



PALMER CAPITAL EMERGING EUROPE PROPERTY FUND N.V.



ARCONA CAPITAL

SEMI-ANNUAL REPORT 2016

1 FOREWORD

Against the positive economic background in its core markets in the first half of 2016, the Palmer Capital Emerging Europe Property Fund has delivered improvements in multiple key performance ratios over the reporting period. The Fund Management expects these trends to continue during the second half of the year.

In parallel, the Fund's management continued to make progress with its plans to grow the Fund (as outlined to shareholders at the AGM) and expects to finalize this process in the second half of the year.

The final dividend for 2015, a payment of 25 cents per share, will be paid out on 28 September.

Key data per 30-6-2016 and 31-12-2015

	30-06-2016	31-12-2015
Number of assets	14	14
Fair value Investment Properties (€ 1,000)	53,333	53,272
Total Assets (€ 1,000)	56,085	56,203
Shareholders' Equity (€ 1,000)	28,246	28,569
Total Liabilities (€ 1,000)	27,839	27,634
Bank Debts (€ 1,000)	19,117	19,710
Convertible bonds (€ 1,000)	2,410	2,395
LTV (%)*	40.4	41.4
Net Asset Value per share (€)	19.63	19.86
Share price (€)	8.15	10.15
Occupancy (%)	78.2	78.0
Gross Income (€ 1,000)	3,328	6,431

* defined as Bank Debt + Convertible Bonds / Investment property and other investments

The number of outstanding shares is 1,438,704. The sum of outstanding bank loans decreased by €593,000 due to regular instalments, to €19.12m. The LTV (including convertible bonds) at 30-6-2016 was 40.4% (31-12-2015: 41.4%).

Please see page 4 – 6 of the Fund's annual report 2015 for the Fund related contact details, the Fund incorporation details and Fund identification codes.

2 REPORT OF THE MANAGEMENT BOARD

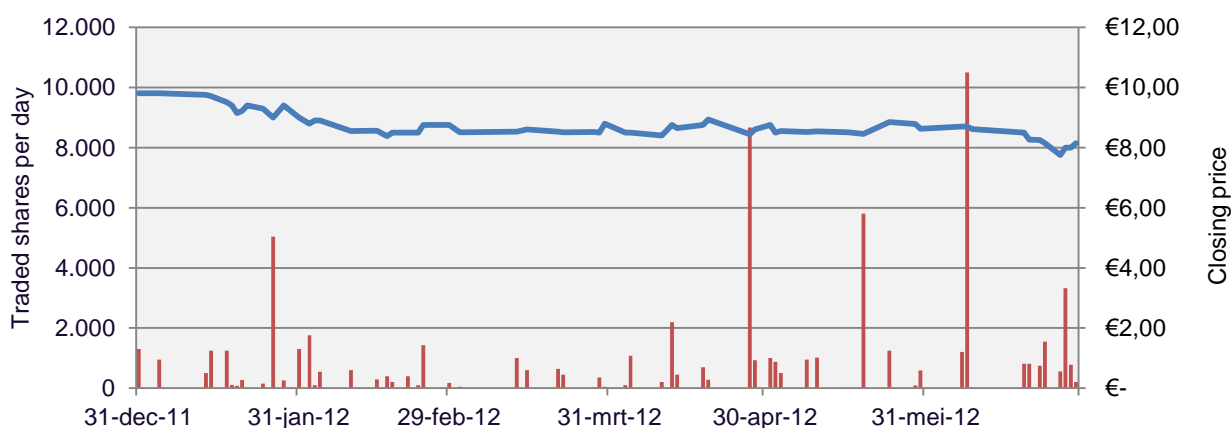
The Management Board hereby presents the semi-annual report 2016 of the Palmer Capital Emerging Europe Property Fund N.V. (The Property Fund). The reporting period is from 1 January 2016 to 30 June 2016.

2.1 SUMMARY OF EVENTS

2.1.1 DEVELOPMENTS DURING THE FIRST HALF OF 2016

The Property Fund concluded the reporting period with a net asset value per share¹ of €20.07 at 30 June 2016 (figure 1), 1.1% lower than at the end of 2015. Including the announced distribution of €0.25 to shareholders the net asset value would be 0.1% higher than at the end of 2015. During the same period the price on the stock exchange decreased by 19.7% from €10.15 to €8.15.

Figure 1 – Development of the Property Fund's stock price per share during the first half of 2016



The following events took place during the reporting period:

New rental agreement with KROS in Zilina (April 8, 2016)

The Property Fund agreed a lease extension to 2025 in its office building in Zilina in Slovakia with the main tenant KROS. The rented area was increased by 520 m² on the top floor to 2,251 m² in total. This rental contract generates more than € 150,000 annually and increases the property occupancy in Zilina by 5% to 79%. This development reflects the strategy of the Property Fund to secure the larger tenants for a longer period of time.

Name change Fund Manager (April 29, 2016)

The manager of the Property Fund changed its name from Palmer Capital Fondsenbeheer B.V. to Arcona Capital Fund Management B.V. The name change is related to an adjustment in shareholder structure on holding level and the rebranding of Palmer Capital in Continental Europe to Arcona Capital.

Publication of Annual Report 2015 (April 28, 2016)

The Annual Report 2015 published on 28 April 2016 showed that the Property Fund realized in 2015 a profit after tax of €0.70m (2014: €0.70m). The profit in 2015 was affected by one-off costs related to the planned acquisition in Poland. The fair value of the real estate portfolio increased by 2.3%, the occupancy rate increased by 3% to 78% and the senior debt loan-to-value improved.

New rental agreement with AT&T in Letna 45 in Kosice (May 12, 2016)

The Property Fund agreed a long-term lease in Letna 45 in Kosice with the main tenant AT&T. The new lease now runs to 2020 and has extension options of in total 9 years. The new long-term lease for 5,358m²

¹ EPRA

offers the Property Fund more security, by contracting the solvent tenant AT&T for the largest property in the portfolio. This will contribute positively to the long-term performance of the building.

Publication of the Q1 figures 2016 (May 25, 2016)

The figures of Q1 2016 showed that the Property Fund realized in Q1 2016 a profit after tax of €258,000, which is €115,000 more than the same period in 2015. The gross rental income for the period increased to €1,47m, 2.6% higher than the same period of the previous year.

General Meeting of Shareholders (June 21, 2016)

On 21 June 2016 the General Meeting of Shareholders adopted the annual accounts of 2015 and approved the proposal to distribute €0.25 per share for the year 2015 in addition to the €0.10 per share interim distribution in 2015. The distribution date is 28 September 2016. During the General Meeting a change of Statutes approving the name change to Arcona Property Fund N.V. and an increase of authorized share capital was also adopted by the shareholders.

Real estate portfolio valuation (June 30, 2016)

On 30 June 2016, the management of the Property Fund reassessed the property portfolio values at €53.33m. This reconfirms the external valuation as at end 2015, but includes capital expenses during the reporting period. For more detailed information see the consolidated financial statements.

2.1.2 NET ASSET VALUE AND SHARE PRICE DEVELOPMENT

The following tables show the development of the Property Fund's Net Asset Value during the period 1 January 2016 to 30 June 2016.

Table 1 – Comparative statement of the NAV per share

	30-06-2016	31-12-2015
Shareholders' equity (€ 1,000)	28,246	28,569
50% of def. tax liabilities concerning revaluation gains on inv. property (€ 1,000)	635	636
Shareholders equity in accordance with EPRA (€ 1,000)	28,881	29,205
Number of ordinary shares in issue	1,438,704	1,438,704
Adjusted EPRA-NAV (€)	20.07	20.30
Return on NAV YtD (%)	* -/ - 1.1	** 0.3

* including the announced distribution to shareholders the return on NAV is +0.1%

** including the announced distribution to shareholders the return on NAV is 2.3%

Table 2 – Development of the share price per month to 30-6-2016

Period		Opening price begin period In €	Closing price end period In €	Volume per month Pieces	Volume per Q Pieces
2015	1 st quarter	8.44	9.20		42,921
	2 nd quarter	9.20	10.40		298,380
	3 rd quarter	10.10	10.51		82,018
	4 th quarter	10.51	10.15		38,432
2016	January	9.89	9.40	11,188	
	February	9.05	8.75	7,135	21,670
	March	8.75	8.80	3,347	
	April	8.50	8.60	14,599	
	May	8.75	8.63	12,104	47,195
	June	8.85	8.15	20,492	

Table 2 shows that the trading volume in Q1 2016 slowed down. At levels around €9.00 the demand for the stock was limited. In the second quarter, the volume improved compared to the first quarter; 47,195 shares traded in Q2 versus 21,670 in Q1. The last month was the strongest month in terms of volume. Buyers stepped in around the €8.00 level.

