



ARCONA CAPITAL



EOS office building in Bucharest

ARCONA PROPERTY FUND N.V.
SEMI-ANNUAL REPORT 2021

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1 FOREWORD FROM THE MANAGEMENT

2021 began with most markets of Arcona Property Fund (the **Fund**) in a rigid lockdown to combat the second wave of the COVID-19 pandemic. These measures have been progressively lifted over six months and, whilst activity is by no means back to normal, there is a general sense that the worst of the pandemic is now behind us. These developments have been reflected by the economic performance of the Fund over the reporting period: a return to profit and increases in net income, occupancy and net asset value. Improving sentiment has also driven a recovery in the Fund's share price and a significant increase in trading volume.

During the reporting period the Fund successfully refinanced all its maturing loans on the portfolio in Poland. The student accommodation property in Košice, which had been a notable drag on performance during the COVID-19 pandemic, was sold successfully in May and the net proceeds used for the part-repayment of investor loans on APF NV level.

Contracts were signed in June for the acquisition of four additional properties from Secure Property Development & Investment PLC (SPDI), including two well-leased modern office buildings in Bucharest, to be financed by the issuance of new shares.

The operational focus for H2 2021 is to continue with the disposal of non-core assets, to repay the remaining maturing loans in Bulgaria and at NV level and to generate a cash reserve for distribution or for a share buyback programme. Consultations with shareholders are planned for this period.

During the reporting period the following financial statistics can be highlighted:

- A positive pre-tax result of € 255,000 (€ 691,000 higher than the comparable previous period);
- 0.9% increase of net income between comparable reporting period of 2021 and 2020;
- Increase of weighted occupancy to 86.9% as at 30-06-2021 from 83.6% end 2020;
- 65.3% increase of share price (from € 3.60 end 2020 to € 5.95 as at 30-06-2021);
- 0.6% increase of NNNAV per share during the reporting period;
- Average monthly turnover on the stock market increased during the reporting period from € 75,000 to € 266,000.

KEY DATA PER 30-6-2021 AND 31-12-2020

	30-06-2021	31-12-2020
Number of assets	23	24
Fair value Investment Properties (in € 1,000) ¹	85,760	89,775
Total Assets (in € 1,000)	92,096	94,422
Shareholders' Equity (in € 1,000)	43,135	42,954
Total Liabilities (in € 1,000)	48,961	51,468
Bank Debts (in € 1,000)	32,549	33,379
Total Loan-to-value (LTV) (in %)	46.3	47.0
Share price ultimo (in €)	5.95	3.93
Occupancy (in %)	86.9	83.6
Semi-annual gross Income (in € 1,000)	4,613	-
Annual gross Income (in € 1,000)	-	10,323

The number of outstanding shares is 3,758,683. Due to regular instalments, an additional € 1.2 million instalment from a property sale and the refinancing of the Polish bank loans by Hypo Noe bank, the outstanding bank loans decreased in net terms by € 0.83 million to € 32.55 million during the reporting period. The total LTV (including convertible bonds) decreased by 0.7% to 46.3% (31 December 2020: 47.0%). The occupancy rate increased to 86.9% (31 December 2020: 83.6%). The comparable semi-annual gross Income increased by 0.9% in comparison to the previous comparable period (see also table 6).

¹ Including € 5,098,000 assets held for sale

KEY FIGURES

BALANCE SHEET STATEMENT (in € 1,000)

	H1 2021	H1 2020	2020	2019	2018	2017
Investment properties	80,290	80,297	79,258	80,992	89,032	89,798
Other non-current assets	746	631	656	929	680	1,385
Current assets	11,060	22,894	14,508	25,577	2,945	7,660
Total assets	92,096	103,822	94,422	107,498	92,657	98,843
Shareholders' equity	43,135	46,348	42,954	48,000	40,911	42,036
Deferred tax liabilities	3,573	4,739	4,143	4,684	4,606	5,157
Other non-current liabilities	32,379	32,477	18,301	33,448	26,519	43,942
Current liabilities	13,009	20,258	29,024	21,366	20,621	7,708
Total equity and liabilities	92,096	103,822	94,422	107,498	92,657	98,843
Loan-to-Value (in %)	46.3	48.7	47.0	50.0	50.5	52.7

PROFIT AND LOSS STATEMENT (in € 1,000)

	H1 2021	H1 2020	2020	2019	2018	2017
Direct result before tax	377	-/- 641	-/- 321	1,422	1,482	3,161
Indirect result before tax	-/- 122	205	-/- 3,251	-/- 905	-/- 1,336	3,250
Total result before tax	255	-/- 436	-/- 3,572	517	146	6,411
Income tax expense	158	341	217	424	352	842
Total result after tax	97	-/- 777	-/- 3,789	93	-/- 197	5,569
Occupancy (in %)	86.9	82.4	83.6	84.3	86.9	84.0
Rentable area (in m ²) ²	81,664	100,966	92,174	103,561	104,216	104,186

ISSUED CAPITAL

	H1 2021	H1 2020	2020	2019	2018	2017
Ultimo outstanding shares	3,758,683	3,758,683	3,758,683	3,165,149	3,165,149	3,165,149
Basic earnings per share (€)	0.03	-/- 0.21	-/- 1.01	0.03	-/- 0.05	1.76
Adjusted earnings (€) ³	-/- 0.09	-/- 0.10	-/- 0.63	-/- 0.01	-	-

DATA PER SHARE

	H1 2021	H1 2020	2020	2019	2018	2017
(Interim-) dividend	-	-	n.a.	0.10	0.10	0.10
NAV ⁴	-	-	-	-	-	13.37
NNNAV conform ⁵	11.91	12.74	11.84	13.14	13.65	14.05
Avg. monthly turnover (in €)	265,701	48,470	75,006	198,217	260,359	231,240
Highest price (in €)	6.45	6.29	6.29	5.91	7.95	7.40
Lowest price (in €)	3.40	3.98	3.70	7.48	6.79	5.20
Ultimo price (in €)	5.95	4.35	3.93	6.00	7.10	7.40

² Without Boyana apartment area

³ Earnings indicator was introduced in 2018

⁴ Determined based on previous method

⁵ Determined based on market conform method

2 REPORT OF THE MANAGING BOARD

The Managing Board hereby presents the semi-annual report of 2021 of the Fund. The reporting period is from 1 January 2021 to 30 June 2021.

2.1 SUMMARY OF EVENTS DURING THE FIRST HALF OF 2021

Table 1 – Total Return on share price and Net Asset Value during H1 2021

	Based on share price		Based on NNNAV	
	In €	In %	In €	In %
Start period	3.60		11.84	
End period	5.95		11.91	
Return	2.35	65.3	0.07	0.6
Distribution to shareholders	-		-	
Total Return	2.35	65.3	0.07	0.6

2.1.1 DEVELOPMENTS DURING H1 2021

The key events during the reporting period were the sale of the Kosmalt property, the 2nd phase acquisition of the SPD I portfolio and the refinancing of the Polish portfolio, against the background of a general market recovery from the effects of COVID-19 lockdown measures.

During this period the DNB Bank Polska S.A. loan of € 5.6 million and BNP Paribas Bank Polska S.A. loan of € 8.4 million were both refinanced by HYPO NOE Landesbank für Niederösterreich und Wien AG (**Hypo Noe**). The total LTV ratio of the Fund decreased from 47.0% to 46.3%.

The weighted occupancy rate of the portfolio over the reporting period increased to 86.9% (2020: 83.6%). The net rental and related income of € 1.99 million over the six-month reporting period decreased by 8.4% compared to H1 2020, however this corresponds to a 0.9% increase for the comparable portfolio (see also table 6 on page 10). The net income increased 12.5% quarter-on-quarter (see table 7). Shareholders' equity (see Section 4) increased during the reporting period by € 180,000 to € 43.14 million, reflecting the retained earnings and the reserve currency translation differences (see section 7).

The following events took place during the reporting period:

Arcona Property Fund N.V. gets permit for extension on Politických vězňů street (4 February 2021)

On February 4, 2021 the Fund announced it has obtained a building permit for its extension project on Politických vězňů street in Prague (picture on the right). The project, which will add approximately 250 m² of new office space on two floors, and more than 100 m² of terraces, will provide desirable premises in a sought-after part of Prague for new and existing tenants. The Fund plans to start construction works in Q3 this year, with the project expected to be completed within one year.



Arcona Property Fund N.V. agrees major refinancing in Poland (9 March 2021)

On March 9, 2021 the Fund announced it has agreed terms to refinance the majority of its Polish portfolio. The refinancing will cover the Fund's entire freehold portfolio in Poland, comprising one modern office building and seven supermarkets. The new secured bank loan from Hypo Noe, in the sum of € 14 million, will have a term of five years and an annual interest rate of 6-month Euribor plus 2.95%.

On April 1, 2021 the Fund announced it has completed the refinancing of its Polish freehold portfolio. In addition to a lower interest rate, the new loan also has a more favorable repayment schedule. As a result, the average annual repayment and interest obligation falls from € 1.27 million to approximately € 0.94 million. The weighted average maturity of all debt rises from 1.6 to 3.1 years.

Arcona Property Fund refinances Polish leasehold portfolio (1 April 2021)

On April 1, 2021 the Fund announced it has refinanced the secured vendor loan from Real Estate Central Europe AS, used to purchase the three leasehold regional Polish supermarkets, with a new loan. The new loan from an investment fund in Poland in the sum of € 2.2 million has a term of three years, the interest rate is 3-month Euribor plus a margin of 8.50%.

Arcona Property Fund N.V. sells Kosmalt property in Slovakia (6 May 2021)

On May 6, 2021 the Fund announced it has sold the 10,711 m² non-core property Kosmalt in Košice, Slovakia. The gross sale price was € 4.86 million, 2% above the appraisal value of € 4.76 million at the end of 2020.

Arcona Property Fund N.V. has now sold three non-core properties in Košice within 12 months for a total value of € 10.71 million. Thus the target set by the Managing Board to achieve an € 10 million sale result from the 5 assets-held-for-sale has been achieved. This is part of the Fund's strategy to reduce exposure to Košice and to maintenance-intensive older buildings.



Arcona Property Fund N.V. signs purchase agreements second phase SPDI (14 June 2021)

On June 14, 2021 the Fund announced it has signed the purchase agreements with Secure Property Development & Investments Ltd (**SPDI**) for the acquisition of SPDI's remaining real estate holdings in Ukraine and for two modern office buildings in Bucharest, Romania. The purchases should be completed in the second half of 2021. The assets being acquired are:

- a) Two development sites in the Kiev region of Ukraine, with a total value of € 1.8 million;
- b) A modern 2,700 m² office building in north-west Bucharest fully leased to Danone Romania until May 2026, valued at € 5 million;
- c) A 24.35% equity stake in a modern office building in central Bucharest partly leased to the Romanian Telecoms Authority (**ANCOM**) and valued at € 4.87 million. ANCOM has just agreed a five-year lease extension.

The Fund will acquire the second phase assets by issuing approximately 605,000 ordinary Fund shares at an intrinsic value of € 11.87 and approximately 146,000 warrants which can be converted into ordinary shares of the Fund if the Fund's shares reach a price level of € 7.20. The warrants will expire after five years following their issuance and are exercisable after one year, unless a prospectus with respect to the warrants and / or the underlying shares is published. SPDI will also provide a Seller's loan of € 1 million.

On completion, the equity of the Fund will rise by approximately € 7.18 million and the debt level will rise by approximately € 4.16 million.

Arcona Property Fund N.V. adds new members to Supervisory Board (16 June 2021)

As at June 16, 2021 the General Meeting of Shareholders (AGM) approved the proposal of the Foundation ("Stichting Prioriteit MERE") to appoint Mr. M. Beys and Mr. J.J. Van Heijst as members of the Supervisory Board of the Fund. Currently the Supervisory Board consists of four members in total.

Event after balance sheet date.

There were no material events after balance sheet date.

2.1.2 NET ASSET VALUE PER SHARE AND SHARE PRICE DEVELOPMENT

The following tables show the development of the Fund's Net Asset Value during the period 1 January 2021 to 30 June 2021.

Table 2 – Comparative statement of the Triple Net NAV per share

	30-06-2021	31-12-2020
Shareholders' equity in accordance with NAV (in € 1,000)	46,385	46,284
Including: Fair value of financial instruments	-/- 43	-/- 224
Including: Fair value of debt	14	13
Including: Fair value of deferred tax	-/- 1,603	-/- 1,553
Shareholders' equity in accordance with NNNAV (in € 1,000)	44,753	44,520
Number of ordinary shares in issue	3,758,683	3,758,683
Adjusted NNNAV (in €)	11.91	11.84
Return on NAV YTD (in %)	0.6	

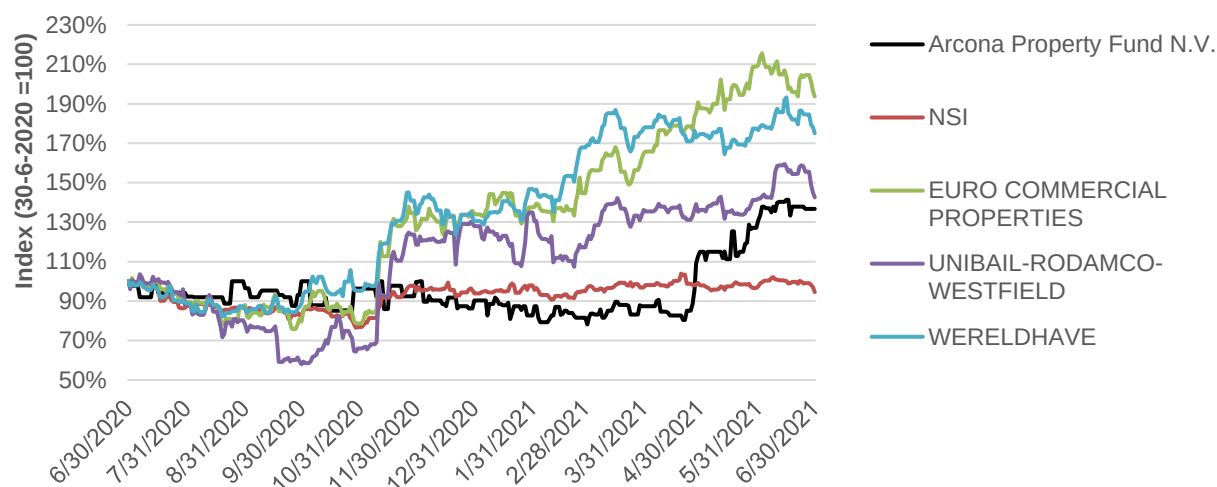
Table 3 – Development of the share price

Period		Opening price begin period In €	Closing price end period In €	Volume per month In pieces	Volume per Quarter In pieces
2021	January	3.60	3.65	13,411	71,658
	February	3.80	3.60	15,687	
	March	3.60	3.84	42,560	
	April	3.92	5.00	80,942	262,370
	May	5.00	6.00	142,896	
	June	5.80	5.95	38,532	

The above table shows an average trading volume of 2,636 shares per day of trading during the first half of 2021 (+ 217% increase from 2020). The stock price traded at € 5.95 at the end of the reporting period, which corresponds to a 50.0% discount on the triple net asset value per share.

