



ARCONA CAPITAL



ARCONA PROPERTY FUND N.V.

SEMI-ANNUAL REPORT 2017

Incorporation

Arcona Property Fund N.V. [“the Fund”] is an investment company with variable capital within the meaning of article 76a of Book 2 of the Dutch Civil Code. The Fund was incorporated on 27 November 2002 by a notarial deed executed before Prof. D.F.M.M. Zaman, civil-law notary in Rotterdam.

Registered Office and entry in Trade Register

The Fund is registered in Amsterdam and is entered in the Trade Register of the Chamber of Commerce under number 08110094.

Office Address

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E-Mail: info@arconacapital.com
Website: www.arconapropertyfund.nl

Correspondence Address

P.O. Box 211
7400 AE Deventer
the Netherlands

Supervisory Board

The Supervisory Board of the Fund comprises:
Mr H.H. Kloos (chairman)
B. Vos M.Sc.

The members of the Supervisory Board have chosen domicile at the offices of The Fund.

Managing Board

The Fund is managed by Arcona Capital Fund Management B.V. [“ACFM”]. ACFM was incorporated under the name Midden-Europa Fondsenbeheer B.V. (subsequently changed into MEI-Fondsenbeheer B.V.) on 10 June 2002 by a notarial deed executed before Mr. C.E.M. van Steenderen, public notary in Rijswijk. By a notarial deed executed before Mr. J.G.R.C. Prinsen, public notary in Deventer on 8 June 2012 the name of ACFM has been changed to Palmer Capital Fondsenbeheer B.V.. By a notarial executed before Mr J.G.R.C. Prinsen, public notary in Deventer in April 2016 the name of the Managing Board has been changed to Arcona Capital Fund Management B.V.

ACFM currently has the following directors:

G.St.J. Barker LLB FRICS
P.H.J. Mars M.Sc.
H.H. Visscher

ACFM has chosen domicile at the offices of the Fund. More information can be found on the website:
<http://www.arconapropertyfund.nl>.

Stichting Prioriteit

Stichting Prioriteit [the “Foundation”] of the Fund is managed by a Managing Board consisting of two members:

G.St.J. Barker LLB FRICS
H.H. Visscher

Auditors

Deloitte Accountants N.V.
Gustav Mahlerlaan 2970
1081 LA Amsterdam
the Netherlands

Legal Advisor

Loyens & Loeff N.V.
Blaak 31
3011 GA Rotterdam
the Netherlands

Listing and Paying Agent

NIBC Markets N.V.
Nieuwezijds Voorburgwal 162
1012 SJ Amsterdam
the Netherlands

Administrator

KroeseWevers Accountants B.V.
Colosseum 1
7500 AC Enschede
the Netherlands

Depository

TCS Depository B.V. (since 11 April 2017)
Woudenbergseweg 11
3953 ME Maarsbergen
The Netherlands

Financial Calender 2017

Publication of trading update of 3rd quarter 2017 - 8 November 2017

Identification codes

The ISIN code is NL0006311706
The REUTERS code is ARCPF
The BLOOMBERG code is ARCPF:NA

ACFM is the management company of the Fund. On 24 January 2006, it obtained from the AFM a permit under the Act on the Supervision of Investment Institutions (“Wft”). Since 1 January 2007 the Fund has operated under the Wft.

On 22 July 2013, the Alternative Investment Fund Managers Directive (AIFMD) came into force. Since ACFM already owned a “Wft-permit” on 21 July 2013, this permit legally proceeded into an “AIFMD-permit” after the transition period of one year on 22 July 2014.

1 FOREWORD FROM THE MANAGEMENT

Over the reporting period, Arcona Property Fund N.V. [“the Fund”] has completed the acquisition of the 11-unit Polish shopping centre portfolio and integrated these assets into the Fund’s operations. In parallel, the existing Czech and Slovak portfolio has continued to deliver operational improvements, supported by general economic trends across the CEE region in the first half of 2017. These developments have enabled the Fund to deliver 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.

At the beginning of August 2017 an interim distribution of € 0.10 per share, was paid out in based on the preliminary semi-annual result of 2017.

Table 1 - Key data per 30-6-2017 and 31-12-2016

	30-06-2017	31-12-2016
Number of assets	25	22
Fair value Investment Properties (in € 1,000) ¹	82,000	74,806
Total Assets (in € 1,000)	88,128	83,952
Shareholders’ Equity (in € 1,000)	38,870	36,452
Total Liabilities (in € 1,000)	49,258	47,500
Bank Debts (in € 1,000)	30,472	35,970
Convertible bonds + normal bond (in € 1,000)	12,595	5,786
LTV (%) ²	52.4	49.3
Net Asset Value per share (in €)	12.52	11.69
Share price (in €)	6.60	5.40
Occupancy (in %)	83.0	80.7
Annual gross income (in € 1,000)		6,625
Semi-annual gross Income (in € 1,000)	4,942	

The number of outstanding shares is 3,165,149. The sum of outstanding bank loans decreased by € 5.50 million (among which 4.87 million VAT loan redemption) to € 30.47 million. The LTV (including convertible bonds) at 30-6-2017 was 52.4% (31-12-2016: 49.3%). See 8.20.2 “Statement of changes in secured bank loans” for more information.

¹ Including € 1,465,000 asset held for sale

² Defined as (bank debt + bond + convertible bonds – VAT loan (during 2016)) / (Investment property and other investments + assets held for sale)

KEY FIGURES

Balance sheet statement (in € 1,000)

	H1 2017	H1 2016	2016	2015	2014	2013
Investment properties	80,535	53,333	74,806	53,272	52,080	57,068
Other non-current assets	1,313	697	1,548	1,523	837	1,609
Current assets	6,280	2,055	7,598	1,408	5,719	2,030
Total assets	88,128	56,085	83,952	56,203	58,636	60,707
Shareholders' equity	38,870	28,246	36,452	28,569	28,554	26,814
Deferred tax liabilities	4,754	4,310	4,177	4,271	4,004	4,709
Other non-current liabilities	39,916	20,401	25,195	21,010	22,183	9,023
Current liabilities	4,588	3,128	18,128	2,353	3,895	20,161
Total equity and liabilities	88,128	56,085	83,952	56,203	58,636	60,707
Loan-to-Value (in %)	52.4	40.4	49.3	41.0	46.6	47.5

Profit and Loss statement (in € 1,000)

	H1 2017	H1 2016	2016	2015	2014	2013
Direct result before tax	852	230	-/- 325	707	801	1,450
Indirect result before tax	1,549 ³	0	-/- 208	-/- 6	-/- 96	-/- 1,446
Total result before tax	2,401	230	-/- 533	701	705	4
Income tax expense	-/- 202	-/- 111	-/- 241	263	-/- 419	137
Total result after tax	2,199	119	-/- 292	438	1,124	-/- 133
Occupancy (in %)	83.0	78.2	80.7	78.0	75.0	73.7
Rentable area (in m ²)	106,316	80,717	100,673	80,754	91,727	109,335

Issued capital

	H1 2017	H1 2016	2016	2015	2014	2013
Ultimo outstanding shares	3,165,149	1,438,704	3,165,149	1,438,704	1,438,704	1,339,707
Total result per share (in €)	0.56	0.08	-/- 0.14	0.25	0.64	-/- 0.08

Data per share

	H1 2017	H1 2016	2016	2015	2014	2013
(Interim-) dividend	-	-	- ⁴	0.35	0.30	-
NAV conform EPRA	12.52	20.07	11.69	20.30	20.24	20.42
Avg. monthly turnover (in €)	197,069	99,322	102,192	387,413	163,926	284,227
Highest price (in €)	6.68	8.15	8.15	9.51	7.05	7.96
Lowest price (in €)	5.20 ⁵	6.38	5.00	6.84	5.87	5.93
Ultimo price (in €)	6.60	6.71	5.40	8.35	6.96	6.99

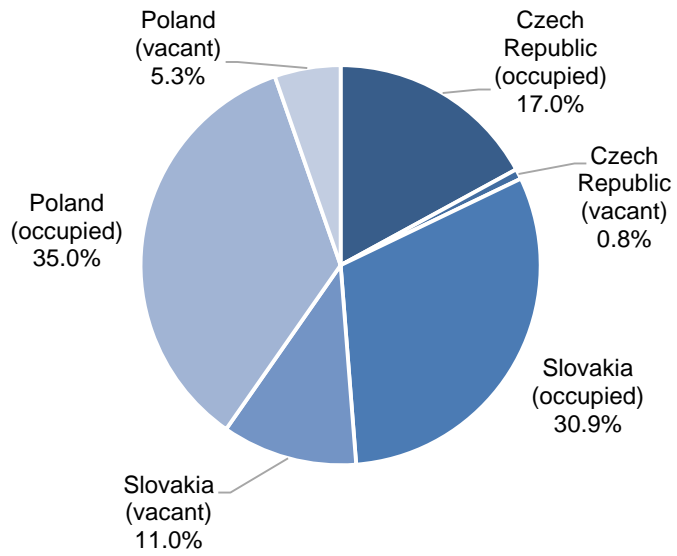
³ € 332,000 net result on properties and € 1,217,000 result on acquisitions through business combinations.

⁴ The AGM rejected a share distribution from the share premium reserve, whereby 32 existing shares of the Fund gave an entitlement to one new share of the Fund.

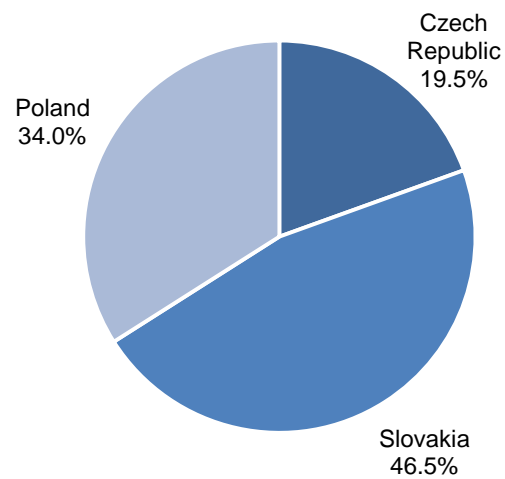
⁵ Opening price 2 January 2017

KEY GRAPHICS

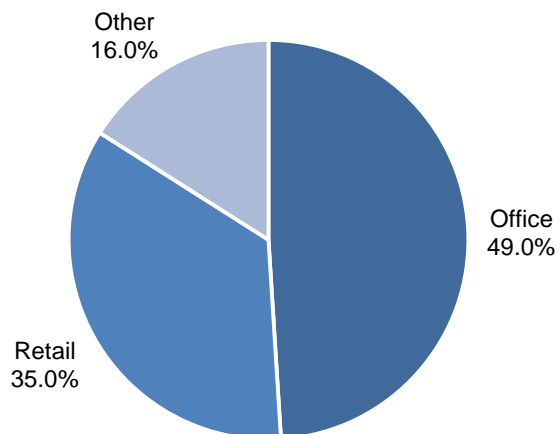
Portfolio occupancy and vacancy rate per country



Fair value per country real estate portfolio



The use of space within the total real estate portfolio



2 REPORT OF THE MANAGEMENT BOARD

The Management Board hereby presents the semi-annual report of 2017 of Arcona Property Fund N.V. ["the Fund"]. The reporting period is from 1 January 2017 to 30 June 2017.