2.2 OPERATIONAL HIGHLIGHTS

2.2.1 ECONOMIC BACKGROUND AND REAL ESTATE MARKET

The Czech real estate investment market recorded the third strongest H1, with an investment volume of €957m, almost 39% above the ten year average. The retail sector was the dominant sector with 50% of transactions, followed with 25% of transactions in the office sector. Real estate agents expect that yield compression will slow during the second half of 2016, however it is not expected that the gap between prime and secondary yields will close dramatically.

The investment volume in the Slovak real estate investment market exceeded €390m, much higher than the €11m during the same period of the previous year. Most investment activity was concentrated in the Bratislava region, with a dominance for the retail sector. Transactions in the office market were limited. After an ongoing pressure on yields across all sectors of the Slovak real-estate market we saw a stabilization in the office and industrial segments in H1 2016. Aggressive pricing on the neighboring markets is expected to bring more international investors to Slovakia.

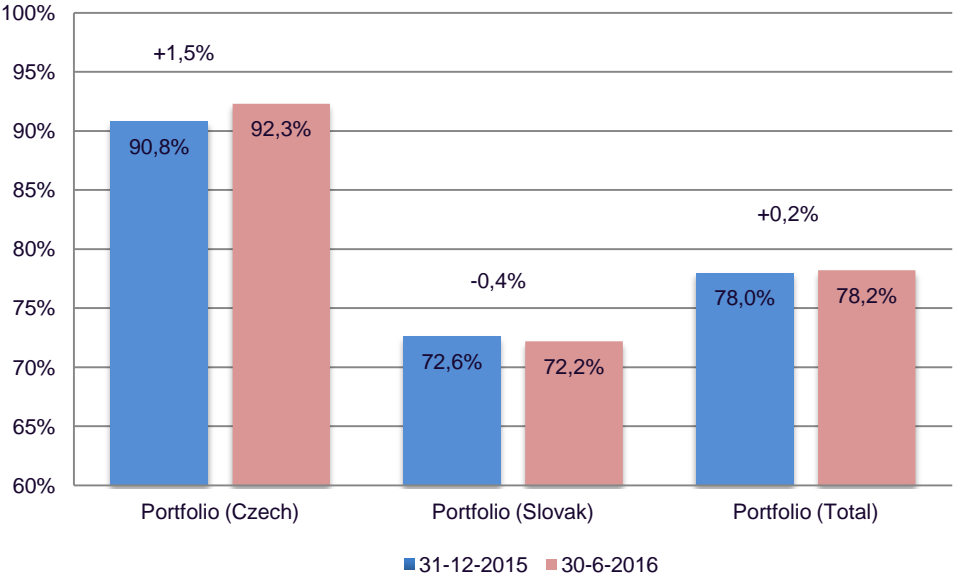
In the Polish market over €2b was invested in commercial property in H1 2016, an 2.5 times increase in comparison to the same period of the previous year. Office investment in regional cities accounted for almost 60% of all office sector transactions closed in H1. The retail market gained a 48% share (€1.0b) of overall investment, followed by the office market accounting for 40% (€0.8b) and 12% for the industrial sector.

In all above mentioned markets the impact of the BREXIT seems limited, however it will take some time before the implications really become clear. Short-term forecast economic growth rates have generally been revised down marginally across continental Europe but it seems that the recovery will continue and that CEE regional economies will continue to expand.

2.2.2 OPERATIONAL DEVELOPMENT

The weighted occupancy rate of the portfolio was 78.2% at the end of the second quarter (end 2015: 78.0%). The occupancy rate of the Czech portfolio has changed from 90.8% (December 31, 2015) to 92.3%. The occupancy rate of the Slovak portfolio went down, from 72.6% (December 31, 2015) to 72.2% at 30 June, 2016. This overall net increase reflects the general positive economic trends highlighted in 2.2.1 above and the additional funds now available to the asset management teams (through the financial restructuring) to support their letting programmes.

Figure 2 – Portfolio occupancy rate (percentage of weighted lettable area)



2.2.3 REAL ESTATE PORTFOLIO DEVELOPMENT

The like-for-like total income of €3.33m from the current portfolio is 4.5% higher compared to the same period in the previous year (€3.18m). This increase is related to the material occupancy increase in the Czech Republic and the ability to increase the income from services by almost €50,000. Management anticipates a continued improvement in occupancy levels during H2 2016.

Table 3 – Comparative statement of the real estate portfolio

	30-06-2016	30-06-2015	change	%
Fair value (€ 1,000)	53,333	52,385	948	1.8
Number of properties	14	14	-	-
Rentable area (m ²)	80,717	80,434	283	0.4
Occupancy (%)	78.2	79.9	-/ - 1.7	-/ - 2.1

Figure 2 – Fair value per city at 30-6-2016

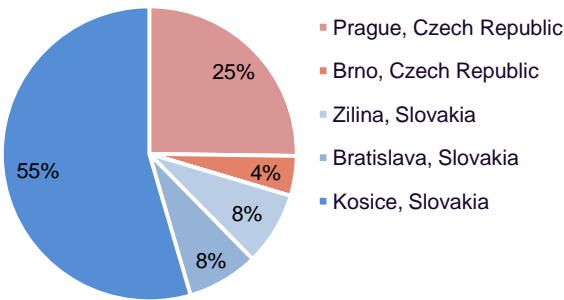


Figure 3 – Portfolio area occupancy at 30-6-2016

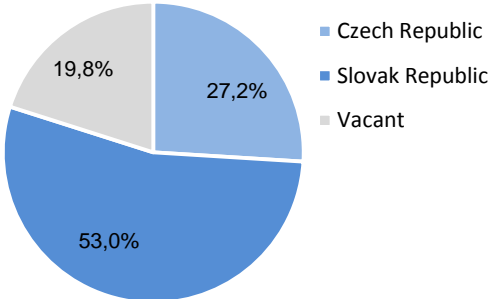


Table 4 – Comparative semi-annual statement of real estate income within portfolio

	01-01-2016 until 30-06-2016	01-01-2015 until 30-06-2015	Change in	Change in
€ 1,000	Like-for-like	Like-for-like *	€ 1,000	%
Gross rental income	2,942	2,847	95	+ 3.3
Service cost income	386	337	49	+ 14.5
Total income	3,328	3,184	144	+ 4.5
Service costs	-/- 988	-/- 959	29	-/- 3.0
Operational costs	-/- 792	-/- 758	34	-/- 4.5
Net rental income	1,548	1,467	81	+ 5.5

* Gity is excluding in the like-for-like comparison

The like-for-like increase in total net rental income in the amount of €81,000 is due to an increase in rental income in the Czech Republic. Net rental income increased in the Czech Republic from €356,000 in the first half of 2015 to €472,000 in the first six months of 2016. During the period the net rental income was €1.55m, 5.5% higher than for the comparable portfolio during the previous period.

Table 5 – Comparative quarterly statement of real estate income within the portfolio

	01-04-2016 until 30-06-2016	01-01-2016 until 31-03-2016	Change in	Change in
€ 1,000	Like-for-like	Like-for-like	€ 1,000	%
Gross rental income	1,470	1,472	-/- 2	-/- 0.1
Service cost income	181	205	-/- 24	-/- 11.7
Total income	1,651	1,677	-/- 26	-/- 1.6
Service costs	-/- 447	-/- 541	94	+ 17.4
Operational costs	-/- 398	-/- 394	-/- 4	-/- 1.0
Net rental income	806	742	64	+ 8.6

The quarter like-for-like comparison shows that the gross rental income during the second quarter of 2016 stayed flat in comparison with the first quarter 2016. Due to seasonal effects, related to energy costs, the service costs were substantial lower in the second quarter of 2016 than the previous quarter. This resulted in an increase in net rental income to €806,000, a gain of 8.6% compared to the first quarter of 2016.