During the reporting period all Euronext-listed real estate funds experienced an increase in their stock price. In relative terms, Arcona Property Fund performed relatively well.

Figure 1 – Indexed comparison stock market listed real estate funds



2.1.3 REAL ESTATE PORTFOLIO DEVELOPMENT

Table 4 – Comparative statement of the real estate portfolio

	30-06-2021	31-12-2020	change
Fair value (in € 1,000) ⁶	85,760	89,775	-/- 4,015
Number of properties	23	24	-/- 1
Rentable area (in m ²)	81,664	92,174	-/- 10,510

The decrease in fair value (€ 4.02 million) is due to the asset sale in Slovakia (Kosmalt property) and the strengthening of the Czech Crown against the Euro.

Table 5 – Statement of changes in investment properties

	01-01-2021 to 30-06-2021 in € 1,000	01-01-2020 to 31-12-2020 in € 1,000
Balance as at 1 January	75,334	76,432
Exchange rate differences	555	-/- 762
Additions	151	719
Fair value adjustments	50	-/- 1,055
Balance as at 30 June	76,090	75,334

The “*Exchange rate differences*” of € 555,000 reflects the EUR/CZK exchange rate result. The “*Additions*” of € 151,000 are capital expenditure within the real estate portfolio. The expenditures are mostly due to fit-out contributions to the new tenants in the Czech portfolio, to cover redecoration, new kitchens and installation of air conditioning units into the Palmovka and PV10 Prague offices.

⁶ Without right-of-use assets

The “Fair value adjustments” for the amount of € 50,000 are revaluations of right of use assets (long leaseholds).

Table 6 – Comparative semi-annual statement of real estate income within the comparable⁷ portfolio

	01-01-2021 until 30-06-2021 in € 1,000	01-01-2020 until 30-06-2020 in € 1,000	Change in € 1,000	Change In %
Gross rental income	3,401	3,329	72	2.2
Service cost income	950	984	-/- 34	-/- 3.5
Total income	4,351	4,313	38	0.9
Service costs	-/- 1,276	-/- 1,310	34	-/- 2.6
Operational costs	-/- 1,109	-/- 1,055	-/- 54	5.1
Net rental income	1,966	1,948	18	0.9

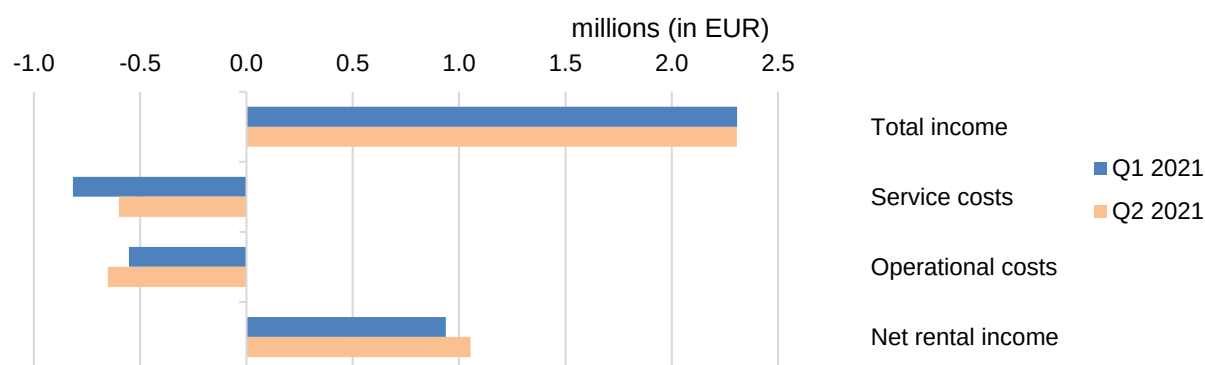
Total semi-annual total income increased by 0.9% to € 4.35 million (comparable portfolio H1 2020: € 4.31 million). Net rental income increased by 0.9% to € 1.97 million, due to an increase in gross rental income related to an increase of occupancy, and despite somewhat higher operational costs in the Slovak and Polish portfolios.

Table 7 – Comparative quarterly statement of real estate income in the reporting period

	01-04-2021 until 30-06-2021 in € 1,000	01-01-2021 until 30-03-2021 in € 1,000	Change in € 1,000	Change In %
Gross rental income	1,792	1,866	-/- 74	-/- 4.0
Service cost income	514	441	73	16.6
Total income	2,306	2,307	-/- 1	0.0
Service costs	-/- 599	-/- 817	218	-/- 26.7
Operational costs	-/- 653	-/- 553	-/- 100	18.1
Net rental income	1,054	937	117	12.5

Total quarterly income was stable at € 2.31 million. Net rental income increased by 12.5% to € 1.05 million, mainly due to lower service costs related to the sale of the Kosmalt property in the second quarter of 2021 from the Slovak portfolio.

Figure 2 – Comparative quarterly comparison graph of operational income in the reporting period



⁷ Portfolio as at 30-6-2021, excluding the Kosmalt property in Kosice Slovakia which was sold begin June 2021

2.2 FINANCIAL HIGHLIGHTS

2.2.1 BALANCE

Table 8 – Balance statement

	30-06-2021 in € 1,000	31-12-2020 in € 1,000
Investment property	80,290	79,577
Non-current assets	746	471
Current assets	11,060	14,374
Total assets	92,096	94,422
Shareholders' equity	43,135	42,954
Deferred tax liabilities	3,573	4,143
Long-term loans and borrowings	32,379	18,301
Total current liabilities	13,009	29,024
Total shareholders' equity and liabilities	92,096	94,422

The € 0.71 million increase in “*Investment property*” is explained by € 0.15 million investments into the properties and the rest by exchange rate effects for the Czech and Ukraine real estate portfolio.

The € 3.31 million decrease in “*Current assets*” is mainly explained by the sold Kosmalt property from the assets held-for-sale, which is part of the item current assets.

“*Shareholders' equity*” increased by € 0.18 million, reflecting € 132,000 retained earnings, the -/- € 35,000 revaluation result and € 84,000 currency translation differences during the period.

2.2.2 RESULT

The profit for the first half of 2021 after tax (see Section 5) amounted to € 97.000 (H1 2020: -/- € 0.77 million). A detailed summary with comparative figures of the direct and indirect result is provided in the consolidated annual accounts in Section 7 and in the following paragraphs.

Table 9 – Comparative statement of semi-annual results

	01-01-2021 until 30-06-2021 In € 1,000	01-01-2020 until 30-06-2020 In € 1,000	Change In € 1,000
Direct result before tax	377	-/- 641	1,018
Operational income	1,991	2,174	-/- 183
Financial income	560	26	534
Fund level expenses	-/- 971	-/- 1,281	310
Financial expenses	-/- 1,203	-/- 1,560	357
Indirect result before tax	-/- 122	205	-/- 327
Result before tax	255	-/- 436	691
Tax	-/- 158	-/- 341	183
Result after tax	97	-/- 777	874

The “*direct result before tax*” of € 377,000 was € 1.02 million higher than the previous comparable period, related to a recovery after the initial covid period in 2020. This is the net result from:

- € 183.000 lower operational income corresponding to the smaller real estate portfolio;
- € 534.000 higher financial income explained by currency results and change in fair value of interest rate swap derivatives (see 11.26 “Financial income”);
- € 310.000 less fund level expenses corresponding to much lower cost of funding and acquisition expenses (see 11.29 “Other operating expenses”);
- € 357.000 lower financial expenses corresponding to the change in fair value of derivatives (see 11.30 “Financial expenses”).

The “*Indirect result before tax*” of -/- € 122,000 was comparable to the previous period, related to sales and unrealized valuation adjustments booked in the current reporting period (see section 11.23).

The “*Result after tax*” was € 97,000, which is € 1.32 million higher than the previous comparable period, which was still affected by the lockdown measures related to the Covid pandemic.

2.2.3 CASH FLOW

The net cash flow of the Fund after operating, investment and financing activities was € 1.96 million (H1 2020: -/- € 770,000). The table below provides a summary of the cash flow.

Table 10 – Consolidated cash flow statement

	01-01-2021 to 30-06-2021 in € 1,000	01-01-2020 to 30-06-2020 in € 1,000
Cash flow from operating activities	205	-/- 943
Cash flow from investing activities	4,709	734
Cash flow from financing activities	-/- 2,959	-/- 561
Net increase / decrease (-/-) in cash and cash equivalents	1,955	-/- 770

The “*Cash flow from operating activities*” is the net cashflow from operating activities minus the interest and income tax payments. The cash flow from operating activities of € 205.000 was higher than the previous comparable period because although the cashflow from trade and other payables and receivables was lower, the amount of interest paid in the reporting period was also lower due to the improved financing structure.

The “*Cash flow from investing activities*” is the net cash flow from proceeds of sales of properties and capital investments into the properties in the portfolio. The proceeds from the Kosmalt property sale in Kosice contributed to the € 4.71 million cash flow from investing activities.

The “*Cash flow from financing activities*” records the net cash inflow from new borrowings and the repayments of loans and borrowings (see ‘Consolidated statement of cash flow’). The refinancing and instalment of the Polish bank loans and part of the investor loans resulted in a -/- € 2.96 million cash flow from financing activities.

Table 11 – Statement of recognised income and expense

	H1 2021 in € 1,000	H1 2020 in € 1,000
Foreign currency exchange differences on net investment in group companies	107	-/- 900
Income tax on foreign currency exchange differences on net investments in group companies	-/- 23	25
	84	-/- 875
Net gain/ (loss) recognised directly in shareholders' equity	84	-/- 875
Result for the period	97	-/- 777
Total comprehensive income for the period	181	-/- 1,652

2.2.4 BANK LOANS

Table 12 – Overview of interest-bearing loans and borrowings

	30-06-2021 in € 1,000	31-12-2020 in € 1,000
Secured bank loans	28,465	16,608
Lease liabilities	1,199	1,234
Subtotal	29,664	16,608
Other long-term liabilities	2,229	-
Total long-term interest-bearing loans and borrowings	31,893	17,842
Short-term part of secured bank loans ⁸	3,865	16,771
Short-term part of other long-term liabilities	1,401	5,071
Short-term part of lease liabilities	175	176
Short-term part of convertible bonds	3,489	3,472
Total short-term interest-bearing loans and borrowings	8,930	25,314
Total interest-bearing loans and borrowings	40,823	43,332

Over the past six months the total Loan-To-Value ratio⁹ (**LTV-ratio**) of the portfolio has decreased from 47.0% to 46.3%. The managing board intends to maintain the total LTV-ratio of the portfolio in the range 40% – 50%, although a LTV-ratio of up to 60% is possible.

See section 11.13 ("Loans and borrowings") for more information on the secured bank loans

⁸ See 11.13.1 "Analysis of loans and borrowings".

⁹ Without lease liabilities

2.2.5 FOREIGN CURRENCY

Table 13 – Overview of foreign currency exchange rates

	30-06-2021	31-12-2020	30-06-2020
Czech Koruna (EUR / CZK)	25.4880	26.2420	26.740
<i>change (in %)</i>	2.9	-/- 3.3	
Polish Zloty (EUR / PLN)	4.52010	4.5597	4.4560
<i>change (in %)</i>	0.9	-/- 7.1	
Bulgarian Lev (EUR / BGN)	1.9558	1.9558	1.9558
<i>change (in %)</i>	0.0	0.0	
Ukrainian Hryvnia (EUR / UAH)	32.3018	34.7396	29.9500
<i>change (in %)</i>	7.0	-/- 31.5	
US Dollar (EUR / USD)	1.1884	1.2271	1.1198
<i>change (in %)</i>	3.2	-/- 9.2	

Source: European Central Bank (ECB)

2.3 DIVIDEND

The dividend policy of the Fund is to distribute, based on the annual results, ca. 35% of the operational result to shareholders. The intention is to pay an interim dividend with the half year results, followed by a final dividend after year-end, both in cash. Dividend proposals will, however, need to reflect considerations including expected future capital requirements, growth opportunities available to the Fund, net cash generation and regulatory developments.

The requirement to repay and/or refinance ca. € 5 million in short-term loans before the end of 2021 has the highest priority for the Fund. Once completed the Fund plans to recommence distributions to shareholders and/or to institute a share buyback programme.

2.4 FUND OUTLOOK

In the second half of 2021, the Fund plans to accelerate the disposal programme for assets in Slovakia, Bulgaria and the Ukraine, with the aim of reducing exposure to peripheral markets, maintenance-intensive secondary buildings and non-income-producing landholdings. The successful completion of this disposal programme will broaden the Fund's strategic options for the future. These options will be discussed with shareholders at an extraordinary general meeting to be held in October.

Proceeds from the disposal program will be utilised for the redemption of the Fund's remaining short-term debt at NV level, which will further reduce the LTV ratio and overall financing costs.

Once the debt redemption process has been completed, additional sales proceeds and operational earnings can be used for distributions to shareholders or for a share buyback programme, reflecting the conclusions reached from the shareholder meeting.

2.5 RISK MANAGEMENT

Risk Management is considered an important managing board responsibility. In this semi-annual report there were no material changes to the risk management framework specified in paragraph 15.37 “Risk management” of the Consolidated Financial Statements 2019.

Risk appetite and risk management

The Fund’s risk management policy is intended to identify, assess and respond to the main risks that are inherent to the (activities of the) Fund. The risk management framework consists of a top down annual review and risk inventory. Risk exposure is managed by taking mitigating measures, while pursuing our business opportunities to achieve our strategy.

With the exception of the risks presented in paragraph 15.35 “Risk management” and described above in the paragraph *Risks associated with COVID-19*, we have not identified any other risks that could have a materially adverse effect on our business. Unidentified or unforeseen risks, however, could have a material adverse effect on our business.

Internal control framework

The Fund’s Internal Control Framework is to provide reasonable assurance that risks are identified and mitigated in order to achieve important objectives. The Internal Control Framework consists of the following elements:

- monthly KPI reporting;
- an established data recovery plan, supported by a cloud-based work environment;
- a planning & control structure. Administrative organisation and internal controls are based on a division of functions. Both contracting and payments take place based on the ‘four-eyes’ principle.