2.1 SUMMARY OF EVENTS DURING THE FIRST HALF OF 2017

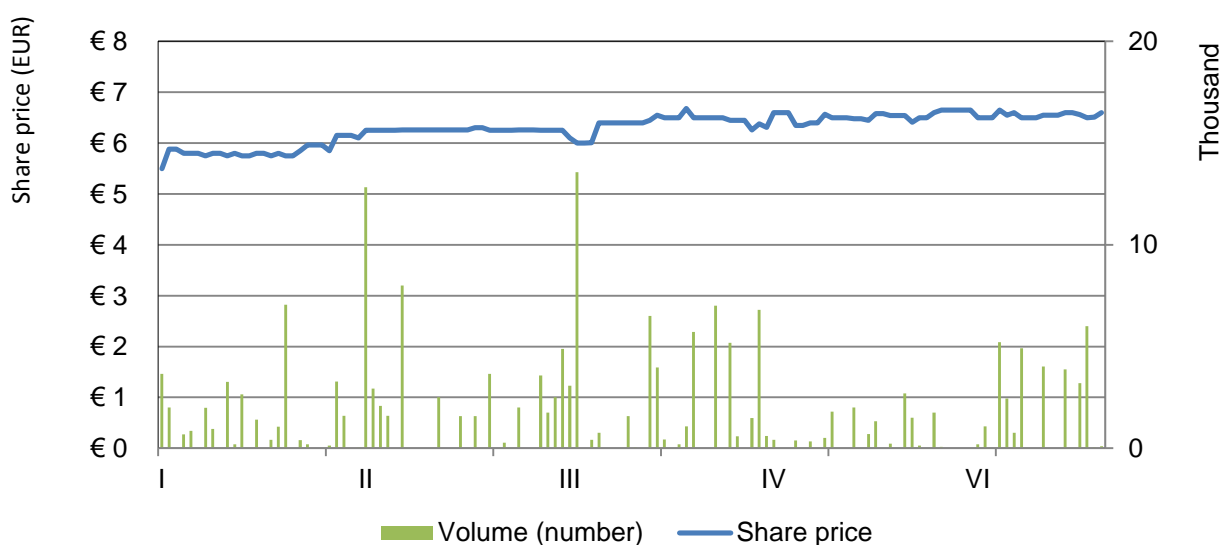
Table 2 – Total Return on share price and Net Asset Value during H1 2017

	Based on share price		Based on NAV	
	In €	In %	In €	In %
Start period	5.40 ⁶		11.69	
End period	6.60		12.52	
Return	+ 1.20		+ 0.83	
Total Return	+ 1.20	+ 22.2	+ 0.83	+ 7.1

2.1.1 DEVELOPMENTS DURING H1 2017

The key event during the reporting period was the conclusion of the Polish portfolio acquisition, with the acquisition of the three leasehold retail assets. As a result, the annual bank debt service increased from € 2.62 million to € 3.23 million and the total LTV ratio increased from 49.3% to 52.4%. The weighted occupancy over the reporting period increased from 80.7% to 83.0%. The annual net rental and related income increased by 47.6% to € 2.29 million as at 30 June 2017 (€ 1.55 million in 30 June 2016). The net asset value increased during the reporting period by € 2.42 million to € 38.87 million. The Fund concluded the period with a net asset value (NAV) per share of € 12.52 at 30 June 2017 (figure 1). During the same period the price per share on the stock exchange increased by 22.2% from € 5.40 to € 6.60.

Figure 1 –Development of the Fund's stock market price per share during H1 2017



⁶ Closing price 30 December 2016

The following events took place during the reporting period:

Rental contract Slovak Telekom prolonged (20 January 2017)

The Fund announced that the lease with Slovak Telekom in the Zilina asset in Slovakia is prolonged by 18 months to 30 June 2018. After this period the contract will be for an indefinite period with a notice period of three months. Slovak Telekom leases 1,713 m² at an annual rent of € 105,000.

VAT return (20 February 2017)

The VAT related to the acquisition of the Polish retail portfolio has been reimbursed. The short-term VAT loan from Raiffeisen Polbank (for the amount of € 4,873,000) was accordingly fully installed on 22 February 2017.

Arcona Property Fund N.V. completes Polish acquisition (3 March 2017)

The Fund has completed its acquisition of the 11 unit Polish retail portfolio originally announced in 2015. The final stage of the acquisition involved the purchase of the shares in a corporate structure holding three shopping centers - in Bydgoszcz, Torun and Lodz - constructed on leasehold land. The purchase price of these three centers amounted to approximately € 4.7 million. The value was appraised by CBRE on 1 October 2016 at approximately € 6.2 million. The purchase has been financed with a vendor loan of € 4.7 million with a maturity of two years and an interest rate of 1.0%.

RECE Holding ApS installs € 70,000 loan (24 March 2017)

On 24 March 2017 the Fund received an amount of € 70,000 as full repayment of a loan provided to Real Estate Central Europe Holding ApS in connection with the Polish retail portfolio acquisition.

Arcona Property Fund N.V. renews rental contract in Gdansk (24 March 2017)

On 24 March 2017 the Fund extended the lease contract with Biedronka (the supermarket chain) in Gdansk for a period of 10 years until May 2027. Biedronka now rents 748 m², 38 m² more than before. The rental price per m² remains unchanged. The total annual rent is € 83,000.

Publication of Annual Report 2016 (6 April 2017)

The Annual Report 2016 published on 6 April 2017 showed that the Fund realized in 2016 a profit after tax of -/- € 0.29 million (2015: € 0.44 million). The result in 2016 was affected by one-off costs related to the acquisition in Poland. The fair value of the real estate portfolio increased by 40.4% mainly related to the acquired 8 retail assets in Poland. The Fund occupancy rate increased by 2.7% to 80.7%.

Publication of the Q1 figures 2017 (10 May 2017)

The figures of Q1 2017 showed that the Fund realized in Q1 2017 a profit after tax of € 1,382,000, which is € 1,124,000 more than the same period in 2016. The gross rental income for the period increased to € 1.98 million, 34.2% higher than the same period of the previous year.

General Meeting of Shareholders (18 May 2017)

On 18 May 2017 the General Meeting of Shareholders adopted the annual accounts of 2016 and granted discharge to the Managing Board and the Supervisory Board. The proposal to distribute € 0.20 per share stock dividend for the year 2016 was rejected. The Managing Board informed in the meeting that it expected to finalize the purchase of the Maris office building in Poland.

Arcona Property Fund sells property Gemerska in Slovakia (21 June 2017)

The Fund announced that in Slovakia sale of the investment property Gemerska in Kosice was agreed. The sale price is € 1,465,000, more than 2% above last years' valuation. The sale is expected to be concluded in September 2017 and fits into the Fund's policy to decrease the number of smaller non-core properties.

Real estate portfolio valuation (30 June 2017)

On 30 June 2017, the Fund Management reassessed the 25-asset portfolio value at € 81.8 million. This broadly reflected the external valuation as at end 2016, adjusted upwards for capital expenditure during the reporting period. However, the retail property Krzemowa 1 in Gdansk, Poland was revalued upwards based on the improved rental conditions following the extension of the lease contract with Biedronka during the reporting period.

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 2017 to 30 June 2017.

Table 3 – Comparative statement of the NAV per share

	30-6-2017	31-12-2016
Shareholders' equity (in € 1,000)	38,870	36,452
50% of the deferred tax liabilities concerning revaluation gains on investment property (in € 1,000)	748	560
Shareholders equity in accordance with EPRA (in €1,000)	39,618	37,012
Number of ordinary shares in issue	3,165,149	3,165,149
Adjusted EPRA-NAV (in €)	12.52	11.69
Return on NAV YTD (in %) ⁷	+ 7.1	-/- 1.3

Table 4 – Development of the share price per month in 2017

Period		Opening price	Closing price	Volume	Volume
		begin period	end period	per month	per Quarter
		In €	In €	Pieces	Pieces
2017	January	5.20	5.96	26,752	
	February	5.90	6.26	36,544	102,896
	March	6.26	6.40	39,600	
	April	6.40	6.60	39,993	
	May	6.35	6.65	13,407	85,257
	June	6.60	6.60	31,857	
Average per quarter					94,077

The above table shows an average trading volume of 2,412 shares per day of trading during the first half of 2017. The stock price traded at € 6.60 at the end of the reporting period, which corresponds to a 47% discount on the net asset value.

⁷ Including the shareholder distributions.

2.2 DEVELOPMENTS IN THE MARKET AND PORTFOLIO

Fund Management maintains its positive view about the prospects for the real estate markets in which the Fund is active. We consider there are some risks to yield levels, especially for prime product, but strong momentum in consumption in particular should continue to propel GDP growth, service sector growth and underpin rents in the retail and office sectors. On the financing side, we sense funding rates are beginning to increase, which will limit the scope for further capital growth in certain sectors.

2.2.1 ECONOMIC BACKGROUND AND REAL ESTATE MARKET

With commercial real estate investment volumes reaching € 5.6 billion, H1 2017 represented an almost 10% increase over the same period last year and is just short of the highest first half year regional investment volume recorded for CEE in 2007. The retail sector should see continued rental growth and high investment levels across the region. Strong momentum in consumption in particular should propel GDP growth, service sector growth and underpin rents in the retail sector. According to market reports, consumption and wages are expected to stay buoyant, indicated by sentiment surveys and rising inflation rates. The strengthening of consumer sentiment underpins our view that rents in the CEE retail sector are likely to continue their recent firming trend.

For the Czech real estate investment market the first half year breakdown saw an impressive H1 volume to bring its share to 37%, followed by Poland (29%), Hungary (13%), SEE (other CEE) markets (9%), Romania (9%) and Slovakia (3%). The real estate agents⁸ note a strong H2 pipeline and expect another record year. Investor appetite for the Czech Republic remains strong, indicating transactional volumes potentially reaching € 3 billion for the year.

Transactions on the Slovak real estate investment market reached € 0.15 billion in H1 2017. The total investment volume in 2017 is expected to reach the €0.6 billion level. The market is witnessing a rise in both liquidity and transparency and the only drawback for investors remains the small size of the market. The retail sector is experiencing strong investor interest for both prime shopping centers as well as smaller regional schemes across the country.

The Polish real estate investment market continued to perform strongly in H1 2017, with € 1.7 billion (58% retail and 17% office real estate) traded and an extensive pipeline established for the second half of the year. Whilst H1 did not see high volumes in the office sector, the H2 forecast is very healthy with € 1.9 billion under due diligence and in marketing. Across the sectors of retail, office and industrial expectations for record volumes are high.

⁸ JLL CEE Investment market H1 2017 report | Colliers International, CEE real estate Q1 2017 report.