2.3 FINANCIAL HIGHLIGHTS

2.3.1 BALANCESHEET

Table 6 – Balance sheet

	30-06-2016	31-12-2015
	€ 1,000	€ 1,000
Investment property	53,333	53,272
Non-current assets	697	786
Current assets	2,055	2,145
Total assets	56,085	56,203
Shareholders' equity	28,246	28,569
Long-term loans and borrowings	20,401	21,010
Deferred tax liabilities	4,310	4,271
Total current liabilities	3,128	2,353
Total shareholders' equity and liabilities	56,085	56,203

Non-current assets decreased due to a €17,000 dividend payment of Yellow Properties, s.r.o. to the Property Fund and a lower value of stated losses carry forward (see 8.11). Shareholders' equity decreased because of the consultancy fees booked for the acquisition of the Polish retail portfolio (€444,000, see 8.26).

2.3.2 RESULT

Table 7 – Comparative statement of semi-annual results

	1-1-2016 until 30-6-2016	1-1-2015 until 30-6-2015 like-for-like	Change in € 1,000	Change in %
€ 1.000				
Direct result before tax	230	533	-/- 303	-/- 56.8
Indirect result before tax	0	-/- 228	228	n.a.
Result before tax	230	305	-/- 75	-/- 24.6
Tax	-/- 111	-/- 112	1	0.9
Result after tax	119	193	-/- 74	-/- 38.3

The decrease of the like-for-like *direct result before tax* in the amount of €303,000 (-/- 56.8%) is solely related to consultancy costs related to the acquisition of the Polish portfolio of €444,000 (see also chapter 8.26). Without these one-off costs, the *direct result before tax* would show an increase of 25.7%.

Table 8 – Comparative statement of quarterly results

	1-4-2016 until 30-6-2016 Q2	1-1-2016 until 31-3-2016 Q1	Change in € 1,000	Change in %
€ 1.000				
Direct result before tax	-/- 100	330	-/- 440	n.m.
Indirect result before tax	0	0	0	n.m.
Result before tax	-/- 100	330	-/- 440	n.m.
tax	-/- 39	-/- 72	33	n.m.
Result after tax	-/- 139	258	-/- 397	n.m.

The quarterly comparison shows a €440,000 decrease of the direct result before tax. The decrease of the direct result is related to the one-off costs related to the acquisition of the Polish portfolio.

2.3.3 FINANCIAL POSITION

The financial result of €0.12m contains the operating result, the valuation result, the reversal of deferred taxes and the impact of currency movements. The total return on Net Asset Value in the first half of 2016 was +/- 1.1%. Including the announced distribution to shareholders in April 2016 the total return is 0.1%. The following table provides a statement of investment results for the period and the same period last year.

Table 9 – Statement of recognised income and expense for the period to 30 June 2016

€ 1,000	01-01-2016 until 30-06-2016	01-01-2015 until 30-06-2015
Equity component convertible bonds	-	56
Foreign currency translation differences on net investment in group companies	-/ - 82	124
Income tax on foreign currency translation differences on net investment in group companies	-	-
Income tax on equity component convertible bonds	-	-/ - 14
Net gain/ (loss) recognised directly in equity	-/ - 82	166
Profit for the period	119	193
Total recognised income and expense for the period	37	359

During the period the equity increased by €119,000 due to the positive operational result.

2.4 FUND COMMENTARY AND OUTLOOK

In the first half of 2016, the Property Fund demonstrated further improvements in occupancy levels and cost reductions. These improvements are expected to continue during H2 2016 and will have a positive effect on bottom-line Fund performance. In parallel, the one-off costs related to the Polish acquisition will limit the Fund performance on the short term.

The continuing improvement in the Fund's operational performance is the springboard for expansion of the fund into new markets. The expansion into modern regional retail centres in Poland will permit the Fund to further improve the structural cost level, profit and cash flows.

2.5 DECLARATION OF THE MANAGING BOARD

The Managing Board of the 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 the Property Fund and the undertakings included in the consolidation taken as a whole and that the interim financial statements includes 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").

Deventer, 20 September 2016

*The management, Arcona Capital Fund Management B.V.
G.St.J. Barker LLB FRICS, Managing director
P.H.J. Mars, M.Sc., Managing director*

CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2016

3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30-06-2016 In € 1,000	31-12-2015 In € 1,000
Assets			
Investment property	8.9	53,333	53,272
Other investments	8.10	59	76
Deferred tax assets	8.11	638	710
Total non-current assets		54,030	54,058
Trade and other receivables	8.12	725	485
Income tax receivable		3	-
Cash and cash equivalents		1,327	1,660
Total current assets		2,055	2,145
Total assets		56,085	56,203
Shareholders' equity²			
	8.13		
Issued capital	6	7,194	7,194
Share premium	6	16,426	16,786
Revaluation reserve	6	4,143	4,157
Reserve for currency translation differences	6	2,163	2,245
Equity component convertible bonds	6	91	91
Retained earnings	6	-/- 1,771	-/- 1,904
Total shareholders' equity (attributable to parent company shareholders)		28,246	28,569
Liabilities			
Interest-bearing loans and borrowings	8.15	20,401	21,010
Deferred tax liabilities	8.11	4,310	4,271
Total non-current liabilities		24,711	25,281
Interest-bearing loans and borrowings	8.15	1,228	1,154
Trade and other payables	8.16	1,900	1,195
Income tax payable		-	4
Total current liabilities		3,128	2,353
Total liabilities		27,839	27,634
Total shareholders' equity and liabilities		56,085	56,203

² Group equity

4 CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	01-01-2016 to 30-06-2016 In € 1,000	01-01-2015 to 30-06-2015 In € 1,000
Gross rental income		2,942	2,912
Service charge income		386	385
Service charge expenses		-/- 988	-/- 1,022
Property operating expenses	8.20	-/- 792	-/- 782
Net rental and related income		1,548	1,493
Valuation results of properties	8.21	-	4,129
Results on disposals of properties	8.22	-	-/- 4,412
Net results on properties	8.23	-	-/- 283
Financial income	8.24	64	15
Other operating income		11	1
Other income		75	16
Total income		1,623	1,226
Administrative expenses	8.25	193	210
Other operating expenses	8.26	746	200
Total expenses		939	410
Net operating result before financial expenses		684	816
Financial expenses	8.28	454	511
Profit before income tax		230	305
Income tax expense		-/- 111	-/- 112
Profit for the period		119	193
Attributable to:			
Parent company shareholders		119	193
Profit for the period		119	193
Basic earnings per (ordinary and registered) share (€)	8.29.1	0.08	0.13
Diluted earnings per (ordinary and registered) share (€)	8.29.4	0.08	0.13

5 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	01-01-2016 to 30-06-2016 In € 1,000	01-01-2015 to 30-06-2015 In € 1,000
Items never reclassified subsequently to profit or loss:			
Equity component convertible bonds		-	56
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences on net investment in group companies		-/- 82	124
Income tax on foreign currency translation differences on net investments in group companies		-	-
Income tax on equity component convertible bonds		-	-/- 14
		-/- 82	110
Net gain / loss (-/-) recognized directly in shareholders' equity		-/- 82	166
Profit for the period	<i>4</i>	119	193
Total comprehensive income for the period		37	359
Attributable to:			
Parent company shareholders		37	359
Total comprehensive income for the period		37	359