Risk monitoring

Risk reports are a recurring topic at the supervisory and managing board meetings. The results of stress testing are part of risk management monitoring and discussed with the Managing and Supervisory Board. Risks are monitored on a continuous basis, with mitigating measures in place.

For a description of the main risks and uncertainties, we refer to the paragraph 15.35 “Risk management” of the Consolidated Financial Statements 2019 and the notes to the consolidated financial statements.

2.6 DECLARATION OF THE MANAGING BOARD

The Managing Board of Arcona Property Fund hereby declares that, to the best of its knowledge, the consolidated interim financial statements prepared in accordance with IAS 34 “Interim Financial Reporting”, provide a true and fair view of the assets, liabilities, financial position and profit or loss of Arcona Property Fund and the undertakings included in the consolidation taken as a whole and that the interim financial statements include a true and fair review of the information required pursuant to section 5:25d, subsections 8 and 9 of the Dutch Act on Financial Supervision (Wet op het financieel toezicht, the “Wft”).

Amsterdam, 24 August 2021

The Managing Board, Arcona Capital Fund Management B.V.

G.St.J. Barker, Managing Director

P.H.J. Mars, M.Sc., Managing Director

H.H. Visscher, Managing Director

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT 30 JUNE 2021**

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3 PERFORMANCE INDICATORS

The following performance indicators have been prepared in accordance with industry standards.

3.1.1 Earnings

Earnings reported in the Consolidated Income Statement as required under IFRS do not provide shareholders with the most relevant information on the operating performance of real estate investment funds.

Earnings measures the Fund's operational performance and the extent to which its dividend payments to shareholders are underpinned by earnings is the level of income arising from operational activities. The Fund's operational performance represents the net income generated from the operational activities. Unrealised changes in valuation of properties, gains or losses on disposals of properties and certain other items do not necessarily provide an accurate picture of the Fund's underlying operational performance.

As Earnings is used to measure the operational performance, it excludes all components not relevant to the underlying net income performance of the portfolio, such as "Valuation results of owned investment properties", "Valuation results of investment property under development", "Results on disposals of owned investment properties" and "Results on disposals of investment property under development". In effect, what is left as Earnings is the income return generated by the investment, rather than the change in value or capital return on investments.

Earnings per share (**EPS**) should be calculated on the basis of the basic number of shares. The main reason for this is that Earnings and the dividends to which they give rise accrue to current shareholders and therefore it is more appropriate to use the basic number of shares.

The Diluted Earnings per share (**Diluted EPS**) should be calculated on a diluted basis taking into account the impact of any options, convertibles, etcetera that are "dilutive". For the explanation of the effect of exercise of options, convertibles and other equity interests (fully diluted basis) see the explanation in (3), mentioned in section 3.1.8 "Explanation of adjustments calculation of Net Asset Value".

As a result of the changes in the comparative figures with regard to the Consolidated Income Statement, the amounts of the comparative figures in the "Calculation of (diluted) earnings" and "Calculation of (diluted) adjusted earnings" are also changed (for further information see also section 9.5).

3.1.2 Calculation of (diluted) earnings

	Notes	01-01-2021 to 30-06-2021 In € 1,000	01-01-2020 to 30-06-2020 In € 1,000
Earnings per IFRS Consolidated Income Statement	5	97	-/- 777
<i>Exclude:</i>			
1. Valuation results of properties and other investments			
a. Owned investment property	11.20.1	-/- 50	-/- 99
b. Investment property under development	11.22	97	-/- 344
c. Other investments	11.30	-	1
2. Results on disposals of properties and other investments			
a. Realised currency results on net investments in group companies	11.26	-/- 373	-
3. Tax on results on disposals of properties and other investments		-	-
4. Changes in fair value of financial instruments			
a. Derivatives	11.26	-/- 170	346
b. Convertible bonds	11.13.4	17	15
5. Acquisition costs on share deals		-	-
6. Taxes in respect of adjustments		-/- 8	71
Earnings		-/- 390	-/- 787
Total number of shares in issue entitled to profit		3,758,683	3,758,683
Earnings per share (in €)		-/- 0.10	-/- 0.21
Total number of outstanding profit-sharing shares (fully diluted)		3,758,683	3,758,683
Diluted earnings per share (in €)		-/- 0.10	-/- 0.21

3.1.3 Explanation of adjustments calculation of (diluted) earnings

1. Valuation results of properties and other investments

This adjustment includes the gain or loss in the Consolidated Income Statement arising in the period from the revaluation of "Owned investment property", "Investment property under development" and "Other investments" at their fair value. Therefore the "Valuation results of properties held for sale" and "Right-of-use assets" are not excluded from earnings.

2. Results on disposals of properties and other investments

This adjustment includes the profit or loss on disposal of "Owned investment property", "Investment property under development" and "Other investments". Therefore the results on disposals of "Owned investment property held for sale", "Right-of-use assets", "Right-of-use assets held for sale" and "Investment property under development held for sale" are not excluded from earnings.

This adjustment also includes the profit or loss on foreign currency translation differences in case of (partial) reduction of net investment in foreign activities (release from "Reserve for currency translation differences").

3. *Tax on results on disposals of properties and other investments*

This adjustment includes the tax charge or credit relating to profits or losses on “Owned investment property”, “Investment property under development” and “Other investments” sold in the period, calculated consistently with 1 and 2 above.

4. *Changes in fair value of financial instruments*

This adjustment includes the surplus or deficit arising in the period from the net mark-to-market adjustment to the value of financial instruments (market value less acquisition price paid or received) which are used for hedging purposes and where the Fund has the intention of keeping the hedge position until the end of the contractual duration. Whether the Fund has chosen to apply hedge accounting under IFRS is irrelevant. Material profits / costs associated with the early close-out of financial instruments used for hedging and / or debt instruments should also be excluded from earnings.

The only exception to this is the early close-out of financial instruments or debt with a maturity date ending within the current reporting period. In such circumstances, the cost of early close-out should not be adjusted as the fair value difference would have been recognised in the current year’s earnings through the interest line and therefore including the cost of early close-out should not significantly change earnings for that year.

5. *Acquisition costs on share deals*

This adjustment includes the acquisition costs related to share deals (IFRS 3) and joint venture interests which are, under IFRS, recognised in the Consolidated Income Statement when incurred. Property-related acquisition costs are first capitalised and subsequently recognised in the Consolidated Income Statement as a revaluation movement. To achieve consistency, acquisition costs related to share deals and joint venture interests should be excluded to arrive at earnings.

6. *Taxes in respect of adjustments*

This adjustment includes the deferred taxes in the period which only relates to the above items and which would not crystallise until or unless the property, investment or financial instrument is sold. This would typically include deferred tax on revaluation surpluses on “Owned investment property” and “Investment property under development” which could reverse on disposal of the asset. This adjustment also includes any current income tax relating directly to the above adjustments to the extent that they are considered material.

3.1.4 Calculation of (diluted) adjusted earnings

	Notes	01-01-2021 to 30-06-2021 In € 1,000	01-01-2020 to 30-06-2020 In € 1,000
Earnings	3.1.2	-/- 390	-/- 787
<i>Exclude:</i>			
1. Valuation results of "Owned investment properties held for sale"	11.20.1	136	-/- 1,053
2. Valuation results of "Right-of-use assets"	11.20.1	48	45
3. Results on disposals "Owned investment properties held for sale"	11.21.1	-/- 109	1,246
4. Results on disposals of "Inventories"	11.24	-	-/- 3
5. Early termination of rental contracts	11.27	-/- 3	-/- 13
6. Costs of funding and acquisition	11.29.1	26	231
7. Interest expense on lease liabilities	11.30	43	47
8. Other exchange and currency translation results	11.26	-/- 6	-/- 9
<i>Include:</i>			
9. Operating leases	11.13.5	-/- 90	-/- 90
Subtotal adjustments (before taxes)		45	401
10. Taxes in respect of above adjustments		-/- 6	2
Total adjustments		39	403
Adjusted earnings		-/- 351	-/- 384
Total number of shares in issue entitled to profit		3,758,683	3,758,683
Adjusted earnings per share (in €)		-/- 0.09	-/- 0.10
Total number of outstanding profit-sharing shares (fully diluted)		3,758,683	3,758,683
Diluted adjusted earnings per share (in €)		-/- 0.09	-/- 0.10

3.1.5 Explanation of adjustments calculation of (diluted) adjusted earnings

The earnings is a measure of the underlying operating performance of an investment property company. It therefore does provide a measure of recurring income, but does not, for example, exclude "exceptional" items that are part of IFRS earnings. For that reason the Fund has introduced its own (diluted) adjusted earnings. In this calculation the Fund excludes "exceptional" and "one-off costs" and "one-off revenues". Moreover in this calculation valuation results, as well as results on disposals of properties held for sale and "Right-of-use assets" are excluded, as well as accrued interest lease liabilities.

The operating leases are included in the calculation of the (diluted) adjusted Earnings. As a result of above described adjustments the impact of applying IFRS 16 (e.g. fair value adjustments "Right-of-use assets") are eliminated in the (diluted) adjusted earnings.

3.1.6 Net Asset Value

Net Asset Value (NAV) is a key performance measure used for real estate investment funds. However, NAV reported in the Consolidated Financial Statements under IFRS does not provide shareholders with the most relevant information on the fair value of the assets and liabilities within an ongoing real estate investment company with a long-term investment strategy.

The Net Asset Value (NAV) measures the fair value of net assets on an ongoing, long-term basis. Assets and liabilities that are not expected to crystallise in normal circumstances such as the fair value of financial derivatives and deferred taxes on investment property, investment property under development or other non-current investments are therefore excluded.

NAV should be calculated on a diluted basis taking into account the impact of any options, convertibles, etcetera that are “dilutive”.

3.1.7 Calculation of Net Asset Value

	Notes	30-06-2021 In € 1,000	31-12-2020 In € 1,000
Group equity in accordance with IFRS	4	43,135	42,954
<i>Exclude:</i>			
1. Fair value of financial instruments		43	224
2. Deferred tax		3,207	3,106
Group equity in accordance with NAV		46,385	46,284
Total number of shares in issue entitled to profit		3,758,683	3,758,683
3. Effect of exercise of options, convertibles and other equity interests (fully diluted basis)		-	-
Total number of outstanding profit-sharing shares (fully diluted)		3,758,683	3,758,683
NAV per profit-sharing share (in €)		12.34	12.31

3.1.8 Explanation of adjustments calculation of Net Asset Value

1. Fair value of financial instruments

This adjustment includes the net mark-to-market adjustment to the value of financial instruments (market value less acquisition price paid or received) which are used for hedging purposes and where the Fund has the intention of keeping the hedge position until the end of the contractual duration. Whether the Fund has chosen to apply hedge accounting under IFRS is irrelevant. The mark-to-market of any convertible debt is also excluded from the net assets.

The logic for this adjustment is that, under normal circumstances, the financial derivatives which property investment companies use to provide an economic hedge are held until maturity and so the theoretical gain or loss at Statement of Financial Position's date will not crystallise.

The above adjustments do not include (possible) foreign currency hedging instruments (fair value hedges or net investment hedges) where the hedged item market value changes are also reflected in the Consolidated Statement of Financial Position. The fair value of such instruments should remain in NAV to offset the movement in the underlying investment being hedged.

2. *Deferred tax*

This adjustment includes the recognised deferred taxes in the Consolidated Statement of Financial Position in respect of the difference between the fair value and tax value of “Owned investment property”, “Investment property under development”, or other non-current investments (including “Investments in group companies”) as these deferred taxes would only become payable if the assets are sold. Therefore deferred taxes on properties held for sale, right-of-use assets held for sale as well as on lease incentives are not excluded from NAV.

The deferred tax liability relating to the fair value of financial instruments, which would not crystallise until or unless the financial instrument is sold, should also be added back.

3. *Effect of exercise of options, convertibles and other equity interests (fully diluted basis)*

A convertible bond is viewed as dilutive provided that the following criteria are satisfied:

1. the convertible bond is dilutive in accordance with IAS 33.50; and
2. the share price as at Statement of Financial Position’s date exceeds the conversion price (“in the money”).

3.1.9 Triple Net Asset Value

The Triple Net Asset Value (NNNAV) measures the Net Asset Value including fair value adjustments in respect of all material Statement of Financial Position’s items which are not reported at their fair values as part of the NAV.

3.1.10 Calculation of Triple Net Asset Value

	Notes	30-06-2021 In € 1,000	31-12-2020 In € 1,000
Group equity in accordance with NAV	3.1.7	46,385	46,284
<i>Include:</i>			
1. Fair value of financial instruments		-/- 43	-/- 224
2. Fair value of debt		14	13
3. Fair value of deferred tax		-/- 1,603	-/- 1,553
Group equity in accordance with NNNAV		44,753	44,520
Total number of shares in issue entitled to profit		3,758,683	3,758,683
4. Effect of exercise of options, convertibles and other equity interests (fully diluted basis)		-	-
Total number of outstanding profit-sharing shares (fully diluted)		3,758,683	3,758,683
NNNAV per profit-sharing share (in €)		11.91	11.84

3.1.11 Explanation of adjustments calculation of Triple Net Asset Value

1. *Fair value of financial instruments*

This reinstates, and is equal to, the adjustment 1, as mentioned in the calculation of NAV. The reason for reinstating is that NNNAV is an approximation of fair value NAV.

2. *Fair value of debt*

This adjustment includes the difference between “Loans and borrowings” included in the Consolidated Statement of Financial Position at amortised cost, and the fair value of “Loans and borrowings”.

3. *Fair value of deferred tax*

This adjustment includes the fair value of the deferred taxes concerning “Owned investment property”, “Investment property under development” or other non-current investments (including “Investments in group companies”; these three items hereinafter mentioned as “non-current investments”). The deferred taxes are calculated with regard to all taxable temporary differences with regard to the “non-current investments”, whether these deferred taxes are included in the Statement of Financial Position or not. For items not included in the Statement of Financial Position is referred to section 13.30.3 in the Accounting Principles Consolidated Financial Statements 2020.

The taxable temporary difference with regard to the “non-current investments” is calculated by the difference between the fair value of the “non-current investment” less the tax value of the “non-current investment”. In case the taxable temporary difference should result in a deferred tax asset, this deferred tax asset will only be recognised as far as it is probable that future taxable profits will be available against which they can be used. Deferred taxes are measured at the tax rates that are expected to be applied to taxable temporary differences when they reverse, using tax rates enacted or substantively enacted at the Statement of Financial Position’s date. The deferred taxes are taken into account without applying any discount (nominal value), which is in accordance with IFRS.