2.2.2 REAL ESTATE PORTFOLIO DEVELOPMENT

Table 5 – Comparative statement of the real estate portfolio

	30-06-2017	30-06-2016	change	%
Fair value (in € 1,000) ⁹	82,000	53,333	28,667	+ 53.8
Number of properties	25	14	11	+ 78.6
Rentable area (in m ²)	106,350	80,717	25,633	+ 31.8
Occupancy (in %) ¹⁰	83.0	78.2	4.8	+ 6.1

Table 6 – Statement of changes in investment properties

	01-01-2017 to 30-06-2017 in € 1,000	01-01-2016 to 31-12-2016 in € 1,000
Balance as at 1 January	74,806	53,272
Purchases and additions	6,335	21,944
Exchange rate differences	507	1
Fair value adjustments	320	-/- 208
Reclassification (to “Assets held for sale”)	-/- 1,433	-/- 203
Balance as at 30 June / 31 December	80,535	74,806

The “Reclassification” for the amount of € 1,433,000 negative relates to the investment property “Gemerská”, which has been reclassified as at 2nd of January 2017 to “Assets held for sale” (see also section 8.16).

The “Purchases and additions” during 2017 are the three Polish retail properties and the investments into the assets during the period.

Table 7 – Comparative semi-annual statement of real estate income within portfolio

	01-01-2017 until 30-06-2017 in € 1,000	01-01-2016 until 30-06-2016 in € 1,000	Change in € 1,000	Change In %
Gross rental income	4,083	2,942	+ 1,141	+ 38.8
Service cost income	841	386	+ 455	+ 117.9
Total income	4,924	3,328	+ 1,596	+ 48.0
Service costs	-/- 1,408	-/- 988	-/- 420	-/- 42.5
Operational costs	-/- 1,231	-/- 792	-/- 439	-/- 55.4
Net rental income	2,285	1,548	+ 737	+ 47.6

The net rental income increased by € 737,000 (+ 47.6%) and relates to the additional income from the 11 newly-acquired Polish retail properties during the reporting period compared to the same period of the previous year.

⁹ Including € 1,465,000 (sales price) asset held for sale (Gemerska)

¹⁰ Weighted based on fair value

Table 8 – Comparative quarterly statement of real estate income within portfolio

	01-04-2017 until 30-06-2017 in € 1,000	01-01-2017 until 31-03-2017 in € 1,000	Change in € 1,000	Change In %
Gross rental income	2,107	1,976	+ 131	+ 6.6
Service cost income	536	305	+ 231	+75.7
Total income	2,643	2,281	+ 362	+ 15.9
Service costs	-/- 735	-/- 673	-/- 62	-/- 9.2
Operational costs	-/- 657	-/- 574	-/- 83	-/- 14.4
Net rental income	1,251	1,034	+ 217	+ 21.0

The quarterly comparison shows that net rental income increased with € 217,000 or 21.0%.

2.3 FINANCIAL HIGHLIGHTS

2.3.1 BALANCE

Table 9 – Balance statement

	30-6-2017 in € 1,000	31-12-2016 in € 1,000
Investment property	80,535	74,806
Non-current assets	1,313	1,548
Current assets	6,280	7,598
Total assets	88,128	83,952
Shareholders' equity	38,870	36,452
Deferred tax liabilities	4,773	4,177
Long-term loans and borrowings	39,916	25,195
Total current liabilities	4,569	18,128
Total shareholders' equity and liabilities	88,128	83,952

The € 5.73 million change in "*Investment property*" is related to acquisition of the retail portfolio of three retail assets in Poland, the fair value adjustment of the portfolio value and the reclassification of the investment property "Gemerska" in Kosice as asset held for sale.

"*Shareholders' equity*" increased by the € 2.42 million, due to € 1.51 million valuation result in combination with the € 0.91 million operational result during the period.

The increase in "*Long-term loans and borrowings*" relates to the reclassification of Raiffeisen Polbank loan. The Managing Board determined that all conditions have been met to classify the loan as long-term. See for more details 8.20.1 "Analysis of interest-bearing loans and borrowings".

2.3.2 RESULT

The profit for the first half of 2017 after tax (see table 10 and chapter 8) amounted € 2.19 million (H1 2016: € 119,000) and can be divided into direct result and the indirect result. A detailed summary with comparative figures of the direct and indirect result is provided in the consolidated annual accounts in chapter 7 and in the following paragraphs.

Table 10 – Comparative statement of semi-annual results

	1-1-2017 until 30-6-2017	1-1-2016 until 30-6-2016	Change	Change
	In € 1,000	In € 1,000	In € 1,000	In %
Direct result before tax	852	230	+ 622	+ 270
Indirect result before tax	1,549	0	1,549	n.m.
Result before tax	2,401	230	+ 2,171	+ 944
Tax	-/- 202	-/- 111	-/- 91	-/- 82
Result after tax	2,199	119	+ 2,080	+ 1,748

The “*direct result before tax*” in the amount of € 852,000 is € 622,000 higher, which mainly relates to additional income from the larger portfolio under management offset by the larger amount of debt service.

The “*indirect result before tax*” of € 1.51 million in the reporting period contains € 1.18 million of positive valuation result related to the acquisition of the 3 lease hold assets in Poland below market valuation. The rest is related to the revaluation result of the real estate portfolio as at 30-6-2017.

Fund operating expenses

The total fund operating expenses of € 0.72 million contain € 0.06 million one-off expenses related to the acquisition of the three leasehold retail assets in Poland.

Financial expenses

The financial expenses of € 0.82 million (H1 2016: € 0.45 million) are higher due to the additional convertible bond, bond-, bank- and vendor loan related to the Polish retail portfolio.

Table 11 – Comparative statement of quarterly results

	1-4-2017 until 30-6-2017	1-1-2017 until 31-3-2017	Change	Change
	In € 1,000	In € 1,000	In € 1,000	In %
Direct result before tax	630	222	+ 408	+ 184
Indirect result before tax	333	1,216	-/- 883	-/- 74
Result before tax	963	1,438	-/- 475	-/- 33
Tax	-/- 146	-/- 56	-/- 90	-/- 161
Result after tax	817	1,382	-565	-/- 41

The direct result before tax increased with 184% to € 630,000 due to acquisition of the three leaseholds in March 2017.

2.3.3 CASH FLOW

The net cash flow of the Fund after operating, investment and financing activities was € 1.72 million (H1 2016: -/- € 0.33 million). The table below provides a summary of the cash flow.

Table 12 – Consolidated cash flow statement

	01-01-2017 to 30-06-2017	01-01-2016 to 30-06-2016
	in € 1,000	in € 1,000
Cash flow from operating activities	5,510	372
Cash flow from investing activities	151	-/- 114
Cash flow from financing activities	-/- 3,944	-/- 588
Net increase / decrease (-/-) in cash and cash equivalents	1,717	-/- 330

The “*Cash flow from operating activities*” contains a € 4.8 million change in trade and other receivables related to the release of the Value Added Tax receivable with regard to the acquisition of the Polish retail investment portfolio during December 2016, which has been received during February 2017.

The “*Cash flow from investing activities*” concerns net cash flow from proceeds from sale of properties and investment costs related to properties in portfolio.

The “*Cash flow from financing activities*” concerns the net cash flow from proceeds and the repayments of loans and borrowings (see 7 ‘Consolidated statement of cash flow’).

Table 13 – Statement of recognised income and expense

	H1 2017	H1 2016
	in € 1,000	in € 1,000
Foreign currency translation differences on net investment in group companies	239	-/- 82
Income tax on foreign currency translation differences on net investments in group companies	-/- 21	-
	219	-/- 82
Net gain/ (loss) recognised directly in shareholders’ equity	219	-/- 82
Profit for the period	2,199	119
Total comprehensive income for the period	2,418	37

2.3.4 BANK LOANS

Table 14 – Overview of interest-bearing loans and borrowings

	30-6-2017	31-12-2016
	in € 1,000	in € 1,000
Secured bank loans	28,655	19,268
Convertible bonds	4,408	5,786
Subtotal	33,063	25,054
Other long-term liabilities	6,780	67
Total long-term interest-bearing loans and borrowings	39,843	25,121
Current portion of secured bank loans ¹¹	1,817	16,702
Current portion of convertible bonds	1,407	-
Total short-term interest-bearing loans and borrowings	3,224	16,702
Total interest-bearing loans and borrowings	43,067	41,823
Debt Service ¹²	3,233	2,617

Over the past six months the total loan-to-value ratio (LTV) of the portfolio has increased from 49.3% to 52.4%. The Fund Management intends to maintain the total LTV-ratio of the portfolio in the range 40% – 50%, although a Loan-to-Value percentage of up to 60% is possible. The convertible bonds had an average maturity of 3.10 years and a weighted average interest rate of 6.29%.

See section 8.21 (“Interest-bearing loans and borrowings”) for more information on statement of financial position’s date with the secured bank loans.

2.3.5 FOREIGN CURRENCY

	30-06-2017	31-12-2016	30-06-2016
Czech Koruna (EUR / CZK)	26.19700	27.21000	27.13100
<i>% change</i>	-/- 3.7%	0.3%	-/- 0.4%
Polish Zloty (EUR / PLN)	4.2259	4.4103	4.4362
<i>% change</i>	-/- 4.2%	-/- 0.6%	-/- 4.0%
Pound Sterling (EUR / GBP)	0.87933	0.85618	0.82650
<i>% change</i>	2.7%	3.6%	-/- 12.6%

Source: European Central Bank (ECB)

At the beginning of April 2017 the Czech National Bank (CNB) removed the currency cap. It is expected the probable appreciation of the Czech Koruna will increase the purchasing power of Czech consumers further.

¹¹ See 12.40.1 “Analysis of interest-bearing loans and borrowings”.

¹² End of year annual scheduled amount of contractual interest and instalments related to bank loans, vendor loan and (convertible) bonds.

2.4 DIVIDEND

During the General Shareholder Meeting in April 2017 the Managing Board had recommended for 2016 a distribution in shares, to be charged to the share premium reserve, whereby 32 shares in Arcona Property Fund N.V. gave an entitlement to one new share of Arcona Property Fund N.V. This proposal was rejected by the shareholders.

Following the successful expansion of the portfolio in H1 2017, the dividend policy of the Fund going forward will be to distribute based on the annual results ca. 35% of the Direct Result¹³ to shareholders. The intention is to pay an interim dividend with the half year results, as well as a final dividend each year, 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.

Based on the preliminary first half year results for 2017, the Fund distributed an interim dividend of 10 cents per share on 9 August.

2.5 FUND OUTLOOK

With the acquisition of the Maris office property in Szczecin (Poland) shortly after close of the reporting period on 6 July (see 8.38 'Events after statement of financial position's date' for more information), the Management is continuing to take suitable opportunities to grow the Fund further and to increase the levels of distributions to shareholders. The Szczecin acquisition will continue improvements to structural cost ratios, profit and cash flows.

Management is currently reviewing further acquisitions across the region, although it is not intended that any such acquisitions be funded with stock issuances which dilute the holdings of existing shareholders.

Continuing growth in Fund asset volume is one of the methods aimed to improve the trading liquidity of the Fund's stock, which is a priority of Management. Another method currently being reviewed in detail by the Board is the possible secondary listing of the Fund on other stock exchanges, such as Prague.