6 CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Issued capital In € 1,000	Share premium In € 1,000	Revaluation reserve In € 1,000	Reserve for currency translation differences In € 1,000	Equity component convertible bonds In € 1,000	Retained earnings In € 1,000	Total shareholders' equity In € 1,000
Balance as at 1 January 2016	7,194	16,786	4,157	2,245	91	-/- 1,904	28,569
Total comprehensive income	-	-	-/- 14	-/- 82	-	133	37
Distributions to shareholders	-	-/- 360	-	-	-	-	-/- 360
Balance as at 30 June 2016	7,194	16,426	4,143	2,163	91	-/- 1,771	28,246
Balance as at 1 January 2015	7,194	17,361	4,004	2,135	49	-/- 2,189	28,554
Total comprehensive income	-	-	153	110	42	285	590
Distributions to shareholders	-	-/- 575	-	-	-	-	-/- 575
Balance as at 31 December 2015	7,194	16,786	4,157	2,245	91	-/- 1,904	28,569

7 CONSOLIDATED STATEMENT OF CASH FLOW

	<i>Notes</i>	01-01-2016 to 30-06-2016 In € 1,000	01-01-2015 to 30-06-2015 In € 1,000
Cash flow from operating activities			
Profit for the period	4	119	193
<i>Adjustments for:</i>			
Net valuation gains / losses on properties ³		-	44
Exchange and currency translation results		6	1
Interest income	8.24	-/- 64	-/- 15
Interest expensed	8.28	454	511
Income tax expensed		111	112
Change in trade and other receivables		-/- 240	-/- 131
Change in trade and other payables		403	-/- 551
Cash generated from operations		789	164
Interest received		-	3
Interest paid		-/- 410	-/- 497
Income tax paid		-/- 7	-/- 3
Net cash from / used in (-/-) operating activities		372	-/- 333
Cash flow from investing activities			
Proceeds from the sale of properties		-	3,179
Dividends received from other investments		10	-
Acquisition of / additions to properties		-/- 124	-/- 36
Net cash from / used in (-/-) investing activities		-/- 114	3,143
Cash flow from financing activities			
Proceeds from the issue of convertible bonds		-	1,420
Proceeds from loans and borrowings		47	32
Repayments of loans and borrowings		-/- 581	-/- 3,665
Distributions to shareholders ⁴		-/- 54	-/- 432
Net cash from / used in (-/-) financing activities		-/- 588	-/- 2,645
Net increase / decrease (-/-) in cash and cash equivalents		-/- 330	165
Cash and cash equivalents as at 1 January		1,660	1,692
Effect of exchange and currency translation result on cash held		-/- 3	-/- 13
Cash and cash equivalents as at 30 June		1,327	1,844

³ Transaction costs and transfer tax excluded.

⁴ Withholding tax included.

8 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8.1 GENERAL

The company Palmer Capital Emerging Europe Property Fund N.V., hereinafter referred to as the Property Fund, was incorporated on 27 November 2002 in accordance with Dutch law and is established in Amsterdam (the Netherlands). The Property Fund obtained a listing on the Euronext Fund Services (EFS) in Amsterdam on 13 November 2003.

The consolidated interim financial statements of the Property Fund for the financial period comprise the Property Fund and its subsidiaries.

8.2 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 other legal regulations, under which include Book 2, Title 9 of the Dutch Civil Code (Boek 2, Titel 9 Burgerlijk Wetboek) and the Dutch Act on Financial Supervision (Wet op het financieel toezicht, the “Wft”).

8.3 STATEMENT OF COMPLIANCE AND FUTURE RELATED ASSUMPTIONS

The Property Fund has applied the significant accounting principles as set out in the financial statements 2015 section 12.2 to 12.21. The Managing Board authorized the consolidated interim financial statements for issue on 20 September 2016.

As at 30 June 2016, shareholders’ equity of the Property Fund is positive. As stated in the liquidity forecast up to end-2017, the current cash position is sufficient to cover budgeted costs. Based on these assumptions, the Managing Board is of the opinion that the Property Fund is able to continue as a going concern. Therefore these consolidated interim financial statements are based on assumptions of going concern.

8.4 BASIS OF PREPARATION OF THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

8.4.1 General

The consolidated interim financial statements have been prepared on the basis of historical cost, except for investment property, investment property held for sale and financial assets at fair value through profit or loss, which are recognized at fair value.

The accounting policies are equal to those applied in the consolidated financial statements 2015 (section 12.2 to 12.21). The accounting policies have been consistently applied for all periods presented in these consolidated interim financial statements.

The consolidated interim financial statements are presented in Euros, rounded to the nearest thousand.

8.4.2 Judgements, estimates and assumptions

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.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Judgements made by The Managing Board in the application of the EU-IFRS that have significant effect on the consolidated interim financial statements and estimates with a significant risk of material adjustment in the next year are described in section 8.32 of the Notes.

8.4.3 New standards and interpretations not yet applied

A number of new standards, changes to standards and interpretations have only taken effect after 1 January 2016 and therefore have not been applied to this consolidated interim financial statements. New standards that might be relevant for the Property Fund are set out in the consolidated financial statements 2015.

8.5 CONSOLIDATED SUBSIDIARIES

All subsidiaries of the Property Fund have been included in the consolidation. The subsidiaries are:

Company	Registered office	Country of incorporation	Holding as at	Holding as at
			30-06-2016	31-12-2015
			In %	In %
Palmer Capital RE Bohemia, s.r.o.	Prague	Czech Republic	100.0	100.0
Palmer Capital RE Slovakia, s.r.o.	Bratislava	Slovakia	100.0	100.0
Palmer Capital Real Estate Poland Sp. z.o.o.	Warsaw	Poland	100.0	100.0

8.6 FOREIGN CURRENCY

8.6.1 Foreign currency transactions

The functional currency of the Property Fund is the Euro (EUR or €) reflecting the fact that the majority of the Property Fund's transactions are settled in EUR. The Property Fund has adopted the EUR as its presentation currency as the ordinary shares of the Property Fund are denominated in EUR.

Foreign currency transactions are translated into Euros at the exchange rate applicable on the transaction date. Monetary assets and liabilities in foreign currency are translated into Euros at the statement of financial position's date at the exchange rate applicable on that date. Exchange rate differences arising from translation are recognized in the income statement. Non-monetary assets and liabilities expressed in a foreign currency and stated on a historical cost basis are translated at the exchange rate on the transaction date. Non-monetary assets and liabilities in foreign currency that are stated at fair value are translated into Euros at the exchange rates applicable on the dates on which the fair values were determined.

8.6.2 Exchange rates

	30-06-2016	31-12-2015	30-06-2015
Czech Koruna (EUR / CZK)	27.13100	27.02300	27.25300
% change	-/ 0.4%	2.6%	1.7%
Polish Zloty (EUR / PLN)	4.4362	4.2639	4.1911
% change	-/ 4.0%	0.2%	1.9%
Pound Sterling (EUR / GBP)	0.82650	0.73395	0.71140
% change	-/ 12.6%	5.8%	8.7%

Source: European Central Bank (ECB)

8.7 SEGMENT REPORTING

8.7.1 General

Segment information is given for each operating segment. An operating segment is a component of the Property Fund:

- That engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses related to transactions with other components of the Property Fund);
- Whose operating results are used by the Property Fund's chief operating decision maker to make decisions about resources to be allocated to the segment and to regularly review and assess its performance; and for which discrete financial information is available.

Given the Property Fund's management decision-making structure and internal reporting structure each property is indicated as an operating segment. The properties held during the financial period (current period and / or previous period), as mentioned in section 8.9.1 "Analysis of investment properties" are taken into account in the segment reporting overviews.

The following segment reporting overviews are given for each property:

- A. Overview of segment result (net operating income), apportioned to the Property Fund's geographic categories;
- B. Overview of assets and liabilities apportioned to the Property Fund's geographic categories.

Since each separate property is indicated as an operating segment, most of the Property Fund's assets and liabilities cannot be allocated to the operating segments. Therefore only the carrying amount of each property is reported as segment assets (see section 8.9.1 "Analysis of investment properties").

The prices for transactions between segments are determined on a business-like, objective basis.

8.7.2 The Property Fund's geographic categories

The Property Fund distinguishes the following geographic categories:

- A. Czech Republic;
- B. Slovakia;
- C. Poland;
- D. The Netherlands.