The Managing Board assessed the fair value for calculation-purposes of the deferred taxes applicable to non-current investments by multiplying the deferred taxes (at nominal value, as mentioned above) by 50%. This percentage is an estimation of the present value of the tax applicable in the (near) future.

4. *Effect of exercise of options, convertibles and other equity interests (fully diluted basis)*

For the effect of exercise of options, convertibles and other equity interests (fully diluted basis) see the explanation in section 3.1.8 (3) “Explanation of adjustments calculation of Net Asset Value” above.

3.1.12 Calculation of Triple Net Asset Value before distributions to shareholders

	Notes	30-06-2021 In € 1,000	31-12-2020 In € 1,000
Group equity in accordance with NNNAV	3.1.10	44,753	44,520
<i>Exclude:</i>			
1. Cumulative distributions to shareholders		3,120	3,120
Group equity in accordance with NNNAV before distributions to shareholders		47,873	47,640
Total number of shares in issue entitled to profit		3,758,683	3,758,683
2. Effect of exercise of options, convertibles and other equity interests (fully diluted basis)		-	-
Total number of outstanding profit-sharing shares (fully diluted)		3,758,683	3,758,683
NNNAV per profit-sharing share before distributions to shareholders (in €)		12.74	12.67

4 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30-06-2021 In € 1,000	31-12-2020 In € 1,000
Assets			
Investment property	11.2	77,799	77,168
Investment property under development	11.3	2,491	2,409
Deferred tax assets	11.4	197	177
Prepayments and deferred expenses	11.7	34	44
Cash and cash equivalents	11.8	515	250
Total non-current assets		81,036	80,048
Inventories	11.9	1,818	1,818
Tax assets	11.5	107	189
Trade and other receivables	11.6	783	822
Prepayments and deferred expenses	11.7	279	412
Cash and cash equivalents	11.8	2,975	1,272
Assets held for sale	11.10	5,098	9,861
Total current assets		11,060	14,374
Total assets		92,096	94,422
 Group equity (attributable to Parent Company shareholders)	11.11	43,135	42,954
Liabilities			
Loans and borrowings	11.13	31,893	17,842
Derivative financial instruments	11.14	30	118
Deferred income and tenant deposits	11.16	456	314
Deferred tax liabilities	11.17	3,573	4,143
Total non-current liabilities		35,952	22,417
Tax liabilities	11.12	1,380	620
Loans and borrowings	11.13	8,930	25,489
Derivative financial instruments	11.14	24	134
Trade and other payables	11.15	2,501	2,658
Deferred income and tenant deposits	11.16	174	150
Total current liabilities		13,009	29,051
Total liabilities		48,961	51,468
Total group equity and liabilities		92,096	94,422

5 CONSOLIDATED INCOME STATEMENT

	Notes	01-01-2021 to 30-06-2021 In € 1,000	01-01-2020 to 30-06-2020 In € 1,000
Gross rental income	11.18	3,658	4,108
Service charge income		955	996
Service charge expenses		-/- 1,416	-/- 1,630
Property operating expenses	11.19	-/- 1,206	-/- 1,300
Net rental and related income		1,991	2,174
Valuation results of properties	11.20	-/- 134	1,107
Results on disposal of properties	11.21	109	-/- 1,246
Valuation results of investment property under development	11.22	-/- 97	344
Net results on properties	11.23	-/- 122	205
Results on disposals of inventories	11.24	-	3
Financial income	11.26	551	10
Other operating income	11.27	9	13
Other income		560	23
Total income		2,429	2,405
Administrative expenses	11.28	322	341
Other operating expenses	11.29	649	940
		971	1,281
Net operating result before financial expenses		1,458	1,124
Financial expenses	11.30	1,203	1,560
Profit before income tax		255	-/- 436
Income tax expense	11.31	158	341
Profit for the period		97	-/- 777
Attributable to:			
Parent Company shareholders		97	-/- 777
Profit for the period		97	-/- 777
Basic earnings per share (€)	11.32.1	0.03	-/- 0.21
Diluted earnings per share (€)	11.32.4	0.03	-/- 0.21

6 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	01-01-2021 to 30-06-2021 In € 1,000	01-01-2020 to 30-06-2020 In € 1,000
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences on net investment in group companies		107	-/- 900
Income tax on foreign currency translation differences on net investments in group companies		-/- 23	25
		84	-/- 875
Net gain / loss (-/-) recognised directly in group equity		84	-/- 875
Profit for the period	5	97	-/- 777
Total comprehensive income for the period		181	-/- 1,652
Attributable to:			
Parent Company shareholders		181	-/- 1,652
Total comprehensive income for the period		181	-/- 1,652

7 CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY

	Issued capital In € 1,000	Share premium In € 1,000	Revaluation reserve In € 1,000	Reserve currency translation differences In € 1,000	Equity component convertible bonds In € 1,000	Retained earnings In € 1,000	Total share- holders' equity In € 1,000
Balance as at January 1, 2021	18,794	19,310	6,691	947	144	-/- 2,932	42,954
Total comprehensive income	-	-	-/- 35	84	-	132	181
Balance as at June 30, 2021	18,794	19,310	6,656	1,031	144	-/- 2,800	43,135
Balance as at January 1, 2020	18,794	19,310	7,059	2,204	144	489	48,000
Total comprehensive income	-	-	282	-/- 875	-	-/- 1,059	-/- 1,652
Balance as at June 30, 2020	18,794	19,310	7,341	1,329	144	-/- 731	46,348

8 CONSOLIDATED STATEMENT OF CASH FLOW

	Notes	01-01-2021 to 30-06-2021 In € 1,000	01-01-2020 to 30-06-2020 In € 1,000
Cash flow from operating activities			
Profit for the period	5	97	-/- 777
<i>Adjustments for:</i>			
Valuation results of properties	11.20	134	-/- 1,107
Valuation results of investment property under development	11.22	97	-/- 344
Results on disposals of properties ¹	11.21	-/- 233	1,245
Results on disposals of inventories ¹	11.24	-	-/- 7
Financial income	11.26	-/- 551	-/- 10
Financial expenses	11.30	1,203	1,560
Income tax expense	11.31	158	341
<i>Changes in:</i>			
Lease incentives		77	25
Derivative financial instruments		-/- 198	343
Tax assets		80	-/- 26
Trade and other receivables		40	-/- 523
Prepayments and deferred expenses		144	91
Tax liabilities		79	225
Trade and other payables		-/- 112	-/- 622
Deferred income and tenant deposits		167	-/- 21
Cash generated from operating activities		1,182	393
Interest received		2	1
Interest paid		-/- 885	-/- 1,325
Income tax paid / income tax received		-/- 94	-/- 12
Net cash from / used in (-/-) operating activities		205	-/- 943
Cash flow from investing activities			
Proceeds from the sale of assets held for sale		4,860	983
Proceeds from the sale of other investments		-	3
Acquisition of / additions to properties		-/- 151	-/- 242
Acquisition of / additions to assets held for sale		-	-/- 10
Net cash from / used in (-/-) investing activities		4,709	734
Cash flow from financing activities			
Proceeds from secured bank loans		13,759	378
Proceeds from other long-term liabilities		2,300	-
Repayment of secured bank loans		-/- 15,129	-/- 860
Repayment of other long-term liabilities		-/- 3,799	-
Payment of lease liabilities		-/- 90	-/- 79
Net cash from / used in (-/-) financing activities		-/- 2,959	-/- 561
Net increase / decrease (-/-) in cash and cash equivalents		1,955	-/- 770
Cash and cash equivalents as at 1 January	11.8	1,522	2,746
Effect of exchange and currency translation result on cash held		13	-/- 50
Cash and cash equivalents as at 30 June	11.8	3,490	1,926

¹ Transaction costs excluded.

9 ACCOUNTING PRINCIPLES CONSOLIDATED INTERIM FINANCIAL STATEMENTS

9.1 REPORTING ENTITY

The company Arcona Property Fund N.V., hereinafter referred to as “the Fund”, was incorporated on November 27, 2002 in accordance with Dutch law and is established in Amsterdam (the Netherlands). The Fund obtained a listing on the Euronext Fund Services (EFS) in Amsterdam on November 13, 2003 and a listing on the Prague Stock Exchange (PSE) in Prague on October 30, 2018.

The Fund is registered in Amsterdam (the Netherlands), De Entree 55, 1101 BH and is entered in the Trade Register of the Chamber of Commerce under number 08110094.

The Fund is a closed-end investment company with variable capital within the meaning of Article 76a of Book 2 of the Dutch Civil Code. The Fund invests in commercial real estate in Central and Eastern Europe (CEE).

The Consolidated Interim Financial Statements of the Fund for the financial period comprise the Fund and its subsidiaries.

9.2 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The Consolidated Interim Financial Statements have been prepared in accordance with IAS 34 “Interim Financial Reporting” and the interpretations thereof adopted by the International Accounting Standards Board (“IASB”) as adopted by the European Union (hereinafter referred to as “EU-IFRS”) and in accordance with Part 9 of Book 2 of the Dutch Civil Code (Titel 9, Boek 2 van het Burgerlijk Wetboek) and the Dutch Act on Financial Supervision (Wet op het financieel toezicht, the “Wft”).

9.3 STATEMENT OF COMPLIANCE AND FUTURE RELATED ASSUMPTIONS

The Fund has applied the significant accounting principles as set out in the Consolidated Financial Statements 2020 sections 13.2 to 13.30. The Managing Board authorised the Consolidated Interim Financial Statements for issue on August 24, 2021.

As at June 30, 2021, group equity of the Fund is positive. As stated in the liquidity forecast up to mid-2022, the current cash position is sufficient to cover budgeted costs. This forecast takes into account debt service requirements, the repayment and / or refinancing of loans and uncertainty regarding the impact of Covid-19.

The Managing Board is confident that the operational income of the Fund will continue to be sufficient to meet all debt financing obligations and to maintain levels of capital expenditure necessary to sustain the physical fabric of the asset portfolio. Across the Fund’s core markets (Poland, Czech Republic and Slovakia) the existing secured debt position provides a stable long-term platform for operations, with a loan to value ratio of 46.3% and an average term to maturity of 3.1 years.

The current priority aim for the Managing Board remains the refinancing or repayment of certain short-term debt obligations at local and NV level. These currently amount to approximately € 5 million. Bearing in mind the Fund’s successful refinancing of over € 17.7 million of loans during the last twelve months, the Managing Board is confident this aim can be achieved during H2 2021 through further asset sales.

Investor demand across the CEE region remains strong across most sectors, with particular interest in the residential and logistic sectors and for assets underpinned by strong cashflow from international tenants.

The Fund will therefore continue its planned disposal programme during H2, specifically in Ukraine, Bulgaria and Slovakia. The initial target for 2021 was to raise between € 8 million and € 15 million gross from this programme, to be used for debt repayment and cashflow purposes. By 30 June ca. € 5.8 million had been achieved.

The sale and refinancing programme has already resulted in a reduction of the Fund's overall debt obligations and servicing costs during H1 2021. Interest charges will reduce further over the rest of the year. The Managing Board maintains its forecast for a return to positive cashflow by year-end / early 2022.

However there is still uncertainty in the market due to COVID-19, the speed and effectiveness of vaccination programmes, the possibility of the emergence of new virus strains and the potential strength and pace of economic recovery. This uncertainty could have a negative impact on sale plans for the rest of 2021. In the event that this leads to failure to redeem a loan on time or to other breaches of loan covenants, and a waiver or extension cannot be agreed, the lenders could charge penalty fees or higher interest rates or the Managing Board could be required to sell liquid assets in a short time period. Such penalties or 'forced sales' could destroy value and lead to falls in NAV per share.

Nevertheless, based on the assumptions stated above, the Managing Board is of the opinion that the Fund is able to continue until June 30, 2022 as a going concern. Therefore, these Consolidated Interim Financial Statements are based on assumptions of going concern.

9.4 SIGNIFICANT EVENTS AND TRANSACTIONS

During the financial period the following significant events and transactions have occurred:

1. Permit obtained for extension project on Politických vězňů street (PV 10)
On February 4, 2021 the Fund announced it has obtained a building permit for its extension project on Politických vězňů street in Prague (picture on the right). The project, which will add approximately 250 m2 of new office space on two floors, and more than 100 m2 of terraces, will provide desirable premises in a sought-after part of Prague for new and existing tenants. The Fund plans to start construction works in Q3 this year, with the project expected to be completed within one year.
2. Refinancing Polish freehold portfolio
On March 9, 2021 the Fund announced it has agreed terms to refinance the majority of its Polish portfolio. The refinancing will cover the Fund's entire freehold portfolio in Poland, comprising one modern office building and seven supermarkets. The new secured bank loan from Hypo Noe, in the sum of € 14 million, will have a term of five years and an annual interest rate of 6-month Euribor plus 2.95%.

On April 1, 2021 the Fund announced it has completed the refinancing of its Polish freehold portfolio. In addition to a lower interest rate, the new loan also has a more favourable repayment schedule. As a result, the average annual repayment and interest obligation falls from € 1.27 million to approximately € 0.94 million. The weighted average maturity of all debt rises from 1.6 to 3.1 years.
3. Refinancing Polish leasehold portfolio
On April 1, 2021 the Fund announced it has refinanced the secured vendor loan from Real Estate Central Europe AS, used to purchase the three leasehold regional Polish supermarkets, with a new loan. The new loan from an investment fund in Poland in the sum of € 2.2 million has a term of three years, the interest rate is 3-month Euribor plus a margin of 8.50%.

4. Sale of Kosmalt

On May 6, 2021 the Fund announced it has sold the 10,711 m² non-core property Kosmalt in Košice, Slovakia. The gross sale price was € 4.86 million, 2% above the appraisal value of € 4.76 million at the end of 2020.

Arcona Property Fund N.V. has now sold three non-core properties in Košice within 12 months for a total value of € 10.71 million. Thus the target set by the Managing Board to achieve an € 10 million sale result from the 5 assets-held-for-sale has been achieved. This is part of the Fund's strategy to reduce exposure to Košice and to maintenance-intensive older buildings.

5. Purchase agreements second phase SPDI

On June 14, 2021 the Fund announced it has signed the purchase agreements with Secure Property Development & Investments Ltd (SPDI) for the acquisition of SPDI's remaining real estate holdings in Ukraine and for two modern office buildings in Bucharest, Romania. The purchases should be completed in the second half of 2021. The assets being acquired are:

- a. Two development sites in the Kiev region of Ukraine, with a total value of € 1,8 million;
- b. A modern 2,700 square metres offices building in North-West Bucharest fully leased to Danone Romania until May 2026, valued at € 5 million;
- c. A 24.35% share in a modern office building in Central Bucharest partly leased to the Romanian Telecoms Authority (ANCOM) and valued at € 4,87 million. ANCOM has just agreed a five-year lease extension.