2.6 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").

Amsterdam, 23 August 2017

The management, Arcona Capital Fund Management B.V.

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

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

H.H. Visscher, Managing Director

¹³ Direct Result is defined as the Profit before income tax -/- valuation results.

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT
30 JUNE 2017**

3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

After proposal result appropriation

	Notes	30-06-2017 In € 1,000	31-12-2016 In € 1,000
Assets			
Investment property	8.10	80,535	74,806
Other investments	8.11	21	20
Deferred tax assets	8.13	992	891
Cash and cash equivalents	8.15	300	637
Total non-current assets		81,848	76,354
Other investments	8.11	-	70
Trade and other receivables	8.14	960	5,557
Cash and cash equivalents	8.15	3,850	1,766
Assets held for sale	8.16	1,465	203
Income tax receivable	8.17	5	2
Total current assets		6,280	7,598
Total assets		88,128	83,952
Shareholders' equity¹			
	8.18		
Issued capital		15,826	15,826
Share premium		16,426	16,426
Revaluation reserve		5,990	4,524
Reserve for currency translation differences		2,192	1,973
Equity component convertible bonds		266	266
Retained earnings		-/- 1,830	-/- 2,563
Total shareholders' equity (attributable to parent company shareholders)		38,870	36,452
Liabilities			
Interest-bearing loans and borrowings	8.20	39,843	25,121
Deferred tax liabilities	8.12	4,754	4,177
Trade and other payables	8.21	73	74
Total non-current liabilities		44,670	29,372
Interest-bearing loans and borrowings	8.20	3,224	16,702
Trade and other payables	8.21	1,346	1,426
Income tax payable	8.22	18	-
Total current liabilities		4,588	18,128
Total liabilities		49,258	47,500
Total shareholders' equity and liabilities		88,128	83,952

¹ Group equity

4 CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	01-01-2017 to 30-06-2017 In € 1,000	01-01-2016 to 30-06-2016 In € 1,000
Gross rental income		4,083	2,942
Service charge income		841	386
Service charge expenses		-/- 1,408	-/- 988
Property operating expenses	8.27	-/- 1,231	-/- 792
Net rental and related income		2,285	1,548
Valuation results of properties	8.28	435	-
Results on disposals of properties	8.29	-/- 103	-
Net results on properties	8.30	332	-
Financial income	8.31	123	64
Other operating income		47	11
Other income		170	75
Total income		2,787	1,623
Administrative expenses	8.32	319	193
Other operating expenses	8.33	461	746
		780	939
Net operating result		2,007	684
Result on acquisitions through business combinations, net of	8.9.6	1,217	-
Financial expenses	8.34	-/- 823	-/- 454
Profit before income tax		2,401	230
Income tax expense		-/- 202	-/- 111
Profit for the period		2,199	119
Attributable to:			
Parent company shareholders		2,199	119
Profit for the period		2,199	119
Basic earnings per (ordinary and registered) share (€)	8.35.1	0.69	0.07
Diluted earnings per (ordinary and registered) share (€)	8.35.4	0.62	0.07

5 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	01-01-2017 to 30-06-2017 In € 1,000	01-01-2016 to 30-06-2016 In € 1,000
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences on net investment in group companies		239	-/- 82
Income tax on foreign currency translation differences on net investments in group companies		-/- 21	-
		219	-/- 82
Net gain / loss (-/-) recognised directly in shareholders' equity		219	-/- 82
Profit for the period	<i>4</i>	2,199	119
Total comprehensive income for the period		2,418	37
Attributable to:			
Parent company shareholders		2,418	37
Total comprehensive income for the period		2,418	37

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 2017	15,826	16,426	4,524	1,973	266	-/ - 2,563	36,452
Total comprehensive income	-	-	1,466	219	-	733	2,418
Balance as at 30 June 2017	15,826	16,426	5,990	2,192	266	-/ - 1,830	38,870
Balance as at 1 January 2016	7,194	16,786	4,157	2,245	91	-/ - 1,904	28,569
Total comprehensive income	-	-	367	-/ - 272	175	-/ - 659	-/ - 389
Own shares issued	8,632	-	-	-	-	-	8,632
Distributions to shareholders	-	-/ - 360	-	-	-	-	-/ - 360
Balance as at 31 December 2016	15,826	16,426	4,524	1,973	266	-/ - 2,563	36,452

7 CONSOLIDATED STATEMENT OF CASH FLOW

	<i>Notes</i>	01-01-2017 to 30-06-2017 In € 1,000	01-01-2016 to 30-06-2016 In € 1,000
Cash flow from operating activities			
Profit for the period	4	2,199	119
<i>Adjustments for:</i>			
Net valuation gains / losses on properties ²		-/- 332	-
Net valuation gains / losses on derivatives		70	-
Result on acquisition through business combinations, net of tax		-/- 1,217	-
Exchange and currency translation results		-	6
Financial income	8.31	-/- 123	-/- 64
Financial expenses	8.34	823	454
Income tax expense		223	111
<i>Changes in:</i>			
Change in trade and other receivables		4,807	-/- 240
Change in trade and other payables		-/- 198	403
Cash generated from operating activities		6,252	789
Interest received		2	-
Interest paid		-/- 718	-/- 410
Income tax paid		-/- 26	-/- 7
Net cash from / used in (-/-) operating activities		5,510	372
Cash flow from investing activities			
Proceeds from the sale of properties		205	-
Proceeds from the sale of other investments		70	-
Acquisition of subsidiaries, net of cash acquired		13	-
Dividend received from other investments		-	10
Acquisition of / additions to properties		-/- 137	-/- 124
Net cash from / used in (-/-) investing activities		151	-/- 114
Cash flow from financing activities			
Proceeds from loans and borrowings		2,000	47
Repayments of loans and borrowings		-/- 5,944	-/- 581
Distributions to shareholders		-	-/- 54
Net cash from / used in (-/-) financing activities		-/- 3,944	-/- 588
Net increase / decrease (-/-) in cash and cash equivalents		1,717	-/- 330
Cash and cash equivalents as at 1 January		2,403	1,660
Effect of exchange and currency translation result on cash held		30	-/- 3
Cash and cash equivalents as at 30 June		4,150	1,327

² Transaction costs and transfer tax excluded.

8 NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

8.1 GENERAL

The company Arcona Property Fund N.V., hereinafter referred to as the Fund, was incorporated on 27 November 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 13 November 2003.

The Fund is registered in Amsterdam (the Netherlands), Hogehilweg 17 and is entered in the Trade Register of the Chamber of Commerce under number 08110094.

The Fund is managed by Arcona Capital Fund Management B.V, which is responsible for the Management of the Fund.

The consolidated interim financial statements of the Fund for the financial period comprise the 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 Fund has applied the significant accounting principles as set out in the financial statements 2016 (section 12.2 to 12.22). The Managing Board authorised the consolidated interim financial statements for issue on 23 August 2017.

As at 30 June 2017, shareholders’ equity of the 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 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, assets held for sale, financial assets at fair value through the profit or loss and financial liabilities at fair value through the profit or loss, which are recognised at fair value.

The accounting policies are equal to those applied in the consolidated financial statements 2016 (section 12.2 to 12.22). The accounting principles have been consistently applied for all periods presented in these consolidated interim financial statements.

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 recognised 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 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 8.39 of the Notes.

8.4.3 Measurement of fair value

A number of the Fund's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Fund uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no transfers from Level 2 to Level 1 during the financial period and not transfers in either direction during the financial period.

Further information about the assumptions made in measuring fair values is include in the following notes:

- 8.7.3: "Financial instruments";
- 8.10.3: "Investment property";
- 8.16.3: "Assets held for sale".

8.4.4 New standards and interpretations not yet applied

A number of new standards, changes to standards and interpretations have only taken effect after 1st of January 2017 and therefore have not been applied to this consolidated interim financial statements. New standards that might be relevant for the Fund are set out in the consolidated financial statements 2016.

8.5 BASIS OF CONSOLIDATION

8.5.1 Subsidiaries

Subsidiaries are those entities controlled by the Fund. Control exists when the Fund, directly or indirectly, is exposed or has rights to variable returns from its involvement with that entity and has the ability to affect those returns through its power over that entity.

The financial figures of subsidiaries have been included in the consolidated interim financial statements with effect from the date on which control commences until the date that control ceases.

8.5.2 Consolidated subsidiaries

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

Company	Registered office	Country of incorporation	Holding as at	Holding as at
			30-06-2017	31-12-2016
			In %	In %
Arcona Capital RE Bohemia s.r.o.	Prague	Czech Republic	100.0	100.0
Arcona Capital RE Slovakia s.r.o.	Bratislava	Slovakia	100.0	100.0
Arcona Capital Real Estate Poland Sp zoo	Warsaw	Poland	100.0	100.0
Arcona Capital Real Estate Trio Sp. zoo.	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	100.0	n.a.

8.5.3 Subsidiaries acquired and incorporated during the period

Dated 2 March 2017 the financial period the Fund acquired 100% of the shares and voting interest in RECE Progress Sp. z.o.o. (currently named to: Arcona Capital Real Estate Trio Sp. z.o.o.; see also section 8.9).

Dated 29 June 2017 the Fund incorporated two Special Purpose Vehicles (SPV's): Arcona Real Estate B.V. and Arcona Poland B.V. These SPV's are incorporated for the acquisition of "Maris Office Center" ("Maris"), located in Poland. After statement of financial position's date "Maris" is acquired by the Fund (see also section 8.38).

8.6 CURRENCY

8.6.1 Functional and presentation currency

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

All amounts have been rounded to the nearest thousand, unless otherwise indicated.

8.6.2 Foreign currency transactions

Foreign currency transactions are translated into Euros at the exchange rate applicable on the transaction date. Assets and liabilities denominated in foreign currencies are translated into Euros at the exchange rate applicable on the statement of financial position's date. Exchange rate differences arising from translation are recognised in the income statement.

8.6.3 Financial statements of foreign activities

The assets and liabilities of foreign operations and fair-value adjustments arising on consolidation are translated into Euros at the exchange rate applicable on the statement of financial position's date. The income and expenses of foreign operations are translated into Euros at the average monthly exchange rate

for the period. Foreign currency translation differences arising on translation are taken through the other comprehensive income as a separate component of equity.

8.6.4 Net investment in foreign activities

Foreign currency translation differences resulting from translation of the net investment in foreign activities, and the associated hedging transactions, are recognised in the “Reserve for currency translation differences”. On disposal of a foreign entity, the deferred cumulative amount recognised in other comprehensive income relating to that particular foreign operation will be recognised in the income statement.