The segmentation criteria are equal to those described in the consolidated financial statements 2015 section 12.22.2.

8.7.3 Overview of segment result (overview A)

Property (in € 1,000)	Gross		Service		Service		Property		Net rental &		Results on disposals of		Valuation results		Total	
	rental Income		charge income		charge expenses		operating expenses		related income		properties		of properties		segment result	
	01-01-16	01-01-15	01-01-16	01-01-15	01-01-16	01-01-15	01-01-16	01-01-15	01-01-16	01-01-15	01-01-16	01-01-15	01-01-16	01-01-15	01-01-16	01-01-15
	to	to	to	to	to	to	to	to	to	to	to	to	to	to	to	to
30-06-16	30-06-15	30-06-16	30-06-15	30-06-16	30-06-15	30-06-16	30-06-15	30-06-16	30-06-15	30-06-16	30-06-15	30-06-16	30-06-15	30-06-16	30-06-15	
Czech Republic:																
Drahobejlova	69	42	43	24	-/- 45	-/- 29	-/- 24	-/- 27	43	10	-	-	-	-	43	10
Palmovka	130	123	51	49	-/- 37	-/- 34	-/- 33	-/- 45	111	93	-	-	-	-	111	93
Karlin	182	149	70	58	-/- 55	-/- 44	-/- 46	-/- 62	151	101	-	-	-	-	151	101
GiTy	n.a.	65	n.a.	48	n.a.	-/- 63	n.a.	-/- 24	n.a.	26	n.a.	-/- 4,412	n.a.	4,129	n.a.	-/- 257
VUP	100	96	85	79	-/- 78	-/- 70	-/- 40	-/- 47	67	58	-	-	-	-	67	58
Newton House	130	119	57	58	-/- 49	-/- 50	-/- 38	-/- 59	100	68	-	-	-	-	100	68
Total CZECH REPUBLIC	611	594	306	316	-/- 264	-/- 290	-/- 181	-/- 264	472	356	-	-/- 4,412	-	4,129	472	73
Slovakia:																
Záhradnicka	151	132	4	2	-/- 41	-/- 37	-/- 44	-/- 35	70	62	-	-	-	-	70	62
Pražská 2	211	219	5	5	-/- 83	-/- 83	-/- 48	-/- 46	85	95	-	-	-	-	85	95
Pražská 4	161	163	3	1	-/- 57	-/- 55	-/- 38	-/- 41	69	68	-	-	-	-	69	68
Krivá 18	181	183	2	2	-/- 56	-/- 58	-/- 42	-/- 39	85	88	-	-	-	-	85	88
Krivá 23	191	190	4	3	-/- 62	-/- 63	-/- 49	-/- 41	84	89	-	-	-	-	84	89
Gemerská	99	97	4	4	-/- 53	-/- 62	-/- 29	-/- 30	21	9	-	-	-	-	21	9
Letná	618	629	9	7	-/- 76	-/- 78	-/- 146	-/- 107	405	451	-	-	-	-	405	451
Vural	228	226	43	39	-/- 115	-/- 110	-/- 88	-/- 61	68	94	-	-	-	-	68	94
Kosmalt	491	479	6	6	-/- 181	-/- 186	-/- 127	-/- 118	189	181	-	-	-	-	189	181
Total SLOVAKIA	2,331	2,318	80	69	-/- 724	-/- 732	-/- 611	-/- 518	1,076	1,137	-	-	-	-	1,076	1,137
GRAND TOTAL	2,942	2,912	386	385	-/- 988	-/- 1,022	-/- 792	-/- 782	1,548	1,493	-	-/- 4,412	-	4,129	1,548	1,210

8.7.4 Reconciliation segment result with profit for the period

The reconciliation between the total segment results as calculated in section 8.7.3 with the profit for the period, mentioned in the consolidated income statement, is made below.

	01-01-2016 to 30-06-2016 in € 1,000	01-01-2015 to 30-06-2015 in € 1,000
Total segment result (overview A)	1,548	1,210
Unallocated income	75	16
Unallocated expenses	-/- 1,393	-/- 921
Profit before income tax	230	305
Income tax expense	-/- 111	-/- 112
Profit for the period	119	193

8.7.5 Overview of geographic assets and liabilities (overview B)

In € 1,000	Czech Republic		Slovakia		Poland		The Netherlands		Total assets	
	30-06-2016	31-12-2015	30-06-2016	31-12-2015	30-06-2016	31-12-2015	30-06-2016	31-12-2015	30-06-2016	31-12-2015
Assets										
Investment property	15,664	15,702	37,669	37,570	-	-	-	-	53,333	53,272
Other investments	59	76	-	-	-	-	-	-	59	76
Deferred tax assets	199	199	391	464	28	23	20	24	638	710
Trade and other receivables	117	154	402	285	41	41	165	5	725	485
Income tax receivable	-	-	3	-	-	-	-	-	3	-
Cash and cash equivalents	719	697	565	826	-	-	43	137	1,327	1,660
Total geographic assets	16,758	16,828	39,030	39,145	69	64	228	166	56,085	56,203
Liabilities										
Interest bearing loans & borrowings	8,358	8,520	10,861	11,249	-	-	2,410	2,395	21,629	22,164
Deferred tax liabilities	505	510	3,760	3,712	-	-	45	49	4,310	4,271
Trade and other payables	228	336	356	398	138	125	1,178	336	1,900	1,195
Income tax payable	-	-	-	4	-	-	-	-	-	4
Total geographic liabilities	9,091	9,366	14,977	15,363	138	125	3,633	2,780	27,839	27,634
Geographic assets less geographic liabilities	7,667	7,462	24,053	23,782	-/ - 69	-/ - 61	-/ - 3,405	-/ - 2,614	28,246	28,569

8.8 ACQUISITION OF SUBSIDIARIES

During the financial period the Property Fund acquired no subsidiaries.

8.9 INVESTMENT PROPERTY

8.9.1 Analysis of investment properties

No.	Name of properties	Address	Fair value 30-06-2016	Fair value 31-12-2015
			In € 1,000	In € 1,000
In ownership of Palmer Capital RE Bohemia, s.r.o.				
1	Drahobejlova	Drahobejlova 27, Prague	1,786	1,786
2	Palmovka	Na Žertvách 34, Prague	3,210	3,223
3	Karlin	Prvního Pluku 621/8a, Prague	3,780	3,795
4	VUP	Šujanovo náměstí 3, Brno	2,195	2,204
5	Newton House	Politických Vězňů 10, Prague	4,693	4,694
In ownership of Palmer Capital RE Slovakia, s.r.o.				
6	Záhradnícka	Záhradnícka 46, Bratislava	4,235	4,210
7	Pražská 2	Pražská 2, Košice	2,630	2,630
8	Pražská 4	Pražská 4, Košice	2,553	2,520
9	Krivá 18	Krivá 18, Košice	3,148	3,140
10	Krivá 23	Krivá 23, Košice	3,029	3,020
11	Gemerská	Gemerská 3, Košice	1,460	1,460
12	Letná	Letná 45, Košice	9,940	9,940
13	Vural	Alexandra Rudnaya 21, Žilina	4,334	4,310
14	Kosmalt	Kysucká 16, Košice	6,340	6,340
Total fair value			53,333	53,272

8.9.2 Statement of changes in investment properties

	01-01-2016 to 30-06-2016 In € 1,000	01-01-2015 to 31-12-2015 In € 1,000
Balance as at 1 January	53,272	52,080
Purchases and additions	124	511
Fair value adjustments	-	279
Exchange rate differences	-/- 63	402
Balance as at 30 June / 31 December	53,333	53,272

8.9.3 Valuation of investment properties

The investment properties, stated under section 8.9.1 “Analysis of investment properties”, were not valued by an external, independent valuer as at statement of financial position’s date.