The Fund will acquire the second phase assets by issuing approximately 605,000 ordinary shares at an intrinsic value of € 11.87 each and approximately 146,000 warrants which can be converted into ordinary shares of the Fund if the Fund's shares reach a price level of € 7.20. The warrants will expire after five years following their issuance and are exercisable after one year, unless a prospectus with respect to the warrants and / or the underlying shares is published. SPDI will also provide a Seller's loan of € 1 million.

On completion, the "Group equity" of the Fund will rise by approximately € 7,18 million and the debt level will rise by approximately € 4,16 million.

6. New members Supervisory Board

As at June 16, 2021 the General Meeting of Shareholders (AGM) approved the proposal of the Foundation ("Stichting Prioriteit MERE") to appoint Mr. M. Beys and Mr. J.J. Van Heijst as members of the Supervisory Board of the Fund. Currently the Supervisory Board consists of four members in total.

9.5 CHANGE (OF PRESENTATION) OF COMPARATIVE FIGURES

In order to align the comparative figures with the Consolidated Statement of Financial Position as at June 30, 2021, the classification of some items in the comparative figures in the Consolidated Statement of Financial Position as at June 30, 2021 has been changed from those used in the Consolidated Statement of Financial Position December 31, 2020 and / or Consolidated Income Statement June 30, 2021. The following classifications in the comparative figures have been changed:

- the “Lease incentives”, which were as at December 31, 2020 part of “Prepayments and lease incentives” are reclassified to “Investment property” (€ 319,000);
- reclassification from “Owned investment property” to “Lease incentives” for an amount of € 21,000;
- change of functional currency Aisi Bela L.L.C. As at June 30, 2020 the functional currency of Aisi Bela L.L.C. was changed to USD from UAH. As a result of this change:
 - a. “Valuation results of properties” increased with an amount of € 99,000;
 - b. “Valuation results of investment property” increased with an amount of € 344,000;
 - c. “Foreign currency translation differences on net investments in group companies” (part of Consolidated Statement of other comprehensive income) decreased with an amount of € 443,000.

As a result of the above mentioned changes the “Profit for the period” increased by € 443,000 and the “Total comprehensive income for the period” remain unchanged.

The above-mentioned changes of presentation in the “Consolidated Statement of Financial Position” also impact on:

- the composition of the “Consolidated statement of changes in Group equity”;
- the presentation of the “Consolidated statement of cash flow”;
- “Segment reporting” (section 10.1 “Overview of segment result (overview A)”).

9.6 BASIS OF PREPARATION OF THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

9.6.1 General

The Consolidated Interim Financial Statements have been prepared on the basis of historical cost, except for:

- investment property;
- investment property under development;
- assets held for sale;
- financial assets at fair value through profit or loss; and
- financial liabilities at fair value through profit or loss.

Investment property and investment property under development are hereinafter referred to as ‘Investment property’.

The accounting policies are equal to those applied in the Consolidated Financial Statements 2020 (sections 13.2 to 13.30). The accounting principles have been consistently applied to the results, other gains and losses, assets, liabilities and cash flows of entities included in the Consolidated Interim Financial Statements and are consistent with those used in the prior period, with the exception of the application of new and amended IFRS’s as mentioned in section 9.6.3.

9.6.2 Judgements, assumptions and estimation uncertainties

13.4.2.1 General

Preparation of the Consolidated Interim Financial Statements in accordance with EU-IFRS requires the Managing Board to make judgements, estimates and assumptions that affect the application of policies and the reported value of assets and liabilities, income and expenses. The estimates and associated assumptions have been based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results of these estimates and assumptions form the basis of the judgements made

about carrying amounts of assets and liabilities that are not readily apparent from other sources. The actual results may differ from these estimates.

13.4.2.2 Judgements, assumptions and estimation uncertainties

The significant judgements made by the Managing Board in applying the Group's accounting policies and the key sources of assumptions and estimation uncertainty were the same as those described in the Consolidated Financial Statements 2020.

9.6.3 New and amended IFRS Standards and interpretations that are effective for the current period

A number of new standards, changes to standards and interpretations are applied in these Consolidated Interim Financial Statements. New standards that might be relevant for the Fund are set out in the Consolidated Financial Statements 2020 (section 13.4.4 and 13.4.5).

The new standards, amendments and interpretations do not have a significant impact on the Fund's accounts as at June 30, 2021.

9.6.4 New and revised IFRS Standards and interpretations not yet applied

A number of new standards, changes to standards and interpretations have only taken effect after January 1, 2021 and therefore have not been applied to these Consolidated Interim Financial Statements. New standards that might be relevant for the Fund are set out in the Consolidated Financial Statements 2020 (section 13.4.5). The Fund does not plan to apply early adoption of these standards. The Fund expects that the changes will have no material effect on its results and financial position.

The income and expenses of foreign operations are translated into Euros at the exchange rates at the dates of the transactions. For practical reasons, the average monthly exchange rates for the financial period are used to approximate the exchange rates at the dates of the transactions, however only if the exchange rates do not fluctuate significantly.

Foreign currency translation differences arising on translation of the net investment in foreign activities, and the associated hedging transactions, are taken through the "Comprehensive income" and are recognised in the "Reserve currency translation differences". In case of a (part) reduction of the net investments in foreign activities, the deferred cumulative amount recognised in the "Comprehensive income" relating to that particular foreign operation will be recognised in the Income Statement.

9.6.5 Exchange rates used for the Consolidated Statement of Financial Position

	30-06-2021	31-12-2020
Bulgarian Lev (EUR / BGN)	1.95580	1.95580
% change	0.0%	0.0%
Czech Koruna (EUR / CZK)	25.48800	26.24200
% change	2.9%	-/- 3.3%
Polish Zloty (EUR / PLN)	4.52010	4.55970
% change	0.9%	-/- 7.1%
Ukrainian Hryvnia (EUR / UAH)	32.30180	34.73960
% change	7.0%	-/- 31.5%
US Dollar (EUR / USD)	1.18840	1.22710
% change	3.2%	-/- 9.2%

Source: European Central Bank (ECB) if available. Ukrainian Hryvnia: National Bank of Ukraine.

9.6.6 Average exchange rates used for the Consolidated Income Statement

	01-01-2021 to 30-06-2021	01-01-2020 to 30-06-2020
Bulgarian Lev (EUR / BGN)	1.95580	1.95580
Czech Koruna (EUR / CZK)	25.86383	26.49758
Polish Zloty (EUR / PLN)	4.54483	4.46801
Ukrainian Hryvnia (EUR / UAH)	33.38447	31.21595

9.7 FINANCIAL INSTRUMENTS

All the Fund's financial assets are classified as "Financial assets at amortised cost and effective interest method", with the exception of derivatives. These financial instruments are classified as "Financial assets at FVTPL". The carrying amount of the financial assets is a reasonable approximation of the fair value.

All the Fund's financial liabilities are measured subsequently at amortised cost using the effective interest method, with the exception of derivatives. These financial instruments are classified as "Financial liabilities at FVTPL". The carrying amount of the financial liabilities is a reasonable approximation of the fair value.

10 SEGMENT INFORMATION

For the segmentation criteria is referred to the Consolidated Financial Statements 2020 section 14.3.

10.1 OVERVIEW OF SEGMENT RESULT (OVERVIEW A)

Segment	Gross rental Income		Service charge income		Service charge expenses		Property operating expenses		Subtotal net rental & related income	
	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020
	in € 1,000		in € 1,000		in € 1,000		in € 1,000		in € 1,000	
Czech Republic:										
Palmovka	124	122	48	54	-/- 35	-/- 41	-/- 38	-/- 41	99	94
Karlin	252	219	90	87	-/- 64	-/- 72	-/- 57	-/- 64	221	170
VUP	107	105	85	89	-/- 83	-/- 75	-/- 40	-/- 37	69	82
PV 10	159	135	65	66	-/- 51	-/- 56	-/- 52	-/- 41	121	104
Total Czech Republic	642	581	288	296	-/- 233	-/- 244	-/- 187	-/- 183	510	450
Slovakia:										
Záhradnicka	173	184	4	5	-/- 40	-/- 42	-/- 61	-/- 55	76	92
Pražská 2	190	211	-	3	-/- 85	-/- 100	-/- 69	-/- 63	36	51
Pražská 4	178	195	1	2	-/- 56	-/- 64	-/- 68	-/- 59	55	74
Krivá 18	n.a.	215	n.a.	3	n.a.	-/- 55	n.a.	-/- 56	n.a.	107
Krivá 23	n.a.	221	n.a.	3	n.a.	-/- 59	n.a.	-/- 56	n.a.	109
Letná	611	586	6	7	-/- 82	-/- 89	-/- 170	-/- 161	365	343
Vural	232	232	31	33	-/- 117	-/- 123	-/- 83	-/- 77	63	65
Kosmalt	257	343	5	6	-/- 140	-/- 185	-/- 97	-/- 121	25	43
Total Slovakia	1,641	2,187	47	62	-/- 520	-/- 717	-/- 548	-/- 648	620	884
Poland:										
Laubitz 8	76	77	23	27	-/- 34	-/- 31	-/- 32	-/- 33	33	40
800-lecia Inowroclawia	74	103	72	55	-/- 69	-/- 42	-/- 39	-/- 33	38	83
Krzemowa	124	110	64	55	-/- 59	-/- 55	-/- 38	-/- 36	91	74
Plutona	53	22	14	7	-/- 34	-/- 20	-/- 27	-/- 20	6	-/- 11
Kalinkowa	114	91	67	65	-/- 80	-/- 68	-/- 57	-/- 43	44	45
Wojska Polskiego	129	122	79	78	-/- 72	-/- 71	-/- 41	-/- 42	95	87
Wolnosci	79	79	27	41	-/- 45	-/- 41	-/- 28	-/- 32	33	47
Graniczna	n.a.	-	n.a.	-	n.a.	-/- 21	n.a.	-/- 12	n.a.	-/- 33
Grzymały Siedleckiego	116	113	36	40	-/- 38	-/- 51	-/- 19	-/- 12	95	90
Kardyn. Wyszyńskiego	98	106	35	51	-/- 42	-/- 68	-/- 19	-/- 18	72	71
Legionow	154	148	50	60	-/- 68	-/- 76	-/- 30	-/- 22	106	110
Maris	358	368	153	159	-/- 121	-/- 125	-/- 75	-/- 76	315	326
Total Poland	1,375	1,339	620	638	-/- 662	-/- 669	-/- 405	-/- 379	928	929
Ukraine:										
Aisi Bela	-	-	-	-	-/- 1	-	-/- 15	-/- 26	-/- 16	-/- 26
Bulgaria:										
Boyana	-	-	-	-	-	-	-/- 37	-/- 48	-/- 37	-/- 48
Inventories	-	1	-	-	-	-	-/- 14	-/- 16	-/- 14	-/- 15
Total Bulgaria	-	1	-	-	-	-	-/- 51	-	-/- 51	-/- 63
Grand total	3,658	4,108	955	996	-/- 1,416	-/- 1,630	-/- 1,206	-/- 1,300	1,991	2,174

Segment	Subtotal net rental & related income		Net results on properties ²		Other operating income ³		Financial expenses ⁴		Total segment result	
	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020
	in € 1,000		in € 1,000		in € 1,000		in € 1,000		in € 1,000	
Czech Republic:										
Palmovka	99	94	1	-	-	-	-	-	100	94
Karlin	221	170	-	-	-	1	-	-	221	171
VUP	69	82	-	-	-	-	-	-	69	82
PV 10	121	104	-	-	-	12	-	-	121	116
Total Czech Republic	510	450	1	-	-	13	-	-	511	463
Slovakia:										
Záhradnicka	76	92	1	-	-	-	-	-	77	92
Pražská 2	36	51	-	-	-	-	-	-	36	51
Pražská 4	55	74	-	-	-	-	-	-	55	74
Krivá 18	n.a.	107	n.a.	-	n.a.	-	n.a.	-	n.a.	107
Krivá 23	n.a.	109	n.a.	-	n.a.	-	n.a.	-	n.a.	109
Letná	365	343	39	-	-	-	-	-	404	343
Vural	63	65	1	-	-	-	-	-	64	65
Kosmalt	25	43	-/- 27	-	-	-	-	-	-/- 2	43
Total Slovakia	620	884	14	-	-	-	-	-	634	884
Poland:										
Laubitz 8	33	40	3	-	-	-	-	-	36	40
800-lecia Inowroclawia	38	83	3	-	-	-	-	-	41	83
Krzemowa	91	74	5	-	-	-	-	-	96	74
Plutona	6	-/- 11	2	-	-	-	-	-	8	-/- 11
Kalinkowa	44	45	6	-	-	-	-	-	50	45
Wojska Polskiego	95	87	7	-	-	-	-	-	102	87
Wolnosci	33	47	1	-	-	-	-	-	34	47
Graniczna	n.a.	-/- 33	n.a.	-/- 193	n.a.	-	n.a.	-	n.a.	-/- 226
Grzymaly Siedleckiego	95	90	-/- 23	-/- 22	-	-	6	7	66	61
Kardyn. Wyszynskiego	72	71	-/- 17	-/- 17	3	-	12	13	46	41
Legionow	106	110	-/- 3	-/- 6	-	-	25	27	78	77
Maris	315	326	3	-	-	-	-	-	318	326
Total Poland	928	929	-/- 13	-/- 238	3	-	43	47	875	644
Ukraine:										
Aisi Bela	-/- 16	-/- 26	-/- 124	443	-	-	-	-	-/- 140	417
Bulgaria:										
Boyana	-/- 37	-/- 48	-	-	-	-	-	-	-/- 37	-/- 48
Inventories	-/- 14	-/- 15	-	3	-	-	-	-	-/- 14	-/- 12
Total Bulgaria	-/- 51	-/- 63	-	-	-	-	-	-	-/- 51	-/- 60
Grand total	1,991	2,174	-/- 122	208	3	13	43	47	1,829	2,348

² Including impairment allowance of inventories and results on disposals of inventories.

³ "Other operating income" relates solely to early termination of rental contracts.

⁴ "Financial expenses" relates solely to interest expense on lease liabilities.

10.2 RECONCILIATION SEGMENT RESULT WITH PROFIT FOR THE PERIOD

The reconciliation between the total segment results as calculated in section 10.1 with the profit for the period, stated in the Consolidated Income Statement, is made below.

