mall** and **“RayON” shopping mall**

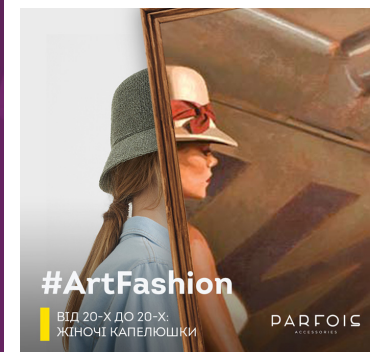
The award “Available UA” from the public organization “Movement without Borders”,
“Sun Gallery”

“Movement without borders: 9 lives”, the thematic exhibition, **“Sun Gallery” shopping mall**

Art & Fashion in Prospekt shopping mall: from the 20th to the 20th

After the opening of our shopping malls, the approaches and the requirements for the organization of BTL-events, which previously brought together hundreds and thousands of participants in the mall - at various concerts, thematic workshops or talk shows have changed. In summer 2020, after the quarantine break, the need for emotional support of guests has increased significantly. Therefore, instead of the classic BTL-events in the mall Arricano has developed a new way of communicating with visitors offline in the style of art contemplation with the task: to attract attention to brands and increase the targeted traffic of the shopping malls.

Prospekt shopping mall has presented the exhibition "ArtFashion: from the 20th to the 20th", which demonstrates the line of fashion development over the centuries. Dresses, hats, men's suits, shoes, children's toys, bags and accessories - 8 stands with images demonstrating how style and trends have changed from the 1920th to the present on the example of rare paintings and photographs, as well as modern images from famous brands. 7 retail partners of Prospekt shopping mall – "Budynok Ihrashok", Intertop, VOVK, Parfois, Arber, Camel Active, bags ect participated in the project. They presented at the exhibition photos of the best and most popular models from the latest collections of 2020, which fit organically into the retrospect of the exhibition.

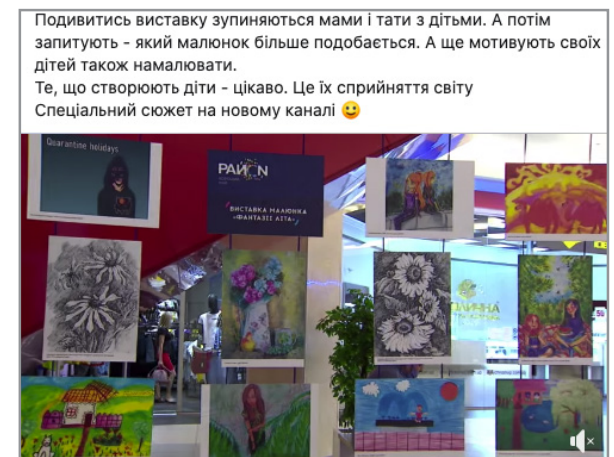
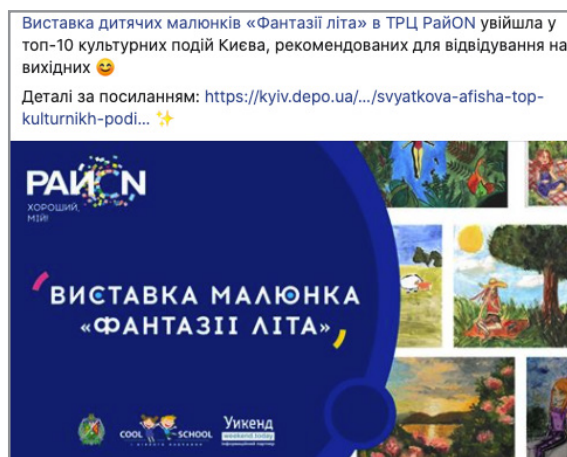
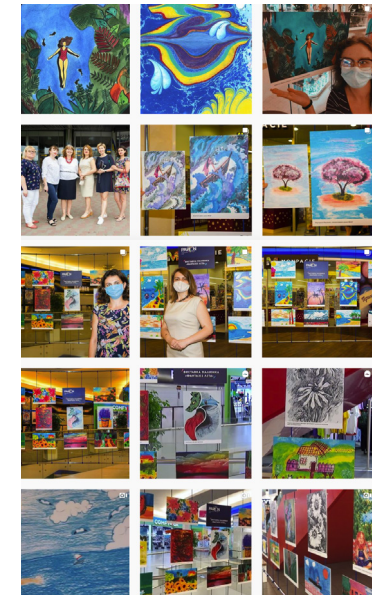


Exhibition of children's drawings "Summer Fantasies" in "RayON" shopping mall

"RayON" shopping mall positions itself as a family shopping mall, located next to home. Therefore, the most interesting projects for our visitors are those that concern their district, their community and, of course, their children.

Thanks to this exhibition, the shopping mall has become an art gallery, which social meaning is to demonstrate the inner world of a child and help adults to get along with their children.

Some works for the exhibition were collected through the appeal on social networks. Others were received from local schools, kindergartens and clubs, because "RayON" is a platform for constant communication and creativity. Before the quarantine, "RayON" shopping mall was a place for master classes, meetings with bloggers and interesting events from brands. In the events took part adults, elementary schoolchildren and teenagers. Now, visitors got the opportunity to transform from listeners and participants to creators of a new art project with a personal exhibition of their own works.



Bookshelf



Olena Pogodina, Marketing Director

Psychology of advertising

Oleksander Lebedev-Lyubimov

This book presents a look at advertising from the point of view of scientific study of mass consciousness and sub-conscious.

Advertising has long ceased to be just information about the product. As early as the beginning of the 20th century, Aldous Huxley wrote, "Advertising is the most interesting and complex form of the modern literature".