On quarterly basis, the Managing Board reviewed the appraised values of investment properties. The applied valuation method will be the same as used by the external, independent valuer, as described in the financial statements 2015. The Managing Board has decided to adjust the fair value of an investment property under the following conditions:

- If the expected rental value (ERV) determined by the external, independent valuer deviates more than 10%;
- Unforeseen circumstances during the financial period, such as fire or water damages to an investment property.

As a result of the above principles the Managing Board will henceforth use the most recent external valuation (as at 31 December 2015), whereby additions done during the financial period are added to the most recent external valuation of the investment property.

8.10 OTHER INVESTMENTS

8.10.1 Analysis of other investments

	Principal of investment		Interest
	In 1,000	In € 1,000	In %
Yellow Properties, s.r.o.	CZK 1,691	65	5.0
Eastern European Property Fund Limited	GBP -	-	< 0.1

8.10.2 Statement of changes of other investments

	Yellow Properties, s.r.o. In € 1,000	EEPFL ⁵ In € 1,000	Total 2016 In € 1,000	Total 2015 In € 1,000
Balance as at 1 January	76	-	76	89
Exchange rate differences	-	-	-	2
Fair value adjustments	-/- 17	-	-/- 17	-/- 15
Balance as at 30 June / 31 December	59	-	59	76

The fair value adjustments to Yellow Properties, s.r.o. are mainly negative as a result of the dividend received by the Property Fund from Yellow Properties, s.r.o., which is recognized in profit or loss (see also section 8.24 “Financial income”).

⁵ EEPFL: Eastern European Property Fund Limited.

8.11 ANALYSIS DEFERRED TAXES STATED IN THE STATEMENT OF FINANCIAL POSITION

	Deferred tax assets In € 1,000	Deferred tax liabilities In € 1,000	Total 30-06-2016 In € 1,000
Investment property (concerning fair value adjustments)	-	1,264	-/- 1,264
Investment property (concerning tax depreciations)	-	2,978	-/- 2,978
Value for tax purposes of stated losses carry-forward	558	-	558
Provisions	32	-	32
Accruals	48	-	48
Equity component convertible bonds	-	20	-/- 20
Secured bank loans	-	16	-/- 16
Foreign currency translation differences ⁶	-	25	-/- 25
Other investments (development property held for investment)	-	7	-/- 7
	638	4,310	-/- 3,672

	Deferred tax assets In € 1,000	Deferred tax liabilities In € 1,000	Total 31-12-2015 In € 1,000
Investment property (concerning fair value adjustments)	-	1,263	-/- 1,263
Investment property (concerning tax depreciations)	-	2,930	-/- 2,930
Value for tax purposes of stated losses carry-forward	630	-	630
Provisions	35	-	35
Accruals	45	-	45
Equity component convertible bonds	-	24	-/- 24
Secured bank loans	-	19	-/- 19
Foreign currency translation differences	-	25	-/- 25
Other investments (development property held for investment)	-	10	-/- 10
	710	4,271	-/- 3,561

8.12 TRADE AND OTHER RECEIVABLES

8.12.1 Analysis of trade and other receivables

	30-06-2016 In € 1,000	31-12-2015 In € 1,000
Non-current part of trade and other receivables	-	-
Current part of trade and other receivables	725	485
	725	485

Trade and other receivables are presented after deduction of impairment losses. No such losses were stated during the financial period.

⁶ With regard to net investments in group companies.

8.12.2 Specification of trade and other receivables

	30-06-2016	31-12-2015
	In € 1,000	In € 1,000
Trade receivables from lessees	210	212
Prepayments and deferred expenses	480	240
Other receivables	35	33
	725	485

The “prepayments and deferred expenses” includes also an amount of €185,000 related to a “capital raise”, which is planned to take place during the second half of 2016.

8.13 SHAREHOLDERS' EQUITY

8.13.1 Comparative statement

	30-06-2016	31-12-2015	30-06-2015
Shareholders' equity (in € 1,000)	28,246	28,569	28,481
Number of ordinary shares in issue	1,411,713	1,411,713	1,411,713
Number of registered shares in issue	26,991	26,991	26,991
Total number of shares in issue entitled to profit	1,438,704	1,438,704	1,438,704
Net Asset Value per ordinary and registered share (in €)	19.63	19.86	19.80
Total distributions to shareholders per ordinary and registered share (in €)	0.65	0.40	-
Net Asset Value before distributions to shareholders per ordinary and registered share (in €)	20.28	20.26	19.80

8.13.2 Distribution to shareholders

At the Annual General Meeting (AGM) of the Property Fund on 21th of June 2016 the AGM approved the proposal of the Managing Board for a distribution to the shareholders in the amount of €0.25 per ordinary and registered share. The ex-dividend date was 18th May 2016. The payment will take place on 28 September 2016.

8.14 CALCULATION OF NET ASSET VALUE

For the calculation of the Net Asset Value (NAV), used as basis for the listing price during the financial period, the deferred tax concerning fair value adjustments of investment property and development property held for investment are eliminated for 50% (the amounts of these deferred taxes are mentioned in section 8.11 “Analysis deferred taxes stated in the statement of financial position”). The percentage of 50% is an estimation of the present value of the tax applicable in the (near) future. In this annual report the deferred tax liabilities are taken into account without applying any discount, which is in accordance with IFRS and not required by EPRA.

	30-06-2016	31-12-2015
Shareholders' equity in accordance with IFRS (in € 1,000)	28,246	28,569
Deferred tax liabilities concerning fair value adjustments of investment property and development property held for investment (in € 1,000)	635	636
Shareholders' equity in accordance with NAV (in € 1,000)	28,881	29,205
Number of shares in issue entitled to profit	1,438,704	1,438,704
Net Asset Value⁷ per share (in €)	20.07	20.30

8.15 INTEREST-BEARING LOANS AND BORROWINGS

8.15.1 Analysis of interest-bearing loans and borrowings

	Long-term liabilities	Current liabilities	Total
	In € 1,000	In € 1,000	30-06-2016 In € 1,000
Secured bank loans	17,937	1,180	19,117
Convertible bonds	2,410	-	2,410
Other long-term liabilities	54	48	102
	20,401	1,228	21,629

	Long-term liabilities	Current liabilities	Total
	In € 1,000	In € 1,000	31-12-2015 In € 1,000
Secured bank loans	18,556	1,154	19,710
Convertible bonds	2,395	-	2,395
Other long-term liabilities	59	-	59
	21,010	1,154	22,164

⁷ EPRA.

8.15.2 Statement of changes of secured bank loans

	2016	2015
	In € 1,000	In € 1,000
Balance as at 1 January	19,710	22,302
Redemptions	-/- 576	-/- 2,899
(Amortization) flat fee	16	52 ⁸
Exchange rate differences	-/- 33	255
Balance as at 30 June / 31 December	19,117	19,710

8.15.3 Analysis of convertible bonds

No.	Date of issue	Date of maturity	Nominal interest rate	Conversion Price	Face value 30-06-2016	Carrying amount	Face value 31-12-2015	Carrying amount
						30-06-2016		31-12-2015
			In %	In €	In € 1,000	In € 1,000	In € 1,000	In € 1,000
1	01-12-2014	01-12-2019	6.00	10.00 ⁹	1,070	1,022	1,070	1,016
2	20-02-2015	20-02-2018	6.00	10.30 ¹⁰	1,420	1,388	1,420	1,379
					2,490	2,410	2,490	2,395

8.15.4 Statement of changes of convertible bonds

	2016	2015
	In € 1,000	In € 1,000
Balance as at 1 January	2,395	1,005
Proceeds from issue	-	1,420
Amount classified as equity	-	-/- 56
Accreted interest	15	26
Balance as at 30 June / 31 December	2,410	2,395

8.15.5 Analysis of other long-term liabilities

	30-06-2016	31-12-2015
	In € 1,000	In € 1,000
Unsecured loan Yellow Properties, s.r.o.	48	-
Long-term advance payments from tenants	54	59
	102	59

⁸ €52,000 reclassified from "Redemptions".

⁹ Convertible as of 1st of December 2015 at the option of the holder of the convertible bonds.

¹⁰ Convertible as of 20th of February 2016 at the option of the holder of the convertible bonds.