	01-01-2021 to 30-06-2021 in € 1,000	01-01-2020 to 30-06-2020 in € 1,000
Total segment result (overview A)	1,829	2,348
Unallocated income	557	10
Unallocated expenses	2,131	2,794
Profit before income tax	255	-/- 436
Income tax expense	158	341
Profit for the period	97	-/- 777

10.3 OVERVIEW CARRYING AMOUNT OF TYPE OF PROPERTY⁵ PER SEGMENT⁶ (OVERVIEW B)

Segment	Carrying amount 30-06-2021	Carrying amount 31-12-2020
Office:		
Palmovka	3,098	2,949
Karlin	6,143	5,921
VUP	2,590	2,515
PV 10	5,831	5,620
Záhradnicka	4,314	4,313
Pražská 2	2,593	2,593
Pražská 4	2,505	2,505
Letná	12,972	12,933
Vural	4,721	4,720
Maris	8,813	8,809
Total office	53,580	52,878
Retail:		
Laubitz 8	1,953	1,950
800-lecia Inowroclawia	2,325	2,322
Krzemowa	3,016	3,011
Plutona	1,697	1,695
Kalinkowa	2,348	2,342
Wojska Polskiego	3,346	3,339
Wolnosci	1,348	1,347
Grzymaly Siedleckiego	1,640	1,639
Kardyn. Wyszynskiego	1,707	1,706
Legionow	2,693	2,690
Total retail	22,073	22,041
Residential:		
Kosmalt	Sold	4,763
Inventories Boyana	1,818	1,818
Total residential	1,818	6,581
Land:		
Aisi Bela	3,189	3,085
Boyana	4,837	4,837
Total land	8,026	7,922
Grand total	85,497	89,422

⁵ Right-of-use assets and lease incentives excluded.

⁶ Based on main purpose of the property.

10.4 OVERVIEW OF GEOGRAPHIC ASSETS (OVERVIEW C)

	Czech Republic		Slovakia		Poland		Ukraine		Subtotal	
	30-06-2021	31-12-2020	30-06-2021	31-12-2020	30-06-2021	31-12-2020	30-06-2021	31-12-2020	30-06-2021	31-12-2020
	in € 1,000		in € 1,000		in € 1,000		in € 1,000		in € 1,000	
Investment property	17,666	17,011	22,149	22,149	32,449	32,495	698	676	72,962	72,331
Investment property under development	-	-	-	-	-	-	2,491	2,409	2,491	2,409
Deferred tax assets	-	-	-	-	15	-	121	116	136	116
Inventories	-	-	-	-	-	-	-	-	-	-
Tax assets	-	1	-	-	107	188	-	-	107	189
Trade and other receivables	68	70	216	235	383	403	-	-	667	708
Prepayments and deferred expenses	91	92	132	160	88	198	1	3	312	453
Cash and cash equivalents	333	401	1,416	369	845	568	5	14	2,599	1,352
Assets held for sale	-	-	5,098	9,861	-	-	-	-	5,098	9,861
	18,158	17,575	29,011	32,774	33,887	33,852	3,316	3,218	84,372	87,419

	Subtotal (transfer)		Bulgaria		The Netherlands		Other countries		Grand total	
	30-06-2021	31-12-2020	30-06-2021	31-12-2020	30-06-2021	31-12-2020	30-06-2021	31-12-2020	30-06-2021	31-12-2020
	in € 1,000		in € 1,000		in € 1,000		in € 1,000		in € 1,000	
Investment property	72,962	72,331	4,837	4,837	-	-	-	-	77,799	77,168
Investment property under development	2,491	2,409	-	-	-	-	-	-	2,491	2,409
Deferred tax assets	136	116	61	61	-	-	-	-	197	177
Inventories	-	-	1,818	1,818	-	-	-	-	1,818	1,818
Tax assets	107	189	-	-	-	-	-	-	107	189
Trade and other receivables	667	708	2	-	-	-	114	114	783	822
Prepayments and deferred expenses	312	453	1	-	-	3	-	-	313	456
Cash and cash equivalents	2,599	1,352	-	3	591	167	300	-	3,490	1,522
Assets held for sale	5,098	9,861	-	-	-	-	-	-	5,098	9,861
	84,372	87,419	6,719	6,719	591	170	414	114	92,096	94,422

11 NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

11.1 SUBSIDIARIES

11.1.1 Consolidated subsidiaries

All subsidiaries of the Fund have been included in the consolidation. These are as follows:

Name of subsidiary	Registered office	Country of incorporation	Proportion of shares held by the parent / group 30-06-2021 In %	Proportion of shares held by the parent / group 31-12-2020 In %
Arcona Capital RE Bohemia s.r.o.	Prague	Czech Republic	100.0	n.a.
Arcona Capital RE Slovakia s.r.o.	Bratislava	Slovakia	100.0	n.a.
Arcona Capital Real Estate Poland Sp. z o.o.	Warsaw	Poland	100.0	n.a.
Arcona Capital Real Estate Trio Sp. z o.o.	Warsaw	Poland	100.0	n.a.
Arcona Real Estate B.V.	Amsterdam	The Netherlands	100.0	n.a.
Arcona Poland B.V.	Amsterdam	The Netherlands	n.a.	100.0
Arcona Poland B.V. Project 5 Sp.k.	Warsaw	Poland	n.a.	100.0
Aisi Bela LLC	Kiev	Ukraine	100.0	n.a.
Boyana Residence E.O.O.D.	Sofia	Bulgaria	100.0	n.a.
Arcona Capital Real Estate Bulgaria Ltd.	Sofia	Bulgaria	100.0	n.a.
Arcona Black Sea Real Estate B.V.	Amsterdam	The Netherlands	100.0	n.a.

11.1.2 Subsidiaries incorporated during the financial period

As at May 12, 2021 the Fund incorporated a Special Purpose Vehicle (SPV): Arcona Black Sea Real Estate B.V. This SPV was incorporated for the acquisition of several entities with regard to the second phase of SPDI.

11.2 INVESTMENT PROPERTY

11.2.1 Analysis of investment property

	30-06-2021 In € 1,000	31-12-2020 In € 1,000
Owned investment property	76,090	75,334
Right-of-use assets	1,446	1,494
Lease incentives	263	340
	77,799	77,168

11.2.2 Analysis of owned investment property

	30-06-2021 In € 1,000	31-12-2020 In € 1,000
Buildings (including underground)	70,555	69,842
Land plots	5,535	5,513
	76,090	75,355

11.2.3 Specification of owned investment property

Name of property	Address	30-06-2021 In € 1,000	31-12-2020 In € 1,000
In ownership of Arcona Capital RE Bohemia s.r.o. (Czech Republic)			
Palmovka	Na Žertvách 34, Prague	3,098	2,949
Karlin	Prvního Pluku 621/8a, Prague	6,143	5,921
VUP	Šujanovo náměstí 3, Brno	2,590	2,515
PV 10	Politických Vězňů 10, Prague	5,831	5,620
Subtotal		17,662	17,005
In ownership of Arcona Capital RE Slovakia s.r.o. (Slovakia)			
Záhradnícka	Záhradnícka 46, Bratislava	4,314	4,313
Letná	Letná 45, Košice	12,972	12,933
Vural	Alexandra Rudnaya 21, Žilina	4,721	4,720
Subtotal		22,007	21,966
In ownership of Arcona Capital Real Estate Poland Sp. z o.o. (Poland)			
Laubitz	Laubitz 8, Inowrocław	1,953	1,950
Lecia Inowrocławia	800-lecia Inowrocławia 27, Inowrocław	2,325	2,322
Krzemowa	Krzemowa 1, Gdansk	3,016	3,011
Plutona	Plutona 1, Glogow	1,697	1,695
Kalinkowa	Kalinkowa 82, Grudziadz	2,348	2,342
Wojska Polskiego	Wojska Polskiego 137, Piotrkow Trybunalski	3,346	3,339
Wolnosci	Wolnosci 6, Slupsk	1,348	1,347
Subtotal		16,033	16,006
In ownership of Arcona Capital Real Estate Trio Sp. z o.o. (Poland)			
Grzymaly Siedleckiego	Grzymaly Siedleckiego 20, Bydgoszcz	1,640	1,639
Kardynala Wyszyńskiego	Kardynala Wyszyńskiego 107, Lodz	1,707	1,706
Legionow	Legionow 216, Torun	2,693	2,690
Subtotal		6,040	6,035
In ownership of Arcona Capital Poland B.V. Project 5 Sp.k. (Poland)			
Maris	Holdu Pruskiego 9 & 12 Malopolska 12, Szczecin	8,813	8,809
In ownership of Aisi Bela LLC (Ukraine)			
Balabino Project	Territory of Balabynska Village Council, Zaporizkyi District, Zaporizhzhia Region	698	676
In ownership of Boyana Residence E.O.O.D. (Bulgaria)			
Boyana	Gardova Glava, Boyana	4,837	4,837
		76,090	75,334

11.2.4 Statement of changes in owned investment property

	01-01-2021 to 30-06-2021 In € 1,000	01-01-2020 to 31-12-2020 In € 1,000
Balance as at 1 January	75,334	76,432
Additions	151	719
Fair value adjustments	50	-/- 1,055
Exchange rate differences	555	-/- 762
Balance as at 30 June / 31 December	76,090	75,334

11.2.5 Valuation of owned investment property

The investment properties owned by the Fund, listed under section 11.2.3 "Specification of owned investment property", were not valued by an external, independent appraiser as at Statement of Financial Position's date.

The Managing Board reviewed the appraised values of investment property owned by the Fund. The applied valuation method was the same as used by the external, independent appraiser as described in the Consolidated Financial Statements 2020. The Managing Board would adjust the fair value of an investment property (in local currency) under the following conditions:

- if the estimated rental value (ERV) determined by the external, independent valuer changed by more than 10%;
- unforeseen circumstances occurred during the financial period, such as fire or water damage to a property.

These conditions were not met. Therefore, the Managing Board used the most recent external valuation (as at December 31, 2020), adjusted to include the sum of capital expenditure made during the financial period, as well as an adjustment for the carrying amount of lease incentives. The measurement of the fair value is set out in the Consolidated Financial Statements 2020 (section 13.9).

11.2.6 Specification of right-of-use assets

Nature of right-of-use asset	Related to owned investment property	30-06-2021 In € 1,000	31-12-2020 In € 1,000
Right-of-use by Arcona Capital Real Estate Trio Sp. z o.o. (Poland)			
Land lease	Grzymaly Siedleckiego	188	212
Land lease	Kardynała Wyszyńskiego	400	418
Land lease	Legionow	858	864
		1,446	1,494

11.2.7 Statement of changes in right-of-use assets

	01-01-2021 to 30-06-2021 In € 1,000	01-01-2020 to 31-12-2020 In € 1,000
Balance as at 1 January	1,494	1,584
Fair value adjustments	-/- 48	-/- 90
Balance as at 30 June / 31 December	1,446	1,494

11.2.8 Valuation of right-of-use assets

The right-of-use assets, stated under section 11.2.6 "Specification of right-of-use assets", were not valued by an external, independent appraiser as at Statement of Financial Position's date. Right-of-use assets are

measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments, as well as foreign currency translation differences. The Managing Board is of the opinion the above method is the most appropriate approach to the valuation of right-of-use assets as required by IFRS 16.

11.3 INVESTMENT PROPERTY UNDER DEVELOPMENT

11.3.1 Specification of investment property under development

Name of property	Address	30-06-2021 In € 1,000	31-12-2020 In € 1,000
In ownership of Aisi Bela LLC (Ukraine)			
Bela Logistic Park	Territory of Nerubaiske Village Council, Biliayivskyi District, Odesa Region	2,491	2,409

11.3.2 Statement of changes in investment property under development

	01-01-2021 to 30-06-2021 In € 1,000	01-01-2020 to 31-12-2020 In € 1,000
Balance as at 1 January	2,409	2,976
Fair value adjustments	-/- 97	162
Exchange rate differences	179	-/- 729
Balance as at 30 June / 31 December	2,491	2,409

11.3.3 Valuation of investment property under development

All investment property under development is valued at fair value. The investment property under development, stated under section 11.3.1 "Specification of investment property under development", were not valued by an external, independent appraiser as at Statement of Financial Position's date.

The Managing Board reviewed the appraised values of investment property under development by the Fund. The applied valuation method was the same as used by the external, independent appraiser as described in the Consolidated Financial Statements 2020. The Managing Board would adjust the fair value of an investment property under development (in local currency) under the following conditions:

- if the estimated rental value (ERV) determined by the external, independent valuer changed by more than 10%;
- unforeseen circumstances occurred during the financial period, such as fire or water damage to a property.

These conditions were not met. Therefore, the Managing Board used the most recent external valuation (as at December 31, 2020), adjusted to include the sum of capital expenditure made (if any) during the financial period. The measurement of the fair value is set out in the Consolidated Financial Statements 2020 (section 13.10).

11.4 RECOGNISED DEFERRED TAXES

11.4.1 Statement of changes in recognised deferred taxes

	01-01-2021 to 30-06-2021 In € 1,000	01-01-2020 to 31-12-2020 In € 1,000
Balance as at 1 January	-/- 3,966	-/- 4,317
Adjustments related to prior years	-	10
Additions / withdrawals	597	272
Change in tax rate	-	76
Exchange rate differences	-/- 7	-/- 7
Balance as at 30 June / 31 December	-/- 3,376	-/- 3,966

11.5 TAX ASSETS

11.5.1 Specification of tax assets

	30-06-2021 In € 1,000	31-12-2020 In € 1,000
Non-current part of tax assets	-	-
Current part of tax assets	107	189
	107	189

11.5.2 Specification of tax assets

	30-06-2021 In € 1,000	31-12-2020 In € 1,000
Corporate income tax (CIT)	106	108
Value added tax (VAT)	1	81
	107	189

11.6 TRADE AND OTHER RECEIVABLES

11.6.1 Analysis of trade and other receivables

	30-06-2021 In € 1,000	31-12-2020 In € 1,000
Non-current part of trade and other receivables	-	-
Current part of trade and other receivables	783	822
	783	822

11.6.2 Specification of trade and other receivables

	30-06-2021 In € 1,000	31-12-2020 In € 1,000
Trade receivables	632	618
Receivables Secure Management srl	114	114
Invoiceable amounts	15	33
Other trade and other receivables	22	57
	783	822

11.6.3 Analysis of trade receivables

	30-06-2021 In € 1,000	31-12-2020 In € 1,000
Trade receivables (gross)	1,167	1,343
Total expected credit losses for trade receivables	-/- 535	-/- 725
	632	618

11.6.4 Expected credit losses for trade receivables

The estimation techniques for the calculation of the collective and individually assessed credit losses of trade receivables is the same as described in the Consolidated Financial Statements 2020 (section 15.9.4).