8.6.5 Used exchange rates for consolidated statement of financial position

	30-06-2017	31-12-2016	30-06-2016
Czech Koruna (EUR / CZK)	26.19700	27.02100	27.13100
% change	-/- 3.0%	0.0%	-/- 0.4%
Polish Zloty (EUR / PLN)	4.22590	4.41030	4.43620
% change	-/- 4.2%	-/- 3.4%	-/- 4.0%
Pound Sterling (EUR / GBP)	0.87933	0.85618	0.82650
% change	2.7%	-/- 16.7%	-/- 12.6%

Source: European Central Bank (ECB)

8.6.6 Used average exchange rates for consolidated income statement

	01-01-2017 to 30-06-2017	01-01-2016 to 31-12-2016	01-01-2016 to 30-06-2016
Czech Koruna (EUR / CZK)	26.76883	27.04233	27.05408
Polish Zloty (EUR / PLN)	4.24745	4.37440	4.37761

8.7 FINANCIAL INSTRUMENTS

8.7.1 General

In accordance with IAS 39 financial assets have been classified into one of four categories:

1. Financial assets at fair value through the profit or loss;
2. Held-to-maturity investments;
3. Loans and receivables;
4. Available-for-sale financial assets.

All the Fund’s financial assets are classified as “Loans and receivables”, with the exception of:

- The 5%-investment in Yellow Properties, s.r.o. This investment is classified as “Financial assets at fair value through the profit or loss”;
- Derivatives. These financial instruments are classified as “Financial assets at fair value through the profit or loss”.

Loans and receivables are measured at amortised cost.

In accordance with IAS 39 financial liabilities have been classified into one of two categories:

1. Financial liabilities at fair value through the profit or loss;
2. Financial liabilities measured at amortised cost.

All the Fund’s financial liabilities are classified as “Financial liabilities measured at amortised cost”, with the exception of:

- Derivatives. These financial instruments are classified as “Financial liabilities at fair value through the profit or loss”.

8.7.2 Recognition and measurement

Financial assets and financial liabilities at fair value through the profit or loss are initially recognised on the trade date, which is the date on which the Fund becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities not at fair value through the profit or loss are recognised on the date on which they are originated.

Financial assets and financial liabilities at fair value through the profit or loss are initially and subsequently recognised at fair value, with transaction costs recognised in profit or loss.

Financial assets or financial liabilities not at fair value through the profit or loss are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue. Subsequently financial assets not at fair value through the profit or loss are subject to an impairment test.

8.7.3 Measurement of fair value

The book value of the Fund's financial assets and financial liabilities, not measured at fair value, is a reasonable approach for its fair value, as all financial assets (classified as "loans and receivables"), and all financial liabilities (classified as "financial liabilities measured at amortised cost") are priced at market rates at statement of financial position's date or will be reprised within 3 months after statement of financial position's date (see also section 12.63.4 "Interest rate risk" in the financial statements 2016), with the exception of "Yellow Properties, s.r.o." and "Derivatives".

Yellow Properties, s.r.o.

The fair value of Yellow Properties, s.r.o. is based on the Fund's stake in the equity of Yellow Properties, s.r.o., as presented in its annual account 2016. The equity of Yellow Properties, s.r.o. consists for about 98% of "Cash and cash equivalents", since the development property of Yellow Properties is sold in previous years.

Considering the type of investment, Level 3 fair value hierarchy is applied for Yellow Properties, s.r.o. (see section 12.4.3 "Measurement of fair value" in the financial statements 2016 for clarification of the levels).

Derivatives

The fair value of derivatives, such as interest rate swaps and interest caps, are calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted rates, future prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing derivatives. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Fund and of the counterparty; this is calculated based on credit spreads derived from current default swap or bond prices.

Considering the type of derivatives, Level 2 fair value hierarchy is applied for all derivatives. (see section 12.4.3 "Measurement of fair value" in the financial statements 2016 for clarification of the levels).

There are no significant unobservable inputs for the calculation of the fair value of derivatives.

8.7.4 Derecognition

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition. A transfer will qualify for derecognition when the Fund transfers substantially all the risks and rewards of ownership. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

8.7.5 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liability simultaneously.

8.7.6 Compound financial instruments

Compound financial instruments issued by the Fund comprise convertible bonds denominated in Euro that can be converted to ordinary shares at the option of the holder, when the number of ordinary shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognised at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

The equity component is recognised directly in the shareholders' equity under "Equity component convertible bonds". The deferred tax liabilities are deducted taking into account the principles of valuation for deferred taxes.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognised in profit or loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognised.

8.8 SEGMENT REPORTING

8.8.1 General

Segment information is given for each operating segment. An operating segment is a component of the 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 Fund);
- Whose operating results are used by the fund manager 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 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 8.10.1 "Analysis of investment properties", as well as section 8.16.1 "Analysis of assets held for sale" 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 Fund's geographic categories;
- B. Overview of assets and liabilities apportioned to the Fund's geographic categories.

Since each separate property is indicated as an operating segment, most of the 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 8.10.1 "Analysis of investment properties", as well as section 8.16.1 "Analysis of assets held for sale").

8.8.2 The Fund's geographic categories

The Fund distinguishes the following geographic categories:

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

The segmentation criteria are equal to those described in the consolidated financial statements 2016 section 12.22.2.

8.8.3 Overview of segment result (overview A)

Property (in € 1,000)	Gross rental income		Service charge income		Service charge expenses		Property operating expenses		Results on disposals of properties		Valuation results of properties		Results on acquisitions through business combinations, net of tax		Total segment result		
	01-01-17	01-01-16	01-01-17	01-01-16	01-01-17	01-01-16	01-01-17	01-01-16	01-01-17	01-01-16	01-01-17	01-01-16	01-01-17	01-01-16	01-01-17	01-01-16	
	to	to	to	to	to	to	to	to	to	to	to	to	to	to	to	to	
	30-06-17	30-06-16	30-06-17	30-06-16	30-06-17	30-06-16	30-06-17	30-06-16	30-06-17	30-06-16	30-06-17	30-06-16	30-06-17	30-06-16	30-06-17	30-06-16	
Czech Republic:																	
Drahobejlova	65	69	40	43	-/- 50	-/- 45	-/- 24	-/- 24	-	-	-	-	-	-	-	31	43
Palmovka	133	130	51	51	-/- 37	-/- 37	-/- 37	-/- 33	-	-	-	-	-	-	-	110	111
Karlin	186	182	74	70	-/- 68	-/- 55	-/- 51	-/- 46	-	-	-	-	-	-	-	141	151
VUP	106	100	86	85	-/- 87	-/- 78	-/- 47	-/- 40	-/- 103	-	103	-	-	-	-	58	67
Newton House	134	130	62	57	-/- 50	-/- 49	-/- 41	-/- 38	-	-	-	-	-	-	-	105	100
Total CZECH REPUBLIC	624	611	313	306	-/- 292	-/- 264	-/- 200	-/- 181	-/- 103	-	103	-	-	-	-	445	472
Slovakia:																	
Záhradnicka	158	151	4	4	-/- 41	-/- 41	-/- 52	-/- 44	-	-	-	-	-	-	-	69	70
Pražská 2	207	211	4	5	-/- 83	-/- 83	-/- 52	-/- 48	-	-	-	-	-	-	-	76	85
Pražská 4	168	161	2	3	-/- 56	-/- 57	-/- 42	-/- 38	-	-	-	-	-	-	-	72	69
Krivá 18	195	181	3	2	-/- 52	-/- 56	-/- 57	-/- 42	-	-	-	-	-	-	-	89	85
Krivá 23	214	191	3	4	-/- 60	-/- 62	-/- 47	-/- 49	-	-	-	-	-	-	-	110	84
Gemerská	109	99	4	4	-/- 57	-/- 53	-/- 41	-/- 29	-	-	12	-	-	-	-	27	21
Letná	581	618	10	9	-/- 80	-/- 76	-/- 114	-/- 146	-	-	-	-	-	-	-	397	405
Vural	242	228	57	43	-/- 116	-/- 115	-/- 64	-/- 88	-	-	-	-	-	-	-	119	68
Kosmalt	422	491	5	6	-/- 173	-/- 181	-/- 117	-/- 127	-	-	-	-	-	-	-	137	189
Total SLOVAKIA	2,296	2,331	92	80	-/- 718	-/- 724	-/- 586	-/- 611	-	-	12	-	-	-	-	1,096	1,076
SUB TOTAL (transfer)	2,920	2,942	405	386	-/- 1,010	-/- 988	-/- 786	-/- 792	-/- 103	-	115	-	-	-	-	1,541	1,548

Property (in € 1,000)	Gross rental income		Service charge income		Service charge expenses		Property operating expenses		Results on disposals of properties		Valuation results of properties		Results on acquisitions through business combinations, net of tax		Total segment result	
	01-01-17	01-01-16	01-01-17	01-01-16	01-01-17	01-01-16	01-01-17	01-01-16	01-01-17	01-01-16	01-01-17	01-01-16	01-01-17	01-01-16	01-01-17	01-01-16
	to	to	to	to	to	to	to	to	to	to	to	to	to	to	to	to
	30-06-17	30-06-16	30-06-17	30-06-16	30-06-17	30-06-16	30-06-17	30-06-16	30-06-17	30-06-16	30-06-17	30-06-16	30-06-17	30-06-16	30-06-17	30-06-16
SUB TOTAL (transfer)	2,920	2,942	405	386	-/- 1,010	-/- 988	-/- 786	-/- 792	-/- 103	-	115	-	-	-	1,541	1,548
Poland:																
Laubitz 8	92	n.a.	27	n.a.	-/- 22	n.a.	-/- 41	n.a.	-	n.a.	-	n.a.	-	n.a.	56	n.a.
800-lecia Inowroclawia 27	185	n.a.	61	n.a.	-/- 47	n.a.	-/- 50	n.a.	-	n.a.	-	n.a.	-	n.a.	149	n.a.
Krzemowa 1	121	n.a.	53	n.a.	-/- 37	n.a.	-/- 51	n.a.	-	n.a.	320	n.a.	-	n.a.	406	n.a.
Plutona 1	98	n.a.	48	n.a.	-/- 41	n.a.	-/- 22	n.a.	-	n.a.	-	n.a.	-	n.a.	83	n.a.
Kalinkowa 82	151	n.a.	67	n.a.	-/- 46	n.a.	-/- 48	n.a.	-	n.a.	-	n.a.	-	n.a.	124	n.a.
Wojska Polskiego 137	175	n.a.	77	n.a.	-/- 63	n.a.	-/- 50	n.a.	-	n.a.	-	n.a.	-	n.a.	139	n.a.
Wolnosci 6	76	n.a.	30	n.a.	-/- 25	n.a.	-/- 30	n.a.	-	n.a.	-	n.a.	-	n.a.	51	n.a.
Graniczna 80-82	-	n.a.	-	n.a.	-/- 32	n.a.	-/- 27	n.a.	-	n.a.	-	n.a.	-	n.a.	-/- 59	n.a.
Grzymaly Siedleckiego 20	71	n.a.	12	n.a.	-/- 22	n.a.	-/- 35	n.a.	-	n.a.	-	n.a.	93	n.a.	119	n.a.
Kard. Wyszynskiego 107	84	n.a.	28	n.a.	-/- 31	n.a.	-/- 45	n.a.	-	n.a.	-	n.a.	381	n.a.	417	n.a.
Legionow 216	110	n.a.	33	n.a.	-/- 32	n.a.	-/- 46	n.a.	-	n.a.	-	n.a.	743	n.a.	808	n.a.
Total POLAND	1,163	n.a.	436	n.a.	-/- 398	n.a.	-/- 445	n.a.	-	n.a.	320	n.a.	1,217	n.a.	2,293	n.a.
GRAND TOTAL	4,083	2,942	841	386	-/- 1,408	-/- 988	-/- 1,231	-/- 792	-/- 103	-	435	-	1,217	-	3,834	1,548

8.8.4 Reconciliation segment result with profit for the period

The reconciliation between the total segment results as calculated in section 8.8.3 with the profit for the period, mentioned in the consolidated income statement, is made below.

