



PRESS RELEASE

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Arcona Property Fund N.V. reaps the results of expansion in 2017

Arcona Property Fund N.V., the exchange-listed fund that invests in commercial property in Central Europe, delivered a net profit of EUR 5.56 million in 2017, against a net loss of EUR 292,000 in 2016. The operational result for the year jumped from EUR 748,000 to EUR 2.13 million. For 2018 the Fund anticipates a further increase in operational results, to EUR 2.4 million. By 2022 the Fund aims to grow in volume to EUR 500 million.

Guy Barker, Director of the Fund's manager, Arcona Capital, said in a statement: "The improvement in the underlying operational performance of the Arcona Property Fund gathered pace in 2017. The value of the Fund's existing portfolio increased, the total volume grew from EUR 83 million to EUR 99 million, the vacancy level fell and profit growth accelerated. Results overall were positively influenced by the integration of the office building and eleven shopping centres recently acquired in Poland."

"In 2017 the Fund has reaped the rewards of its recent expansion. In view of the very positive growth prospects going forward for the Central European markets, we anticipate the Fund will continue to benefit from these trends going forward." said Barker. "For 2018 we expect a further increase in operational profit, whilst our long-term targets are to grow the Fund by another EUR 400 million, from EUR 99 million in 2017 to EUR 500 million in 2022, and to achieve a dividend yield of 8% on the prevailing share price."

Operational developments

The strategic repositioning of the Arcona Property Fund delivered tangible positive results in 2017. In Poland three neighbourhood shopping centres and a modern office building were added to the portfolio. Two non-core assets, in Slovakia and Czech Republic, were sold at prices well in excess of appraised value. Overall, this transactional activity grew the Fund from € 83 million to € 99 million over the course of the year, whilst significantly increasing presence in the important Polish market.

Financial developments

The occupancy rate of the Fund's portfolio improved in 2017 from 80.7% to 84.0%. The portfolio's annual net income grew from EUR 3.02 million (December 2016) to EUR 4.8 million (December 2017).

The direct result before tax was EUR 3.16 million in 2017, compared to a loss of EUR 325,000 in 2016. This strong improvement was partly due to the sale of the Drahobejlova property, which realised a book profit of EUR 2.2 million. The indirect result before tax, driven by valuation gains across the portfolio, came out at EUR 3.25 million, against a EUR 208,000 loss in 2016.

The Loan to Value ratio of the Fund rose from 49.3% to 52.7%. Net asset value increased from EUR 36.45 million to EUR 42.31 million.

As at the end of 2017 the number of outstanding shares in the Fund was 3.17 million. The net asset value per share at year-end was EUR 13.37. The quoted price of the Fund's shares rose from EUR 5.4 to EUR 7.4 over the course of the year and the discount between the share price and the net asset value per share declined from 54% to 44%.

The liquidity of the shares in the Arcona Property Fund showed further improvements over the year. The number of shares traded on Euronext Amsterdam increased by 118%, from 195,150 in 2016 to 424,778 in 2017. To give a further impetus to share liquidity, efforts are continuing to achieve a second listing of the Fund on the Prague Stock Exchange.

Dividend

The stated aim of the Arcona Property Fund is to distribute 35% of the annual operational result to shareholders. In August 2017 an interim dividend of € 0,10 was paid out in cash. To maintain the trend of increasing dividends, and reflecting the current volume of shares in issue (3.17 million), the Managing Board is recommending a final dividend of € 0.14 for 2017, payable in cash.

The Fund's share price increased by 37% over the course of 2017. Based on the share price as at end 2017, the dividend yield will be 3.2%.

Profit forecast 2018

For 2018 the Managing Board expects the Fund to achieve an operational result of EUR 2.4 million from the existing portfolio. The aim is to distribute 35% of this result to shareholders.

Strategic outlook

In the opinion of the Managing Board, a further expansion of the Fund is important both for the liquidity of the stock and for the enhancement of the dividend to shareholders. The goal is to achieve a fund volume of € 500 million (30 – 50 assets) by 2022, with a dividend of 8% on the prevailing stock price. This anticipates a geographical spread as follows:

Poland: 40% (EUR 200 million, 2017: EUR 36.3 million)

Czech Republic: 20% (EUR 100 million, 2017: EUR 16.2 million)

Slovakia: 10% (EUR 50 million, 2017: EUR 37.3 million)

Other countries in the Central European region: 30% (EUR 150 million, 2017: EUR 0 million)

The Board is optimistic that further significant steps towards this goal can be achieved in 2018.

The focus for acquisitions is currently on the Czech and Polish markets, targeting shopping centres, retail parks and office buildings with lot sizes between € 5 million and € 15 million. These markets, particularly outside the capital cities, continue to offer an attractive combination of quality and yield. The overall economic fundamentals for the two countries are particularly positive and Arcona Capital has the advantage of locally-based asset management teams recently adjudged best in class for real estate investment management across the region¹.

¹ Construction and Investment Journal Awards 2017

Alongside these acquisition plans, work is under way on the upgrade and expansion of 5 existing assets within the portfolio, with the aim of creating more value for shareholders from current holdings.

Overall, for the coming year, the Managing Board sees potential to expand the Fund by up to € 50 million through acquisitions and redevelopment.

Arcona Property Fund will maintain a strategy of conservative leverage, targeting a long-term Loan-to-Value ratio of 45% - 50% (2017: 52,7% including outstanding convertible bonds), although a Loan-to-Value ratio of up to 60% is possible under the Fund's statutes.

The full Annual Report of the Arcona Property Fund is available to download at www.arconapropertyfund.nl.

The Annual General Meeting of Shareholders will take place on 24 May 2018 in Amsterdam.

PRESS RELEASE ENDS

Arcona Property Fund N.V. is a closed-ended investment fund that invests in commercial property in Central Europe. Shares in the Fund (ISIN-code NL0006311706) are tradeable daily via Euronext Amsterdam.

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