As already mentioned in the Consolidated Financial Statements 2020:

- as at March 4, 2021 the Polish court confirmed the settlement agreed on the administration procedure of Piotr & Pawel (PiP) as final and binding;
- as at April 6, 2021 the Fund has received the corresponding basic obligation payments for an amount of € 83,000 and penalty interest for an amount of € 3,000.

This is therefore the main reason why the expected credit losses for trade receivables have decreased.

11.7 PREPAYMENTS AND DEFERRED EXPENSES

11.7.1 Analysis of prepayments and deferred expenses

	30-06-2021 In € 1,000	31-12-2020 In € 1,000
Non-current part of prepayments and deferred expenses	34	44
Current part of prepayments and deferred expenses	279	412
	313	456

11.7.2 Specification of prepayments and deferred expenses

	30-06-2021 In € 1,000	31-12-2020 In € 1,000
Deferred expenses	220	245
Prepayments	93	211
	313	456

11.8 CASH AND CASH EQUIVALENTS

11.8.1 Analysis of cash and cash equivalents

	30-06-2021 In € 1,000	31-12-2020 In € 1,000
Non-current part of cash and cash equivalents	515	250
Current part of cash and cash equivalents	2,975	1,272
	3,490	1,522

11.8.2 Specification of cash and cash equivalents

	30-06-2021 In € 1,000	31-12-2020 In € 1,000
Bank balances	3,299	1,235
Deposits	186	285
Cash	5	2
	3,490	1,522

11.9 INVENTORIES

11.9.1 Analysis of inventories

Name of inventory	Address	Quantity 30-06-2021	Carrying amount 30-06-2021 In € 1,000	Quantity 31-12-2020	Carrying amount 31-12-2020 In € 1,000
In ownership of Boyana Residence E.O.O.D. (Bulgaria)					
Apartment 1-D	Residential Complex Gardova Glava, Boyana	13	367	13	367
Apartment 3-C	Residential Complex Gardova Glava, Boyana	16	426	16	426
Apartment 7-D	Residential Complex Gardova Glava, Boyana	11	305	11	305
Apartment 8-E	Residential Complex Gardova Glava, Boyana	11	482	11	482
Parking places	Residential Complex Gardova Glava, Boyana	62	238	62	238
			1,818		1,818

11.9.2 Statement of changes in inventories

	2021 In € 1,000	2020 In € 1,000
Balance as at 1 January	1,818	2,823
Impairments	-	-/- 17
Disposals	-	-/- 988
Balance as at 30 June / 31 December	1,818	1,818

There were no inventory write-downs recognised during the financial period.

The fair value of the inventories as at Statement of Financial Position's date is € 1,828,000 (December 31, 2020: € 1,828,000).

11.10 ASSETS HELD FOR SALE

11.10.1 Analysis of assets held for sale

	30-06-2021 In € 1,000	31-12-2020 In € 1,000
Owned investment property held for sale	5,098	9,861

11.10.2 Analysis of owned investment property held for sale

Name of property	Address	30-06-2021 In € 1,000	31-12-2020 In € 1,000
In ownership of Arcona Capital RE Slovakia s.r.o. (Slovakia)			
Pražská 2	Pražská 2, Košice	2,593	2,593
Pražská 4	Pražská 4, Košice	2,505	2,505
Kosmalt	Kysucká 16, Košice	Sold	4,763
		5,098	9,861

The Fund had recognised the properties shown above in ownership of Arcona Capital RE Slovakia s.r.o. as "Owned investment property held for sale". One property (Kosmalt) was sold during 2021.

Kosmalt was sold on May 6, 2021 for an amount of € 4,860,000.

11.10.3 Statement of changes in owned investment property held for sale

	01-01-2021 to 30-06-2021 In € 1,000	01-01-2020 to 31-12-2020 In € 1,000
Balance as at 1 January	9,861	18,785
Additions	-	10
Fair value adjustments	97	-/- 2,109
Disposals	-/- 4,860	-/- 6,825
Balance as at 30 June / 31 December	5,098	9,861

11.10.4 Valuation of owned investment property held for sale

The investment property held for sale owned by the Fund, listed under section 11.10.2 “Analysis of owned investment property held for sale”, were not valued by an external, independent appraiser as at Statement of Financial Position’s date.

The Managing Board reviewed the appraised values of investment property held for sale owned by the Fund. The applied valuation method was the same as used by the external, independent appraiser as described in the Consolidated Financial Statements 2020. The Managing Board would adjust the fair value of an investment property (in local currency) under the following conditions:

- if the estimated rental value (ERV) determined by the external, independent valuer changed by more than 10%;
- unforeseen circumstances occurred during the financial period, such as fire or water damage to a property.

These conditions were not met. Therefore, the Managing Board used the most recent external valuation (as at December 31, 2020), adjusted to include the sum of capital expenditure made (if any) during the financial period, as well as an adjustment for the carrying amount of lease incentives. The measurement of the fair value is set out in the Consolidated Financial Statements 2020 (section 13.19).

11.11 GROUP EQUITY

For the consolidated statement of changes in group equity reference is made to section 7.

11.12 TAX LIABILITIES

11.12.1 Specification of tax liabilities

	30-06-2021 In € 1,000	31-12-2020 In € 1,000
Non-current part of tax liabilities	-	-
Current part of tax liabilities	1,380	620
	1,380	620

11.12.2 Analysis of tax liabilities

	30-06-2021 In € 1,000	31-12-2020 In € 1,000
Property tax	176	95
Value added tax (VAT)	115	119
Corporate income tax (CIT)	1,072	390
Withholding tax (WHT)	17	16
	1,380	620

The increase of the “Corporate income tax (CIT)” relates mainly to the tax result current period as a result of the sale of the property Kosmalt (section 11.10).

11.13 LOANS AND BORROWINGS

11.13.1 Analysis of loans and borrowings

	Non-current liabilities 30-06-2021 In € 1,000	Current liabilities 30-06-2021 In € 1,000	Total 30-06-2021 In € 1,000
Secured bank loans	28,465	3,865	32,330
Convertible bonds	-	3,489	3,489
Lease liabilities	1,199	175	1,374
Other loans and borrowings	2,229	1,401	3,630
	31,893	8,930	40,823

	Non-current liabilities 31-12-2020 In € 1,000	Current liabilities 31-12-2020 In € 1,000	Total 31-12-2020 In € 1,000
Secured bank loans	16,608	16,770	33,378
Convertible bonds	-	3,472	3,472
Lease liabilities	1,234	176	1,410
Other loans and borrowings	-	5,071	5,071
	17,842	25,489	43,331

11.13.2 Statement of changes in secured bank loans

	01-01-2021 to 30-06-2021 In € 1,000	01-01-2020 to 31-12-2020 In € 1,000
Balance as at 1 January	33,378	38,048
Additions as a result of acquisitions	-	530
Loans advanced	14,000	377
Redemptions	-/- 15,129	-/- 5,360
(Amortisation) flat fee and transaction costs	-/- 164	56
Exchange rate differences	245	-/- 273
Balance as at 30 June / 31 December	32,330	33,378

11.13.3 Analysis of convertible bonds

Date of issue	Convertible as of	Date of maturity	Nominal interest rate In %	Interest rate used⁷ In %	Conversion price In €	Face value In € 1,000	Carrying amount 30-06-2021 In € 1,000	Carrying amount 31-12-2020 In € 1,000
17-10-2016	01-11-2016	31-10-2021	6.50	7.50	8.76	3,500	3,489	3,472

⁷ The interest rate used is based on the estimated interest rate to be paid on comparable non-convertible bonds.

11.13.4 Statement of changes in convertible bonds

	01-01-2021 to 30-06-2021 In € 1,000	01-01-2020 to 31-12-2020 In € 1,000
Balance as at 1 January	3,472	3,441
Accrued interest	17	31
Balance as at 30 June / 31 December	3,489	3,472

11.13.5 Statement of changes in lease liabilities

	01-01-2021 to 30-06-2021 In € 1,000	01-01-2020 to 31-12-2020 In € 1,000
Balance as at 1 January	1,410	1,600
Redemptions	-/- 90	-/- 178
Accrued interest	43	92
Exchange rate differences	11	-/- 104
Balance as at 30 June / 31 December	1,374	1,410

11.13.6 Analysis of lease liabilities

Nature of lease liability	Related to property	30-06-2021 In € 1,000	31-12-2020 In € 1,000
Lease liability by Arcona Capital Real Estate Trio Sp. z o.o. (Poland)			
Land lease	Grzymaly Siedleckiego	179	200
Land lease	Kardynala Wyszyńskiego	380	394
Land lease	Legionow	815	816
		1,374	1,410

11.13.7 Analysis of other loans and borrowings

	Face value 30-06-2021 In € 1,000	Carrying amount 30-06-2021 In € 1,000	Carrying amount 31-12-2020 In € 1,000
Secured series A bearer bonds Arcona Capital Real Estate Trio Sp. z o.o.	2,200	2,066	n.a.
Secured vendor loan Real Estate Central Europe AS	n.a.	n.a.	1,873
Unsecured vendor loan Secure Property Development & Investment plc	n.a.	n.a.	639
Unsecured loan Almaz-Press-Ukraine LLC	64	64	59
Unsecured loans from other third parties	1,500	1,500	3,000
	3,764	3,630	5,071

11.13.8 Statement of changes in other loans and borrowings

	01-01-2021 to 30-06-2021 In € 1,000	01-01-2020 to 31-12-2020 In € 1,000
Balance as at 1 January	5,071	7,538
Loans advanced	2,340	-
Redemptions	-/- 3,799	-/- 2,411
(Amortisation) flat fee and transaction costs	1	-/- 37
Accrued interest	12	-
Exchange rate differences	5	-/- 19
Balance as at 30 June / 31 December	3,630	5,071

11.14 DERIVATIVE FINANCIAL INSTRUMENTS

11.14.1 Specification of derivative financial instruments

	30-06-2021 In € 1,000	31-12-2020 In € 1,000
Non-current part of derivative financial instruments	30	118
Current part of derivative financial instruments	24	134
	54	252

11.14.2 Specification of derivative financial instruments

	30-06-2021 In € 1,000	31-12-2020 In € 1,000
Interest rate swaps used for hedging	54	252

11.15 TRADE AND OTHER PAYABLES

11.15.1 Analysis of trade and other payables

	30-06-2021 In € 1,000	31-12-2020 In € 1,000
Non-current part of trade and other payables	-	-
Current part of trade and other payables	2,501	2,658
	2,501	2,658

11.15.2 Specification of trade and other payables

	30-06-2021	31-12-2020
	In € 1,000	In € 1,000
Trade payables	574	699
Accruals	478	694
Administrative expenses	1,073	1,014
Interest payables	208	148
Interest payables Alpha Bank	165	97
Other trade and other payables	3	6
	2,501	2,658

11.16 DEFERRED INCOME AND TENANT DEPOSITS

11.16.1 Analysis of deferred income and tenant deposits

	30-06-2021	31-12-2020
	In € 1,000	In € 1,000
Non-current part of deferred income and tenant deposits	456	314
Current part of deferred income and tenant deposits	174	150
	630	464

11.16.2 Specification of deferred income and tenant deposits

	30-06-2021	31-12-2020
	In € 1,000	In € 1,000
Deposits received from tenants	577	462
Advance payments received from tenants	53	2
	630	464

11.17 DEFERRED TAX LIABILITIES

For the statement of changes in recognised deferred taxes is referred to section 11.4.1.

11.18 GROSS RENTAL INCOME

	01-01-2021 to 30-06-2021 In € 1,000	01-01-2020 to 30-06-2020 In € 1,000
Gross rental income collected / accrued	3,745	4,136
Amortisation lease incentives	-/- 87	-/- 28
	3,658	4,108

11.19 PROPERTY OPERATING EXPENSES

	01-01-2021 to 30-06-2021 In € 1,000	01-01-2020 to 30-06-2020 In € 1,000
Property management	270	274
Asset management	335	374
Maintenance expenses in respect of investment properties	314	316
Taxes on investment properties and inventories	221	258
Commission fees	39	50
Insurance premiums	27	26
Other property operating expenses	-	2
	1,206	1,300

11.20 VALUATION RESULTS OF PROPERTIES

11.20.1 Analysis of valuation results of properties

	01-01-2021 to 30-06-2021 In € 1,000	01-01-2020 to 30-06-2020 In € 1,000
Owned investment property	50	99
Right-of-use assets	-/- 48	-/- 45
Owned investment property held for sale	-/- 136	1,053
	-/- 134	1,107

11.20.2 Specification of valuation results of properties

	01-01-2021 to 30-06-2021 In € 1,000	01-01-2020 to 30-06-2020 In € 1,000
Unrealised value adjustments booked in current year	2	54
Unrealised value adjustments booked in prior years	-/- 136	1,053
	-/- 134	1,107

11.21 RESULTS ON DISPOSALS OF PROPERTIES

11.21.1 Analysis of results on disposals of properties

	01-01-2021 to 30-06-2021 In € 1,000	01-01-2020 to 30-06-2020 In € 1,000
Owned investment property held for sale	109	-/- 1,246

11.21.2 Specification of results on disposals of properties (per building)

	01-01-2021 to 30-06-2021 In € 1,000	01-01-2020 to 30-06-2020 In € 1,000
Graniczna, Kalisz (Poland)	-	-/- 1,246
Kysucká 16, Košice (Slovakia)	109	-
	109	-/- 1,246

11.21.3 Specification of results on disposals of properties

	01-01-2021 to 30-06-2021 In € 1,000	01-01-2020 to 30-06-2020 In € 1,000
Realised value adjustments	233	-/- 1,245
Transaction costs on sale of properties	-/- 121	-
Consultancy fees and legal fees	-/- 3	-/- 1
	-/- 124	-/- 1
	109	-/- 1,246

11.22 VALUATION RESULTS OF INVESTMENT PROPERTY UNDER DEVELOPMENT

	01-01-2021 to 30-06-2021 In € 1,000	01-01-2020 to 30-06-2020 In € 1,000
Unrealised value adjustments booked in current year	-/- 97	344
Unrealised value adjustments booked in prior years	-	-
	-/- 97	344

11.23 NET RESULTS ON PROPERTIES

	01-01-2021 to 30-06-2021 In € 1,000	01-01-2020 to 30-06-2020 In € 1,000
Valuation gains	174	443
Valuation losses	-/- 172	-/- 237
	2	206
Costs on sale of properties	-/- 124	-/- 1
	-/- 122	205

11.24 RESULTS ON DISPOSALS OF INVENTORIES

11.24.1 Analysis of results on disposals of inventories

	01-01-2021 to 30-06-2021 In € 1,000	01-01-2020 to 30-06-2020 In € 1,000
Apartment Block 2-A, Gardova Glava, Boyana (Bulgaria)	-	2
15 parking places, Gardova Glava, Boyana (Bulgaria)	-	1
	-	3

11.24.2 Analysis of results on disposals of inventories

	01-01-2021 to 30-06-2021 In € 1,000	01-01-2020 to 30-06-2020 In € 1,000
Realised value adjustments	-	7
Adjustment refund of Value Added Tax	-	-/- 114
Consultancy fees and legal fees	-	-/- 4
	-	-/- 118
Charged costs of adjustment refund of Value Added Tax	-	114
	-	-/- 4
	-	3

11.25 NET RESULTS ON INVENTORIES

	01-01-2021 to 30-06-2021 In € 1,000	01-01-2020 to 30-06-2020 In € 1,000
Valuation gains	-	7
Valuation losses	-	-
	-	7
Costs on sale of inventories	-	-/- 4
	-	3

11.26 FINANCIAL INCOME

	01-01-2021 to 30-06-2021 In € 1,000	01-01-2020 to 30-06-2020 In € 1,000
Realised currency results on net investments in group companies	373	-
Change in fair value of derivatives	170	-
Interest on trade receivables	1	-
Interest income on held bank balances and deposits	-	1
Other exchange and currency translation results	6	9
Other financial income	1	-
	551	10

11.27 OTHER OPERATING INCOME

	01-01-2021 to 30-06-2021 In € 1,000	01-01-2020 to 30-06-2020 In € 1,000
Early termination of rental contracts	3	13
Other operating income	6	-
	9	13

11.28 ADMINISTRATIVE EXPENSES

11.28.1 Management fee

This is the total fee received by the Managing Board (Arcona Capital Fund Management B.V.) for the management it performs. The total management fee consists of the fund management fee as well as the asset management fee. The calculation of the Management fee is equal to those described in the Consolidated Financial Statements 2020 (section 15.35.2).