The author of the book "Psychology of Advertising" suggests to consider this subject as a branch of scientific knowledge. On the one hand, he emphasizes that advertising is a form of art and creativity. On the other hand, it includes scientific and applied research, results and methods of influencing the perception of an advertising message of such factors as color, sound, environment, symbols, etc.

It is generally accepted that advertising is, first, a set of words and graphic images, which helps to achieve an advertiser's goal to influence a consumer.

However, the experience proves that words and images addressed to a person are never transformed into actions automatically.

If it were otherwise, children would always obey their parents, students would obey their teachers, and criminals would obey the police. In real life, we rarely pay attention to very attractive words accepting only those that correspond our personal needs and attitudes," the author notes.



Natalia Nezghoda, administrator of Prospekt shopping mall

Thinking, fast and slow

Daniel Kahneman

Kahneman is a Nobel Prize winner in Economics. In the book, the author reveals the principles of work of the brain and two systems of thinking. The first one is "fast", automatic, instinctive, which we usually call intuition. The second one is "slow", rational and logical. It explains why a person is more inclined to the solutions offered by intuition. However, trusting our intuition in different matters, we often

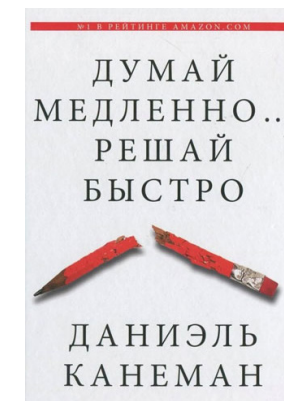
make mistakes. Because intuition may be easily confused, when a person relies on his/her previous experience, not paying attention to the peculiarities of different circumstances. Kahneman convinces that these mistakes are permanent. And the right confident decision needs a conscious approach.

"Thinking, fast and slow" is interesting, but not always easy to read, I had to Google some terms from psychology.

I singled out a few ideas: the availability of information distorts the reality. For example, a report about a plane crash affects our sense of security more than statistics. If you are an optimist, then be careful, because it is an optimistic distortion that often leads to failure. A person in a good mood tends to make logical mistakes.

Another important detail: if it is difficult to answer, it is better to paraphrase the question. Because "quick" thinking often answers not the question itself, but easier, adjacent ones.

I will definitely read the book once again.



**Olena Obukhivska,**

Arricano Communications Director

The Ultimate Guide to Writing Powerful Advertising and Marketing Copy from One of America's Top Copywriters
Joseph Sugarman

For several years, the book "Write, abbreviate. How to create a strong text" has been popular on the Ukrainian market. I think that after reading this book one should start reading "The Ultimate Guide to Writing Powerful Advertising and Marketing Copy from One of America's

Top Copywriters" Its author, Joseph Sugarman, shares his own experiences on how to find interesting ideas for headlines that match nature and concept of an advertising product, how to organize thoughts in your head and transfer them "to paper".

The structure of an advertising text according to Sugarman is simple and effective.

The task of the title is to make a customer read the first sentence. The task of the first sentence is to stimulate reading of the second one, etc. Therefore, without long and complicated words, he recommends to make each sentence short, bright and seemingly incomplete, so that a reader moves on to the next. After all, in copywriting, as well as in sales, every word should push to the main motive of buying and stimulating.

The author gives a text a sacred meaning for business and sales. In his opinion, the text can create an atmosphere, mood, conditions for shopping, interest and appeal. And most important is to convince through emotions and justify with logic.

The result of an effective advertising text is a willingness to spend money for the purchased product or service. As for the size of the text, the author notes, "In the days when most copywriters were men, there was a saying, "The text looks like a woman's skirt - short enough to be attractive, but long enough to cover the subject, to be interesting, and long enough to give all that is of importance".

**Inna Sotnikova,**

Director of Prospekt shopping mall and "RayON" shopping mall

The Monk who Sold his Ferrari, Robin Sharma
People over Profit, Dale Partridge

"The Monk Who Sold His Ferrari" is one of Robin Sharma's most popular motivational books. It opens new facets of personal development, teaches to prioritize according to deep manifestations, instead of external layers, motivates to reconsider universal and personal values.

The key idea is to learn to live in the present according to one's mission, to build trusting relationships and to think positively.

After all, the simplest philosophical postulates are at the same time the most important. The book teaches that only two virtues make a person calm and harmonious with the universe: to have power over yourself and to be responsible for your actions.

The book "The Monk Who Sold His Ferrari" describes wise practical knowledge that teaches:

- live according to your mission;
- realize the power of your mind and act courageously;
- save time which is our greatest asset;
- cherish relationships with other people;
- live in the present.

Many insides, practices and knowledge can be learned by immersing into this practical motivating case.

Looking back on the experience of self-knowledge and the study of the inspired work of Robin Sharma, I found a book which is no less motivating for personal development "People over Profit" by Dale Partridge.

The book became a bestseller according to WALL STREET JOURNAL and USA TODAY magazines.

The main theses that permeate the book: Break the system. Live with purpose. Be more successful.



Zaporizhzhia and Kryvyi Rih are social spaces for visitors with thematic exhibitions of contemporary art



CITY MALL

**CITY MALL,
ОБЛИЧЧЯ, ЛЮДИ**

Команди, які безперерійно працювали під час карантину. Вдячні їм за це

СЛНЧНА ГАЛЕРЕЯ

Проект
“Дев’ять життів”
рухбезмеж



arricano
commercial real estate

Advertising and marketing department

marketing@arricano.com

Press-service

Olena.Obuhivska@arricano.com.ua

Rental Department

leasing@arricano.com.ua



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