	01-01-2017 to 30-06-2017 in € 1,000	01-01-2016 to 30-06-2016 in € 1,000
Total segment result (overview A)	3,834	1,548
Unallocated income	170	75
Unallocated expenses	-/- 1,603	-/- 1,393
Profit before income tax	2,401	230
Income tax expense	-/- 202	-/- 111
Profit for the period	2,199	119

8.8.5 Overview of geographic assets and liabilities (overview B)

Assets	Czech Republic		Slovakia		Poland		The Netherlands		Other countries		Total assets	
	30-06-2017	31-12-2016	30-06-2017	31-12-2016	30-06-2017	31-12-2016	30-06-2017	31-12-2016	30-06-2017	31-12-2016	30-06-2017	31-12-2016
In € 1,000												
Investment property	16,644	16,113	36,368	37,708	27,523	20,985	-	-	-	-	80,535	74,806
Other investments	21	20	-	-	-	-	-	-	-	70	21	90
Deferred tax assets	378	387	199	276	415	228	-	-	-	-	992	891
Trade and other receivables	96	99	314	360	477	5,093	33	5	40	-	960	5,557
Cash and cash equivalents	944	818	777	641	322	191	2,107	753	-	-	4,150	2,403
Assets held for sale	-	203	1,465	-	-	-	-	-	-	-	1,465	203
Income tax receivable	-	-	5	2	-	-	-	-	-	-	5	2
Total geographic assets	18,083	17,640	39,128	38,987	28,737	26,497	2,140	758	40	70	88,128	83,952
Liabilities												
Interest bearing loans & borrowings	8,234	8,165	12,016	12,469	10,284	15,403	7,815	5,786	4,718 ³	-	43,067	41,823
Deferred tax liabilities	596	578	3,508	3,442	604	132	46	25	-	-	4,754	4,177
Trade and other payables	276	292	367	378	464	315	277	515	35	-	1,419	1,500
Income tax payable	-	-	-	-	18	-	-	-	-	-	18	-
Total geographic liabilities	9,106	9,035	15,891	16,289	11,370	15,850	8,138	6,326	4,753	-	49,258	47,500
Geographic assets less geographic liabilities	8,977	8,605	23,237	22,698	17,367	10,647	-/ 5,998	-/ 5,568	-/ 4,713	70	38,870	36,452

³ Concerns the "Secured vendor loan RECE"; consisting of the vendors: Real Estate Central Europe AS (registered office in Norway), Real Estate Central Europe Holding ApS (registered office in Denmark) and RECE Poland Sp. z.o.o. (registered office in Poland).

8.9 ACQUISITION OF SUBSIDIARIES

8.9.1 Analysis of acquired subsidiaries

During the financial period the Fund acquired the following subsidiaries.

Subsidiary	Interest	Date of acquisition
RECE Progress Sp. z.o.o. ⁴	100%	02-03-2017

8.9.2 Main reasons concerning acquired subsidiaries

The Fund acquired 100% of the shares and voting interest in RECE Progress Sp. z.o.o. This entity holds 3 leasehold assets in Poland and is (last) part of the acquisition of the 11- unit Polish shopping centre portfolio originally announced in 2015. The acquisition brings the investment portfolio diversification benefits and significant improvements to income and cost ratios.

8.9.3 Acquisition-related costs

The Fund incurred acquisition-related costs of € 63,000 relating to transfer tax, external legal fees and due diligence costs. These costs have been include in “Administrative expenses” in the consolidated interim financial statements.

8.9.4 Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts at fair value of assets acquired and liabilities assumed at the date of acquisition.

Identifiable assets acquired and liabilities assumed	Arcona Capital Real Estate Trio Sp. z.o.o. In € 1,000
Investment properties	6,218
Deferred tax assets	1
Trade and other receivables	78
Cash and cash equivalents	13
Deferred tax liabilities	-/- 284
Income tax payable	-/- 8
Trade and other payables	-/- 53
Balance of identifiable net assets acquired	5,965⁵

8.9.5 Consideration transferred

The following table summarises the acquisition-date fair value of each major class of consideration transferred.

	Arcona Capital Real Estate Trio Sp. z.o.o. In € 1,000
Secured vendor loan RECE	4,718 ⁶
Trade and other payables	30
Consideration transferred	4,748

⁴ Currently named: Arcona Capital Real Estate Trio Sp. z.o.o.

⁵ Based on the draft balance sheet as at date of take-over (2 March 2017).

⁶ The fair value of the secured vendor loan RECE is identified with its nominal value.

8.9.6 Result on acquisition

The “Result on acquisition” relates to the amount by which the balance of the identifiable net assets acquired exceeds the consideration transferred. This surplus is recognised in the income statement under the item “Result on acquisitions through business combinations, net of tax”. The following table summarises the “Result on acquisition”.

	Arcona Capital Real Estate Trio Sp. z.o.o.
	In € 1,000
Balance of identifiable net assets and liabilities acquired	5,965
Consideration transferred	4,748
Result on acquisition	1,217

8.9.7 Analysis of trade and other receivables

The analysis of the trade and other receivables acquired is as follows.

	Arcona Capital Real Estate Trio Sp. z.o.o.
	In € 1,000
Trade receivables (gross)	78
Provision for doubtful receivables	-
Trade receivables (net / fair value)	78

8.9.8 Analysis of contribution to consolidated revenues and consolidated profit for the period

The following table summarises the contribution to consolidated revenues and consolidated profit for the period as of the date of acquisition by the Fund, as well as the estimated contribution to consolidated revenues and consolidated profit for the period if the acquisition had occurred on 1st of January 2017. All amounts mentioned below are exclusive of the result on the acquisition of the business combination, as mentioned in section 8.9.6.

In determining the estimated amounts of revenues and profit, the Management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1st of January 2017.

Subsidiary	Contribution to	Contribution to	Estimated	Estimated
	revenues for the	profit for the	contribution to	contribution to
	financial period	financial period	revenues for the	profit for the
	In € 1,000	In € 1,000	financial period	financial period
			In € 1,000	In € 1,000
RECE Progross Sp. z.o.o.	338	97	531	162

8.10 INVESTMENT PROPERTY

8.10.1 Analysis of investment properties

No.	Name of properties	Address	Fair value	Fair value
			30-06-2017	31-12-2016
			In € 1,000	In € 1,000
In ownership of Arcona Capital RE Bohemia s.r.o.				
1	Drahobejlva	Drahobejlva 27, Prague	1,912	1,854
2	Palmovka	Na Žertvách 34, Prague	3,460	3,354
3	Karlin	Prvního Pluku 621/8a, Prague	4,141	4,010
4	VUP	Šujanovo náměstí 3, Brno	2,091	2,021
5	Newton House	Politických Vězňů 10, Prague	5,040	4,874
In ownership of Arcona Capital RE Slovakia s.r.o.				
6	Záhradnícka	Záhradnícka 46, Bratislava	4,302	4,302
7	Pražská 2	Pražská 2, Košice	2,650	2,650
8	Pražská 4	Pražská 4, Košice	2,619	2,619
9	Krivá 18	Krivá 18, Košice	2,812	2,812
10	Krivá 23	Krivá 23, Košice	3,338	3,263
11	Gemerská	Gemerská 3, Košice	n.a.	1,433
12	Letná	Letná 45, Košice	10,117	10,110
13	Vural	Alexandra Rudnaya 21, Žilina	4,359	4,348
14	Kosmalt	Kysucká 16, Košice	6,171	6,171
In ownership of Arcona Capital Real Estate Poland Sp. z.o.o.				
15	Laubitz	Laubitz 8, Inowroclaw	2,381	2,381
16	Lecia Inowroclawia	800-lecia Inowroclawia 27, Inowroclaw	3,569	3,569
17	Krzemowa	Krzemowa 1, Gdansk	3,250	2,930
18	Plutona	Plutona 1, Glogow	1,799	1,799
19	Kalinkowa	Kalinkowa 82, Grudziadz	3,015	3,015
20	Wojska Polsiekgo	Wojska Polskiego 137, Piotrkow Trybunalski	3,932	3,932
21	Wolnosci	Wolnosci 6, Slupsk	1,353	1,353
22	Graniczna	Graniczna 80-82, Kalisz	2,006	2,006
In ownership of Arcona Capital Real Estate Trio Sp. z.o.o.				
23	Grzymaly Siedleckiego	Grzymaly Siedleckiego 20, Bydgoszcz	1,565	n.a.
24	Kardynala Wyszynskiego	Kardynala Wyszynskiego 107, Lodz	1,976	n.a.
25	Legionow	Legionow 216, Torun	2,677	n.a.
Total fair value			80,535	74,806

8.10.2 Statement of changes in investment properties

	01-01-2017 to 30-06-2017	01-01-2016 to 31-12-2016
	In € 1,000	In € 1,000
Balance as at 1 January	74,806	53,272
Purchases and additions	6,335	21,944
Fair value adjustments	320	-/- 208
Exchange rate differences	507	1
Reclassification (to "Assets held for sale")	-/- 1,433	-/- 203
Balance as at 30 June / 31 December	80,535	74,806

The "Reclassification" for the amount of € 1,433,000 negative relates to the investment property "Gemerská", which has been reclassified as at 2 January 2017 to "Assets held for sale"(see also section 8.16).

8.10.3 Valuation of investment properties

The investment properties, stated under section 8.10.1 "Analysis of investment properties", 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 properties. The applied valuation method is the same as used by the external, independent appraiser, as described in the financial statements 2016. The Managing Board has decided to adjust the fair value of an investment property (in local currency) 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 2016), whereby additions done during the financial period are added to the most recent external valuation of the investment property, except for the investment property Krzemowa 1. The fair value of Krzemowa 1 increased with by € 320,000 in respect to the comparative figures as at 31 December 2016, as a result of the 1-year extension of the Biedronka lease.

8.11 OTHER INVESTMENTS

8.11.1 Specification of other investments

	Principal of investment		Interest	Interest rate
	In 1,000	In € 1,000	In %	In %
Yellow Properties, s.r.o.	CZK 279	36	5.0	n.a.
Eastern European Property Fund Limited	GBP -	-	< 0.1	n.a.
Loan Real Estate Central Europe Holding ApS	n.a.	n.a.	n.a.	1.0

8.11.2 Analysis of other investments

	30-06-2017	31-12-2016
	In € 1,000	In € 1,000
Non-current part of other investments	21	20
Current part of other investments	-	70
	21	90

8.11.3 Statement of changes in other investments

	Yellow Properties, s.r.o.	EEPFL⁷	Loan RECE Holding ApS⁸	Total 2017	Total 2016
	In € 1,000	In € 1,000	In € 1,000	In € 1,000	In € 1,000
Balance as at 1 January	20	-	70	90	76
Purchases / Loans advanced	-	-	-	-	70
Exchange rate differences	1	-	-	1	-
Fair value adjustments	-	-	-	-	-/- 21
Sales / redemptions	-	-	-/- 70	-/- 70	-/- 35
Balance as at 30 June / 31 December	21	-	-	21	90

8.11.4 Sales / redemptions of other investments

During the financial period the redemption of the loan Real Estate Central Europe Holding ApS for the amount of € 70,000 was fully received by the Fund.