8.15.6 Statement of changes of other long-term liabilities

	Unsecured loan Yellow Properties, sro In € 1,000	Long-term advance payments from tenants In € 1,000	Total 2016 In € 1,000	Total 2015 In € 1,000
Balance as at 1 January	-	59	59	1,375
Loans advanced	47	-	47	48
Redemptions	-	-/- 5	-/- 5	-/- 1,364
Exchange rate differences	1	-	1	-
Balance as at 30 June / 31 December	48	54	102	59

8.16 TRADE AND OTHER PAYABLES

8.16.1 Analysis of trade and other payables

	30-06-2016 In € 1,000	31-12-2015 In € 1,000
Non-current part of trade and other payables	-	-
Current part of trade and other payables	1,900	1,195
	1,900	1,195

8.16.2 Specification of trade and other payables

	30-06-2016 In € 1,000	31-12-2015 In € 1,000
Trade payables	428	326
Accruals	795	580
Payments from equity	306	-
Advance payments	172	176
Interest payables	66	70
Value Added Tax and other taxes	106	34
Administrative expenses	27	8
Other liabilities	-	1
	1,900	1,195

The increase of the "Trade payables" and "Accruals" relates mainly to "consultancy fees" associated with the "capital raise" which is expected to take place during second half-year 2016.

8.17 FINANCIAL INSTRUMENTS

In the context of normal operations the Property Fund incurs credit, interest and currency risks. These risks are not hedged by the Property Fund. The net investment in foreign subsidiaries is also not hedged by the Property Fund. At the statement of financial position's date there were no unsettled derivative financial instruments.

8.18 NON-CONTINGENT LIABILITIES

As at statement of financial position's date the Property Fund was not subject to contractual obligations concerning investments, repairs, maintenance or other non-contingent liabilities that will be settled in the following financial period.

8.19 CONTINGENT LIABILITIES

As at statement of financial position's date the Property Fund has the following contingent liabilities:

- Palmer Capital RE Bohemia, s.r.o. has a contingent liability for the amount of CZK 6,597,000 (€243,000) towards the buyer of the investment property Štefánikova with regard to rent received in advance by Palmer Capital RE Bohemia, s.r.o. for usage of the parking places (free of payment) by the lessee of Štefánikova. Based on the agreement (2012) the buyer of Štefánikova will pay the taxes with regard to this rent;
- Palmer Capital Real Estate Poland Sp. z.o.o. has a contingent liability (subject to funding) regarding the acquisition of an retail investment portfolio of 11 investment properties located in Poland for an amount of €27.4m;
- Palmer Capital Emerging Europe Property Fund N.V. has a contingent liability towards NIBC Markets¹¹ (SNS Securities N.V.) regarding a fixed success fee for the amount of €400,000, related to a "capital raise", which is planned for second half-year 2016. The fixed success fee is due if the "capital raise" will be successful (defined as raising an amount of more than €12m). The total amount of the retainer fee will be deducted from the total amount of the fixed success fee.

As at statement of financial position's date the Property Fund was not subject to any further contingent liabilities, including any obligations that result from security transactions related to (exchange) rate risk in connection with investments.

8.20 PROPERTY OPERATING EXPENSES

	01-01-2016 to 30-06-2016 In € 1,000	01-01-2015 to 30-06-2015 In € 1,000
Property management	220	221
Asset management	229	224
Maintenance expenses in respect of properties	196	138
Taxes on properties	103	99
Commission fees	24	75
Insurance premiums	14	14
Other direct operating expenses	6	11
	792	782

¹¹ NIBC Markets N.V. was SNS Securities

8.21 VALUATION RESULTS OF PROPERTIES

8.21.1 Analysis of valuation results of properties

	01-01-2016 to 30-06-2016 In € 1,000	01-01-2015 to 30-06-2015 In € 1,000
Investment properties	-	-
Properties held for sale	-	4,129
	-	4,129

8.22 RESULTS ON DISPOSALS OF PROPERTIES

8.22.1 Analysis of results on disposals of properties

	01-01-2016 to 30-06-2016 In € 1,000	01-01-2015 to 30-06-2015 In € 1,000
GiTy, Brno	-	-/- 4,412

8.22.2 Specification of results on disposals of properties

	01-01-2016 to 30-06-2016 In € 1,000	01-01-2015 to 30-06-2015 In € 1,000
Value adjustments booked in current year	-	-/- 44
Value adjustments booked in previous year	-	-/- 4,129
	-	-/- 4,173
Transfer tax	-	-/- 155
Consultancy fees and legal fees	-	-/- 82
Other costs on sale of investment property	-	-/- 2
	-	-/- 239
	-	-/- 4,412

8.23 NET RESULTS ON PROPERTIES

	01-01-2016 to 30-06-2016 In € 1,000	01-01-2015 to 30-06-2015 In € 1,000
Valuation gains	-	-
Valuation losses	-	-/- 283
	-	-/- 283

8.24 FINANCIAL INCOME

	01-01-2016 to 30-06-2016 In € 1,000	01-01-2015 to 30-06-2015 In € 1,000
Released from "Reserve for currency translation differences"	52	10
Dividend from "Other investments"	10 ¹²	-
Interest income	-	3
Other exchange and currency translation results	2	2
	64	15

8.25 ADMINISTRATIVE EXPENSES

8.25.1 Management fee

This is the total fee received by the Managing Board (Arcona Capital Fund Management B.V.) for the management it performs. The calculation of the Management fee is equal to those described in the financial statements 2015 section 12.55.1 "Management fee".

8.25.2 Specification Management fee

	01-01-2016 to 30-06-2016 In € 1,000	01-01-2015 to 30-06-2015 In € 1,000
Management fee	422	434
Asset Management fee (Arcona Capital Czech Republic s.r.o.) ¹³	-/- 229	-/- 224
Fund Management fee (Arcona Capital Fund Management B.V.)	193	210

8.25.3 Performance-related remuneration

The Managing Board receives performance-related remuneration, which is dependent on the Property Fund's total annual return. The calculation of the performance-related remuneration is equal to those described in the financial statements 2015 section 12.55.3 "Performance-related remuneration".

For the financial period 2016 the Managing Board received no performance-related remuneration (2015: no).

8.26 OTHER OPERATING EXPENSES

	01-01-2016 to 30-06-2016 In € 1,000	01-01-2015 to 30-06-2015 In € 1,000
Consultancy fees	444	4
Non-refundable Value Added Tax	40	42
Change in provision irrecoverable debtors	61	-
Other operating expenses	201	212
	746	258
Adjustment non-refundable Value Added Tax previous years	-	-/- 58
	746	200

¹² Concerns dividend from Yellow Properties, s.r.o. (see also section 8.10.2 "Statement of changes of other investments").

¹³ See also section 8.20 "Property operating expenses".

The “Consultancy fees”, including legal fees, relates mainly to fees associated with the “capital raise” which is expected to take place during second half of 2016.

8.27 TRANSACTION COSTS

In accordance with the EU-IFRS principles of valuation the Property Fund includes the transaction costs incurred on purchase of investments in the purchase price of the investment, and recognizes the transaction costs incurred on sale of investment property and other investments under realized changes in the value of investments.

The analysis of identifiable and quantifiable transaction costs on purchase and sale of investments during the financial period is as follows:

	01-01-2016 to 30-06-2016	01-01-2015 to 30-06-2015
	In € 1,000	In € 1,000
Transaction costs on purchase of investments	-	-
Transaction costs on sale of investments	-	84
	-	84

8.28 FINANCIAL EXPENSES

	01-01-2016 to 30-06-2016	01-01-2015 to 30-06-2015
	In € 1,000	In € 1,000
Interest expense on loans taken up	347	437
Interest expense on convertible bonds	90	74
Valuation losses on “Other investments”	17 ¹⁴	-
	454	511

8.29 EARNINGS PER (ORDINARY AND REGISTERED) SHARE

8.29.1 Calculation of basic earnings per (ordinary and registered) share

The basic earnings per (ordinary and registered) share are calculated by dividing the profit for the period attributable to shareholders of (ordinary and registered) shares by the weighted average number of outstanding (ordinary and registered) shares during the financial period.