11.28.2 Specification fund management fee

	01-01-2021 to 30-06-2021 In € 1,000	01-01-2020 to 30-06-2020 In € 1,000
Management fee	657	715
<i>Less: asset management fee:</i>		
Arcona Capital Czech Republic s.r.o.	210	237
Arcona Capital Poland Sp. z o.o.	92	90
CEG South East Continent Unique Real Estate Management Limited	33	47
	335⁸	374
Fund management fee (Arcona Capital Fund Management B.V.)	322	341

⁸ See also section 11.19 "Property operating expenses".

11.29 OTHER OPERATING EXPENSES

11.29.1 Specification of other operating expenses

	01-01-2021 to 30-06-2021 In € 1,000	01-01-2020 to 30-06-2020 In € 1,000
Costs of service providers	484	527
Other operating expenses	139	182
	623	709
Costs of funding and acquisition	26	231
	649	940

11.29.2 Analysis of costs of service providers

	01-01-2021 to 30-06-2021 In € 1,000	01-01-2020 to 30-06-2020 In € 1,000
Accounting expenses	143	154
Audit fees	61	42
Consultancy fees	133	155
Marketing expenses	10	32
Custody fees	33	35
Appraisal expenses	10	1
Listing, Paying and Fund Agent fees	13	19
Supervisory Board fees	26	22
Insurance AIFMD	10	18
Supervisors' expenses	13	12
Bank costs	10	9
Court fees	9	-
Other costs of service providers	13	28
	484	527

11.29.3 Analysis of other operating expenses

	01-01-2021 to 30-06-2021 In € 1,000	01-01-2020 to 30-06-2020 In € 1,000
Change in expected credit losses for trade receivables	-/- 194	73
Non-refundable value added tax (VAT)	59	46
Irrecoverable trade receivables	268	56
Wages and salaries statutory directors	6	7
	139	182

The "Irrecoverable trade receivables" for the amount of € 268,000 relates mainly to Piotr & Pawel, since the Polish court confirmed the settlement agreed on the administration procedure of Piotr & Pawel as at March 4, 2021 (see also section 11.6.4).

11.29.4 Analysis of costs of funding and acquisition

	01-01-2021 to 30-06-2021 In € 1,000	01-01-2020 to 30-06-2020 In € 1,000
Consultancy fees / legal fees	26	231
Due diligence	-	-
	26	231

The “Costs of funding and acquisition” include costs of technical, legal and tax due diligence for potential acquisitions.

11.30 FINANCIAL EXPENSES

	01-01-2021 to 30-06-2021 In € 1,000	01-01-2020 to 30-06-2020 In € 1,000
Interest expense on secured bank loans	572	634
Interest expense on convertible bonds	130	129
Interest expense on lease liabilities	43	47
Interest expense on other loans and borrowings	342	359
Interest expense on derivatives	61	34
Change in fair value of derivatives	-	346
Break fee derivatives	16	-
Withholding tax on loans due to shareholders and other group companies	11	10
Penalty interest on secured bank loans	19	-
Interest expense and costs of Tax Authorities	8	-
Valuation losses on “Other investments”	-	1
Other financial expenses	1	-
	1,203	1,560

11.31 INCOME TAX EXPENSE

Income tax expense is recognised at an amount determined by multiplying the profit before income tax for the interim reporting period by Management’s best estimate of the weighted-average annual income tax rate expected for the full financial year, adjusted for the tax effect of certain items recognised in full in the interim period. As such, the effective tax rate in the Consolidated Interim Financial Statements may differ from Management’s estimate of the effective tax rate for the Annual Financial Statements.

11.32 EARNINGS PER SHARE⁹

11.32.1 Calculation of “Basic earnings per share”

The “Basic earnings per share” are calculated by dividing the profit for the period attributable to holders of shares by the weighted average number of shares outstanding during the financial period.

The weighted average number of shares is adjusted for events, other than the conversion of potential ordinary shares, that have changed the number of ordinary shares outstanding without a corresponding change in resources.

If the number of shares outstanding increases as a result of a capitalisation, bonus issue or share split, or decreases as a result of a reverse share split, the calculation of basic and diluted earnings per share and of the comparative figures is adjusted retrospectively.

11.32.2 Profit for the period attributable to shareholders of shares (basic)

	01-01-2021 to 30-06-2021 In € 1,000	01-01-2020 to 30-06-2020 In € 1,000
Profit for the financial period	97	-/- 777

11.32.3 Weighted average number of outstanding shares (basic)

	01-01-2021 to 30-06-2021 In pieces	01-01-2020 to 30-06-2020 In pieces
Issued shares as at 1 January	3,758,683	3,758,683
Effect on issued shares during the financial period	-	-
	3,758,683	3,758,683

11.32.4 Calculation of “Diluted earnings per share”

The “Diluted earnings per share” are calculated by dividing the profit for the period attributable to holders of shares, adjusted for costs relating to the convertible securities included in the profit for the period, by the weighted average number of shares during the financial period, adjusted for the maximum number of shares that could be converted during the financial period.

The adjustments as described are only made in case conversion will cause dilution of earnings. In case conversion will have a positive effect on the earnings per share, these adjustments are not made.

11.32.5 Profit for the period attributable to shareholders of shares (diluted)

	01-01-2021 to 30-06-2021 In € 1,000	01-01-2020 to 30-06-2020 In € 1,000
Profit for the period	97	-/- 777
Interest expense on convertible bonds (net of tax)	130	129
	227	-/- 648

⁹ The calculation of the “Earnings per share” includes all types of profit-sharing shares (e.g. ordinary and registered shares).

11.32.6 Weighted average number of shares outstanding (diluted)

	01-01-2021 to 30-06-2021 In pieces	01-01-2020 to 30-06-2020 In pieces
Weighted average number of shares outstanding during the financial period (basic)	3,758,683	3,758,683
Effect on conversion of warrants	-	-
Effect on conversion of convertible bonds	-	-
	3,758,683	3,758,683

11.33 RISK MANAGEMENT

According to its investment policy set out in the prospectus, the Registration Document dated October 19, 2016 in conjunction with the Security Note dated October 28, 2016, the Fund may hold investments in direct property in Central Europe. The Fund's investment portfolio currently consists of property in the Czech Republic, Slovakia, Poland, Ukraine and Bulgaria. These properties in principle are held for an indefinite period. The aim for the assets in Ukraine and Bulgaria is however to sell them within the next three years.

The Fund's investment activities result in exposure to various risks, as also defined in the prospectus, as well as in the Consolidated Financial Statements 2020 section 15.42 "Risk Management". As at Statement of Financial Position's date the exposure to the risks, as described in the Consolidated Financial Statements 2019, deviates not materially from the exposure as at December 31, 2020.

11.34 RELATED PARTIES

11.34.1 Identity of related parties

For the Fund the following categories of related parties were identified during the financial period:

- I. Managers in key positions, meaning the Managing Board and the Supervisory Board;
- II. Major investors (more than 20% voting rights);
- III. All organisational entities within the group designated as Arcona Capital;
- IV. Investment trusts, investment funds and other investment companies which are managed by an entity belonging to Arcona Capital;
- V. Investments undertaken by Arcona Capital, in which Arcona Capital has significant influence (more than 20% of voting rights).

Related parties include both natural and legal persons. Close members of the family of natural persons, being related parties, are also classified as related parties.

11.34.2 Transactions with and / or interests of managers in key positions (I)

During the financial period the Fund entered into the following transactions with the managers in key positions:

- A. The Managing Board decided to reduce its own management fee by an amount equivalent to the asset management fees paid by the Fund (and / or its subsidiaries) to Arcona Capital Czech Republic, s.r.o. for the amount of € 210,000 (June 30, 2020: € 237,000);
- B. The Managing Board decided to reduce its own management fee by an amount equivalent to the asset management fees paid by the Fund (and / or its subsidiaries) to Arcona Capital Poland Sp. z o.o. for the amount of € 92,000 (June 30, 2020: € 90,000);
- C. Mr. B. Vos M.Sc. (member of the Supervisory Board) sold 8,962 ordinary shares of the Fund.

During the financial period no other transactions occurred with members of the Managing Board and / or members of the Supervisory Board.

Personal interests of members of the Managing and Supervisory Board are defined in section 12.1 "Personal interests".

For the remuneration for the Managing Board is referred to section 11.28 "Administrative expenses".

For the remuneration for the Supervisory Board and the remuneration for the statutory directors is referred to sections 11.29.2 "Analysis of costs of service providers" and 11.29.3 "Analysis of other operating expenses".

11.34.3 Specification major investors

	Type of share	Direct real voting rights	Indirect real voting rights	Direct potential voting rights	Total
		In %	In %	In %	In %
H.M. van Heijst	Ordinary shares	3.95	14.52 ¹⁰	n.a.	18.47
	Convertible bonds	n.a.	n.a.	6.07	6.07
Stichting Prioriteit MERE	Priority shares	100.00	n.a.	n.a.	100.00

The voting rights are based on information in the Register of substantial holdings and gross short positions of the AFM, as at Statement of Financial Position's date.

¹⁰ Through "Stichting Value Partners".

11.34.4 Transactions with and /or interests of major investors (II)

During the financial period the Fund entered into or maintained the following transactions with major investors:

Name of major investor	Kind of transaction	H1 2021	30-06-2021
		Amount of transaction during financial period	Outstanding amount (face value)
		In € 1,000	In € 1,000
H.M. van Heijst	Providing convertible bonds	-	2,000
H.M. van Heijst	Payable interest convertible bonds	65	22

Name of major investor	Kind of transaction	H1 2020	31-12-2020
		Amount of transaction during financial period	Outstanding amount (face value)
		In € 1,000	In € 1,000
H.M. van Heijst	Providing convertible bonds	-	2,000
H.M. van Heijst	Payable interest convertible bonds	65	22

11.34.5 Transactions with other related parties (III-IV-V)

During the financial period the Fund entered into or maintained the following transactions with other related parties:

Name of other related party	Kind of transaction	Other information	H1 2021	30-06-2021
			Amount of transaction during financial period	Outstanding amount
			In € 1,000	In € 1,000
Arcona Capital Czech Republic s.r.o.	Asset management fee	-	210	-
Arcona Capital Poland Sp. z o.o.	Asset management fee	-	92	-
			302	-
Arcona Capital Czech Republic s.r.o.	Advisory services	-	13	-
Several	Rental income	268 m ²	25	-
Statutory directors	Wages and salaries	-	6	3

Name of other related party	Kind of transaction	Other information	H1 2020	31-12-2020
			Amount of transaction during financial period	Outstanding amount
			In € 1,000	In € 1,000
Arcona Capital Czech Republic s.r.o.	Asset management fee	-	237	-
Arcona Capital Poland Sp. z o.o.	Asset management fee	-	90	-
			327	-
Arcona Capital Czech Republic s.r.o.	Advisory services	-	12	-
Several	Rental income	268 m ²	26	-
Statutory directors	Wages and salaries	-	7	2

11.34.6 Investments in other related parties (III-IV-V)

Investment trusts, investment funds and other investment companies, which are managed by an entity belonging to Arcona Capital, do hold investments in companies in which the Fund also holds investments.

As at Statement of Financial Position's date the Fund held no investments in other related parties.

11.34.7 Agreements with related parties

The Fund has not entered into any other agreements with parties affiliated with the Managing Board of the Fund.

11.34.8 Loans from third parties

During the financial period the Fund has entered into loan agreements with third parties. Those third parties are not related parties to the Fund or the Managing Board. However, they are investors in other funds managed by the Managing Board.

11.35 EVENTS AFTER STATEMENT OF FINANCIAL POSITION'S DATE

No material events have occurred after Statement of Financial Position's date.

Amsterdam, August 24, 2021

The Managing Board:

Arcona Capital Fund Management B.V.
On behalf of,

G.St.J. Barker
Managing director

P.H.J. Mars M.Sc.
Managing director

H.H. Visscher
Managing director

The Supervisory Board:

H.H. Kloos RBA
Chairman

B. Vos M.Sc.

J.J. van Heijst

M.P. Beys

12 OTHER INFORMATION

12.1 PERSONAL INTERESTS

During the financial period neither the Managing Board nor the Supervisory Board held interests in investments by the Parent Company, except for:

- Mr. B. Vos M.Sc. who had no ordinary shares (December 31, 2020: 4,400) in private possession and no ordinary shares (December 31, 2020: 4,562) in possession through Bas Vos B.V. On 17 June, 2021 all shares of Mr. Vos in the Fund were sold;
- Mr. J.J. van Heijst who had 12,855 ordinary shares (December 31, 2020: 12,855) in private possession and 545,597 ordinary shares (December 31, 2020: 545,597) in possession through Stichting Value Partners Family Office;

12.2 INDEPENDENT AUDITOR'S REPORT

The information in these Consolidated Interim Financial Statements 2021 has not been audited by an expert pursuant to article 393, Part 9 of Book 2 of the Dutch Civil Code (auditor's report).