⁷ EEPFL: Eastern European Property Fund Limited.

⁸ RECE Holding ApS: Real Estate Central Europe Holding ApS (registered office in Denmark).

8.12 ANALYSIS RECOGNISED DEFERRED TAXES

	Deferred tax assets In € 1,000	Deferred tax liabilities In € 1,000	Total 30-06-2017 In € 1,000
Investment property (concerning fair value adjustments)	107	1,602	-/- 1,495
Investment property (concerning other tax differences)	219	2,819	-/- 2,600
Assets held for sale	-	78	-/- 78
Tax losses (carried forward)	539	-	539
Accruals	29	-	29
Interest rate swaps used for hedging	13	-	13
Trade receivables (impairments)	12	-	12
Interest intercompany loans (unpaid)	73	-	73
Secured bank loans	-	109	-/- 109
Foreign currency translation differences ⁹	-	144	-/- 144
Other investments	-	2	-/- 2
	992	4,754	-/- 3,762

	Deferred tax assets In € 1,000	Deferred tax liabilities In € 1,000	Total 31-12-2016 In € 1,000
Investment property (concerning fair value adjustments)	170	1,289	-/- 1,119
Investment property (concerning other tax differences)	19	2,842	-/- 2,823
Tax losses (carried forward)	615	-	615
Accruals	44	-	44
Interest rate swaps used for hedging	25	-	25
Trade receivables (impairments)	11	-	11
Interest intercompany loans (unpaid)	7	-	7
Secured bank loans	-	19	-/- 19
Foreign currency translation differences	-	25	-/- 25
Other investments	-	2	-/- 2
	891	4,177	-/- 3,286

⁹ With regard to net investments in group companies.

8.13 DEFERRED TAX ASSETS

8.13.1 Analysis of recognised deferred tax assets

	30-06-2017 will expire In € 1,000	30-06-2017 will never expire In € 1,000	Total 30-06-2017 In € 1,000
Tax losses (carried forward)	539	-	539
Investment property	-	326	326
Accruals	-	29	29
Interest rate swaps used for hedging	-	13	13
Trade receivables (impairments)	-	12	12
Interest intercompany loans (unpaid)	-	73	73
	539	453	992

	31-12-2016 will expire In € 1,000	31-12-2016 will never expire In € 1,000	Total 31-12-2016 In € 1,000
Tax losses (carried forward)	615	-	615
Investment property	-	189	189
Accruals	-	44	44
Interest rate swaps used for hedging	-	25	25
Trade receivables (impairments)	-	11	11
Interest intercompany loans (unpaid)	-	7	7
	615	251	891

An allocation of the deferred tax assets stated in the statement of financial position to the countries the Fund invests in, is presented in section 8.8.5 "Overview of geographic assets and liabilities (overview B)".

8.13.2 Analysis of unrecognised deferred tax assets

	30-06-2017 will expire In € 1,000	30-06-2017 will never expire In € 1,000	Total 30-06-2017 In € 1,000
Investment property	-	285	285
Tax losses (carried forward)	757	-	757
	757	285	1,042

	31-12-2016 will expire In € 1,000	31-12-2016 will never expire In € 1,000	Total 31-12-2016 In € 1,000
Investment property	-	276	276
Assets held for sale	-	12	12
Tax losses (carried forward)	798	-	798
	798	288	1,086

8.13.3 Analysis of unrecognised tax losses

	30-06-2017	31-12-2016
	In € 1,000	In € 1,000
Expires in 2020	214	245
Expires in 2022	94	94
Expires in 2023	59	59
Expires in 2024	37	37
Expires in 2025	353	363
Balance as at 30 June / 31 December	757	798

The Managing Board expects (taking into account local tax law and regulations) that in the future there will be insufficient taxable profit to set-off these tax losses.

8.14 TRADE AND OTHER RECEIVABLES

8.14.1 Analysis of trade and other receivables

	30-06-2017	31-12-2016
	In € 1,000	In € 1,000
Non-current part of trade and other receivables	-	-
Current part of trade and other receivables	960	5,557
	960	5,557

8.14.2 Specification of trade and other receivables

	30-06-2017	31-12-2016
	In € 1,000	In € 1,000
Trade receivables	550	380
Value added tax and other taxes	-	4,934
Prepayments and deferred expenses	265	155
Invoiceable amounts	10	17
Arrangement fees	79	2
Interest	-	2
Other receivables	56	67
	960	5,557

The "Value added tax and other taxes" for the amount of € 4,934,000 in the comparative figures as at 31 December 2016 concerns mainly the receivable Value added tax with regard to the acquisition of the Polish retail investment portfolio during December 2016, which has been received during February 2017.

8.14.3 Analysis of trade receivables

	30-06-2017	31-12-2016
	In € 1,000	In € 1,000
Trade receivables (gross)	803	634
Provision for doubtful receivables	-/- 253	-/- 254
	550	380

8.15 CASH AND CASH EQUIVALENTS

8.15.1 Analysis of cash and cash equivalents

	30-06-2017 In € 1,000	31-12-2016 In € 1,000
Non-current part of cash and cash equivalents	300	637
Current part of cash and cash equivalents	3,850	1,766
	4,150	2,403

8.15.2 Specifications of current part of cash and cash equivalents

	30-06-2017 In € 1,000	31-12-2016 In € 1,000
Bank balances	3,841	1,763
Cash	9	3
	3,850	1,766

8.16 ASSETS HELD FOR SALE

8.16.1 Analysis of assets held for sale

No.	Name of properties	Address	Fair value 30-06-2017 In € 1,000	Fair value 31-12-2016 In € 1,000
In ownership of Arcona Capital RE Bohemia s.r.o.				
1	Part of VUP	Šujanovo náměstí 3, Brno	n.a.	203
In ownership of Arcona Capital RE Slovakia s.r.o.				
2	Gemerská	Gemerská 3, Košice	1,465	n.a.
			1,465	203

8.16.2 Statement of changes in assets held for sale

	2017 In € 1,000	2016 In € 1,000
Balance as at 1 January	203	-
Additions	20	-
Sales	-/- 205	-
Fair value adjustments	12	-
Exchange rate differences	2	-
Reclassification (from "Investment property")	1,433	203
Balance as at 30 June / 31 December	1,465	203

The "Reclassification" for the amount of € 1,433,000 relates to the investment property "Gemerská", which has been reclassified as at 2 January 2017 from "Investment property" (see also section 8.10.2).

8.16.3 Valuation of assets held for sale

The assets held for sale, stated under section 8.16.1 “Analysis of assets held for sale”, were not valued by an external, independent appraiser as at 30 June of the current year. The assets held for sale are valued against expected sales price based on an agreement. All assets held for sale are valued at fair value, without deduction of costs of sale.

8.17 INCOME TAX RECEIVABLE

8.17.1 Analysis of income tax receivable

	30-06-2017	31-12-2016
	In € 1,000	In € 1,000
Income tax current year	5	2

8.18 SHAREHOLDERS' EQUITY

8.18.1 Comparative statement

	30-06-2017	31-12-2016	31-12-2015	31-12-2014	31-12-2013
Shareholders' equity (in € 1,000)	38,870	36,452	28,569	28,554	26,814
Number of ordinary shares in issue	3,138,158	3,138,158	1,411,713	1,411,713	1,296,819
Number of registered shares in issue	26,991	26,991	26,991	26,991	42,888
Total number of shares in issue entitled to profit	3,165,149	3,165,149	1,438,704	1,438,704	1,339,707
Net Asset Value per ordinary and registered share (in €)	12.28	11.52	19.86	19.85	20.01

8.19 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 8.12 “Analysis recognised deferred taxes”). The percentage of 50% is an estimation of the present value of the tax applicable in the (near) future. In this semi-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.

	30-06-2017	31-12-2016
Shareholders' equity in accordance with IFRS (in € 1,000)	38,870	36,452
Deferred tax liabilities concerning fair value adjustments of investment property and development property held for investment (in € 1,000)	748	560
Shareholders' equity in accordance with NAV (in € 1,000)	39,618	37,012
Number of shares in issue entitled to profit	3,165,149	3,165,149
Net Asset Value¹⁰ per share (in €)	12.52	11.69

¹⁰ EPRA

8.20 INTEREST-BEARING LOANS AND BORROWINGS

8.20.1 Analysis of interest-bearing loans and borrowings

	Long-term liabilities	Short-term liabilities	Total 30-06-2017
	In € 1,000	In € 1,000	In € 1,000
Secured bank loans	28,655	1,817	30,472
Convertible bonds	4,408	1,407	5,815
Other long-term liabilities	6,780	-	6,780
	39,843	3,224	43,067

	Long-term liabilities	Short-term liabilities	Total 31-12-2016
	In € 1,000	In € 1,000	In € 1,000
Secured bank loans	19,268	16,702	35,970
Convertible bonds	5,786	-	5,786
Other long-term liabilities	67	-	67
	25,121	16,702	41,823

The current liabilities in the comparative figures as at 31 December 2016 for the amount of € 16,702,000 relates in particular to the short-term VAT loan Raiffeisen Polbank (for the amount of € 4,873,000) and the tranche A and B of the bank loan for the acquisition of the 8 assets in Poland (for the amount of € 10,530,000).

The VAT loan was fully redeemed during February 2017, since the VAT-receivable towards the Polish Tax Authority was received.

The bank loan Raiffeisen Polbank was classified as a short-term liability, considering the shareholders' equity of Arcona Capital Real Estate Poland Sp. z.o.o. (ACREP) was slightly negative. The Fund immediately submitted to the Bank a remedy plan. The plan envisages a conversion of a part of shareholders' loan into equity. This plan however requires Bank's consent and is processed during the third quarter of 2017. The Fund has received in second quarter of 2017 a waiver from the Bank that the negative shareholders' equity of ACREP is not treated as an "event of default". Therefore the bank loan Raiffeisen Polbank is classified as a long-term liability, with the exception of the short-term repayment obligations.