8.29.2 Profit for the period attributable to shareholders of (ordinary and registered) shares (basic)

	01-01-2016 to 30-06-2016	01-01-2015 to 30-06-2015
	In € 1,000	In € 1,000
Profit for the financial period	119	193

¹⁴ Concerns Yellow Properties, s.r.o. (see also section 8.10.2 “Statement of changes of other investments”).

8.29.3 Weighted average number of outstanding (ordinary and registered) shares (basic)

	01-01-2016 to 30-06-2016 pieces	01-01-2015 to 30-06-2015 pieces
Issued shares as at 1 January	1,438,704	1,438,704
Effect on issued shares during the financial period	-	-
	1,438,704	1,438,704

8.29.4 Calculation of diluted earnings per (ordinary and registered) share

The diluted earnings per (ordinary and registered) share are calculated by dividing the profit for the period attributable to shareholders of (ordinary and registered) shares, adjusted for costs relating to the convertible securities included in the profit for the period, by the weighted average number of (ordinary and registered) shares during the financial period, adjusted for the maximum number of (ordinary and registered) 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 (ordinary and registered) share, these adjustments are not made.

8.29.5 Profit for the period attributable to shareholders of (ordinary and registered) shares (diluted)

	01-01-2016 to 30-06-2016 In € 1,000	01-01-2015 to 30-06-2015 In € 1,000
Profit for the financial period	119	193
Interest expense on convertible bonds (net of tax)	90	74
Deferred taxes convertible bonds	-/- 4	-/- 3
	205	264

8.29.6 Weighted average number of outstanding (ordinary and registered) shares (diluted)

	01-01-2016 to 30-06-2016 pieces	01-01-2015 to 30-06-2015 pieces
Weighted average number of outstanding (ordinary and registered) shares during the period (basic)	1,438,704	1,438,704
Effect on conversion of convertible bonds	244,864	206,018
	1,683,568	1,644,722

The diluted earnings per (ordinary and registered) share are calculated in accordance with the calculation of basic earnings per (ordinary and registered) share.

8.30 RISK MANAGEMENT

According to its investment policy set out in the prospectus the Property Fund may hold investments in direct property in Middle Europe. The Property Fund's investment portfolio currently consists primarily of property in the Czech Republic and Slovakia. These properties in principle are held for an indefinite period.

The Property Fund's investment activities result in exposure to various risks. A description of these risks are described in the financial statements 2015 section 12.62 "Risk Management". As at statement of financial position's date the exposure to the risks, as described in the financial statements 2015, deviates not materially from their exposure as at 31 December 2015.

8.31 RELATED PARTIES

8.31.1 Identity of related parties

With regard to the Property Fund the following categories of related parties were identified during the financial period:

- I. Managers in key positions;
- 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).

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

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

- A. The Managing Board of Arcona Capital Fund Management B.V. decided to reduce its own Management fee by an amount equivalent to the Asset Management fees paid by the Property Fund (and / or its subsidiaries) to Arcona Capital Czech Republic s.r.o. for the amount of €229,000.

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 9.1 "Personal interests".

The remuneration for the Managing Board is described in section 8.25 "Administrative expenses".

The remuneration for the Supervisory Board and the remuneration for the statutory directors are described in the financial statements 2015 section 12.56 "Other operating expenses".

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

The Property Fund reports one major investor, namely Stichting Prioriteit MERE (the "Foundation"), which holds all priority shares in the Property Fund's capital. No transactions occurred between the Foundation and the Property Fund during the financial period.

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

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

- A. Palmer Capital RE Bohemia, s.r.o. paid Asset Management fees to Arcona Capital Czech Republic, s.r.o. in the amount of €44,000 (30 June 2015: €42,000). The Managing Board of Arcona Capital Fund Management B.V. has decided to reduce its own Management fee by the same amount;
- B. Palmer Capital RE Slovakia, s.r.o. paid Asset Management fees to Arcona Capital Czech Republic s.r.o. in the amount of €185,000 (30 June 2015: €185,000). The Managing Board of Arcona Capital Fund Management B.V. has decided to reduce its own management fee by the same amount;
- C. Palmer Capital RE Bohemia, s.r.o. paid fees for advisory services to Arcona Capital Czech Republic s.r.o. for the amount of €4,000 (30 June 2015: €8,000);
- D. Arcona Capital related parties rented office space in the Property Fund owned properties for the amount of €24,000 (268 m²) (30 June 2015: €23,000 (268 m²));
- E. Palmer Capital RE Bohemia, s.r.o. and Palmer Capital RE Slovakia, s.r.o. paid short term wages and salaries for its statutory Directors in the amount of €3,000 (30 June 2015: €3,000);
- F. Palmer Capital Emerging Europe Property Fund N.V. received an unsecured loan from Yellow Properties s.r.o. for the principal amount of €47,000. For this loan no interest was due. As of 1 October 2016 for this loan an annual average interest rate of 6.0% will be due.

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

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

- Middle Europe Opportunity Fund II N.V. (MEOF II) directly holds investments in companies in which the Property Fund also holds investments. The following table shows the percentages the Palmer Capital managed companies hold of the outstanding shares in the companies as at statement of financial position's date:

Company	MEOF II	Property Fund	Total
	In %	In %	In %
Yellow Properties, s.r.o.	95.0	5.0	100.0

Yellow Properties, s.r.o. is a Czech limited company which undertook a property development. As at statement of financial position's date all properties are sold.

8.31.6 Agreements with related parties

The Property Fund has not entered into any agreements with parties affiliated with the Managing Board of the Property Fund, other than as described in the financial statements 2015 section 12.55.4 "Agreement with Arcona Capital Fund Management B.V.".

8.32 ESTIMATES AND FORMATION OF AN OPINION BY THE MANAGING BOARD

The Managing Board has discussed with the Supervisory Board the development and choice of, and the provision of information on, the critical principles of financial reporting and estimates, as well as the application of those principles and estimates.

The major sources of uncertainty in estimates are as follows:

- A. Development of rents;
- B. Capitalisation factor for transactions;
- C. Fair rents per type of property;
- D. Property prices.

In section 8.9.3 “Valuation of investment properties” the critical assessments by the Managing Board in applying the Property Fund’s principles of the valuation of the investment properties are stated.

Deventer, 20 September 2016

The Managing Board:

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

*G.St.J. Barker LLB FRICS
Managing Director*

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

The Supervisory Board:

*H.H. Kloos RBA
Chairman*

B. Vos M.Sc.

9 OTHER INFORMATION

9.1 PERSONAL INTERESTS

During the financial period neither the Managing Board nor the Supervisory Board held interests in investments by the Property Fund, except for B. Vos M.Sc. who had 2,000 ordinary shares (31 December 2015: 2,000) in private possession and 2,074 ordinary shares (31 December 2015: 2,074) in possession through Bas Vos B.V.

As at statement of financial position's date Arcona Capital GmbH held 26,991 registered shares (31 December 2015: 26,991) in the Property Fund. As of January 2016 G.St.J. Barker LLB FRICS became ultimate beneficial owner (UBO) of Arcona Capital GmbH.

9.2 EVENTS AFTER STATEMENT OF FINANCIAL POSITION'S DATE

In July Arcona Capital Fund Management B.V. (ACFM) informed the market that the Polish portfolio acquisition process experienced some delay during the summer holidays with finalizing the bank financing.

After the financial period Palmer capital RE Slovakia, s.r.o. agreed with Slovenská Sporiteľňa Bank for refinancing of the secured bank loan with Tatra Banka for the amount of € 10,856,000 as at 30 June 2016. The new principal amount of the secured bank loan with Slovenská Sporiteľňa Bank amounts €12,500,000 and is used to install the Tatra Banka loan on the 31 August 2016.

No other material events have occurred after the date of the financial position.

9.3 INDEPENDENT AUDITOR'S REPORT

The information in these consolidated interim financial statements has not been audited by an expert pursuant to article 393 Book 2 BW (auditor's report).