8.20.2 Statement of changes in secured bank loans

	2017	2016
	In € 1,000	In € 1,000
Balance as at 1 January	35,970	19,710
Loans advanced	-	17,493
Redemptions	-/- 5,939	-/- 1,072
(Amortization) flat fee	62	-/- 201
Exchange rate differences	379	40
Balance as at 30 June / 31 December	30,472	35,970

8.20.3 Analysis of convertible bonds

No	Date of issue	Convertible as of	Date of maturity	Nominal	Conversion price	Face value	Carrying amount	Carrying amount
				interest rate			30-06-2017	31-12-2016
				In %	In €	In € 1,000	In € 1,000	In € 1,000
1	01-12-2014	01-12-2015	01-12-2019	6.00	8.24	1,070	1,035	1,029
2	20-02-2015	20-02-2016	20-02-2018	6.00	8.48	1,420	1,407	1,397
3	17-10-2016	01-11-2016	31-10-2021	6.50	8.76	3,500	3,373	3,360
						5,990	5,815	5,786

8.20.4 Statement of changes in convertible bonds

	2017	2016
	In € 1,000	In € 1,000
Balance as at 1 January	5,786	2,395
Proceeds from issue	-	3,500
Amount classified as equity	-	-/- 144
Accreted interest	29	35
Balance as at 30 June / 31 December	5,815	5,786

8.20.5 Analysis of other long-term liabilities

	30-06-2017	31-12-2016
	In € 1,000	In € 1,000
Secured vendor loan RECE ¹¹	4,718	-
Unsecured loan	2,000	-
Long-term advance payments from tenants	62	67
	6,780	67

8.20.6 Statement of changes of other long-term liabilities

	Secured vendor loan RECE	Unsecured loan	Long-term advance payments from tenants	Total 2017	Total 2016
	In € 1,000	In € 1,000	In € 1,000	In € 1,000	In € 1,000
Balance as at 1 January	-	-	67	67	59
Loans / payments advanced	4,718	2,000	-	6,718	64
Redemptions	-	-	-/- 5	-/- 5	-/- 57
Exchange rate differences	-	-	-	-	1
Balance as at 30 June / 31 December	4,718	2,000	62	6,780	67

¹¹ Consisting of the vendors: Real Estate Central Europe AS (registered office in Norway), Real Estate Central Europe Holding ApS (registered office in Denmark) and RECE Poland Sp. z.o.o. (registered office in Poland).

8.21 TRADE AND OTHER PAYABLES

8.21.1 Analysis of trade and other payables

	30-06-2017	31-12-2016
	In € 1,000	In € 1,000
Non-current part of trade and other payables	73	74
Current part of trade and other payables	1,346	1,426
	1,419	1,500

8.21.2 Specification of trade and other payables

	30-06-2017	31-12-2016
	In € 1,000	In € 1,000
Trade payables	375	415
Accruals	307	431
Deposits received	322	277
Interest rate swaps used for hedging	67	132
Interest payables	92	116
Value Added Tax and other taxes	159	63
Administrative expenses	71	65
Withholding tax	19	-
Payables investments in group companies	6	-
Other liabilities	1	1
	1,419	1,500

8.22 INCOME TAX PAYABLE

8.22.1 Analysis of income tax payable

	30-06-2017	31-12-2016
	In € 1,000	In € 1,000
Income tax current year	18	-

8.23 FINANCIAL INSTRUMENTS

8.23.1 Derivatives

As at statement of financial position's date Arcona Capital Real Estate Poland Sp. z.o.o., subsidiary of the Fund, entered into the following derivatives:

Per 30-06-2017					
	Nominal amount In € 1,000	Average fixed interest rate In %	Assets In € 1,000	Liabilities In € 1,000	Line item in the SFP where the hedging instrument is included
Interest rate swaps	7,197	0.22	-	67	Trade and other payables
Interest rate caps	3,097	4.50	-	-	n.a.

Per 31-12-2016					
	Nominal amount In € 1,000	Average fixed interest rate In %	Assets In € 1,000	Liabilities In € 1,000	Line item in the SFP where the hedging instrument is included
Interest rate swaps	7,350	0.22	-	132	Trade and other payables
Interest rate caps	3,150	4.50	-	-	n.a.

8.24 CONTINGENT ASSETS

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

- A. The Fund has a contingent asset towards the sellers of RECE Progress Sp. z.o.o. (currently named: Arcona Capital Real Estate Trio Sp. z.o.o.) for the amount of € 500,000 (the "shares' purchase price reduction"). The shares' purchase price reduction applies if Arcona Capital Real Estate Poland Sp. z.o.o. is obliged to repay Tranche B of the secured bank loan (received from Raiffeisen Polbank for the amount of € 1,050,000) on or before the 3rd anniversary of the disbursement of Tranche B. For the obligations of Arcona Capital Real Estate Poland Sp. z.o.o. to repay Tranche B is referred to section 8.26. The shares' purchase price reduction shall take effect automatically on the date of full or partial repayment of Tranche B of the secured bank loan. In case of partial repayment of Tranche B, the share purchase price reduction will be adjusted in proportion to the Tranche B repayment. Simultaneously with the shares' purchase price reduction indicated above, the vendor loan amount towards "RECE" (see section 8.20.5) shall be reduced with the same amount.

8.25 NON-CONTINGENT LIABILITIES

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

- A. Arcona Capital Real Estate Trio Sp. z.o.o owns three buildings (Torun, Lodz and Bydgoszczy) situated at leased plots. The main conditions of these lease agreements are:
- **Torun** - Lease agreement for a plot of 7,262 m² till 30 June 2030 with a ground lease fee of PLN 276,246 (€ 65.369,74) per annum.
 - **Lodz** - Lease agreement for a plot of 4,998 m² till 1 November 2029 with a ground lease fee of PLN 254,345.76 (€ 60,187.36) per annum.
 - **Bydgoszczy** - Lease agreement for a plot of 4,862 m² till 16 January 2025 with a ground lease fee of PLN 248,549.88 (€ 58,815.85) per annum.

As at statement of financial position's date the 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.

8.26 CONTINGENT LIABILITIES

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

- A. Arcona Capital RE Bohemia s.r.o. has a contingent liability for the amount of CZK 6,365,000 (€ 243,000) towards the buyer of the investment property Štefánikova with regard to rent received in advance by Arcona 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;
- B. Arcona Capital Real Estate Poland Sp. z.o.o. has a contingent liability towards Raiffeisen Polbank with regard to Tranche B of the secured bank loan for the amount of € 1,050,000 relating to the investment property "Kalisz", which is not currently leased to tenants. Tranche B has to be repaid together with Tranche A (based on 20-year amortisation of the loan) after their consolidation on the 2nd anniversary of disbursement (December 2018):
- when the investment property should be commercialized and new valuation of the investment property (min. LTV 65%) based on concluded lease agreements;
 - DSCR for the tranche B min. 1,20 x calculated on headline rents;
 - all other covenants for the loan are met (verification forward-looking).
- If Above conditions are not met till the 2nd anniversary of disbursement (December 2018), tranche B is to be repaid during December 2018 until 30 November 2019;
- C. The Fund has a contingent liability towards the sellers of RECE Progress Sp. z.o.o. (currently named: Arcona Capital Real Estate Trio Sp. z.o.o.) for the maximum amount of € 1,500,000 (the "shares' purchase price increase").
- The shares' purchase price increase applies if:
- Arcona Capital Real Estate Poland Sp. z.o.o. refinances the secured bank loan of Raiffeisen Polbank by 12 December 2022;
 - or the Fund sells any of the 11 owned properties obtained through Arcona Capital Real Estate Poland Sp. z.o.o. and Arcona Capital Real Estate Trio Sp. z.o.o.: the acquisition of the 11 properties hereinafter mentioned as: ("RECE");
 - or the Fund sells any part of the shares of Arcona Real Estate Trio Sp. z.o.o. by 12 December 2022.

The shares' purchase price will be increased by the amount equal to 50% of the positive difference between (I) the net proceeds gained from the loan amount utilized to the Fund under the refinancing documents (net of any fees paid to the refinancing bank, legal costs, valuation costs, breakage costs to existing bank etc.), and (II) the outstanding amount of the secured bank loan; or on the event of the sale of the owned properties obtained through "RECE" or shares of Arcona Capital Real Estate Trio Sp. z.o.o. the difference between (I) the net proceeds gained from the sale of any of the owned properties obtained through "RECE" or shares of Arcona Capital Real Estate Trio Sp. z.o.o., and (II) the relevant part of the net consideration.

In the event of refinancing referred to above, the “shares’ price increase” shall take effect automatically on the date the refinanced amount is utilized to the Fund (“refinancing date”).

In the event of the sale referred to above, the “shares’ price increase” will take place on the earlier of:

- on the day of the sale of the last of the owned properties obtained through “RECE” or the last of the shares of Arcona Capital Real Estate Trio Sp. z.o.o.;
- or by 12 December 2022 (“sale settlement date”).

The payment of the relevant “shares’ purchase price increase” shall be made within 14 business days from the “refinancing date” or the “sale settlement date”.

As at statement of financial position’s date the 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.

8.27 PROPERTY OPERATING EXPENSES

	01-01-2017 to 30-06-2017 In € 1,000	01-01-2016 to 30-06-2016 In € 1,000
Property management	289	220
Asset management	296	229
Maintenance expenses in respect of investment properties	351	196
Taxes on investment properties	163	103
Land lease	68	-
Commission fees	36	24
Insurance premiums	23	14
Other direct operating expenses	5	6
	1,231	792

8.28 VALUATION RESULTS OF PROPERTIES

8.28.1 Analysis of valuation results of properties

	01-01-2017 to 30-06-2017 In € 1,000	01-01-2016 to 30-06-2016 In € 1,000
Investment properties	423	-
Properties held for sale	12	-
	435	-

8.28.2 Specification of valuation results of properties

	01-01-2017 to 30-06-2017 In € 1,000	01-01-2016 to 30-06-2016 In € 1,000
Unrealised value adjustments booked in current year	332	-
Unrealised value adjustments booked in prior years	103	-
	435	-

8.29 RESULTS ON DISPOSALS OF PROPERTIES

8.29.1 Analysis of results on disposals of properties

	01-01-2017 to 30-06-2017 In € 1,000	01-01-2016 to 30-06-2016 In € 1,000
Part of VUP, Brno	-/- 103	-

8.29.2 Specification of results on disposals of properties

	01-01-2017 to 30-06-2017 In € 1,000	01-01-2016 to 30-06-2016 In € 1,000
Realised value adjustments booked in current year	-	-
Realised value adjustments booked in prior years	-/- 103	-
	-/- 103	-
Transfer tax	-	-
Consultancy fees and legal fees	-	-
	-	-
	-/- 103	-

8.30 NET RESULTS ON PROPERTIES

	01-01-2017 to 30-06-2017 In € 1,000	01-01-2016 to 30-06-2016 In € 1,000
Valuation gains	332	-
Valuation losses	-	-
	332	-

8.31 FINANCIAL INCOME

	01-01-2017 to 30-06-2017 In € 1,000	01-01-2016 to 30-06-2016 In € 1,000
Change in fair value of derivatives	70	-
Released from "Reserve for currency translation differences"	33	52
Net dividend from "Other investments"	-	10
Other exchange and currency translation results	20	2
	123	64

8.32 ADMINISTRATIVE EXPENSES

8.32.1 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 2016 section 12.56.1 "Management fee".

8.32.2 Specification Management fee

	01-01-2017 to 30-06-2017 In € 1,000	01-01-2016 to 30-06-2016 In € 1,000
Management fee	615	422
Asset Management fee Arcona Capital Czech Republic s.r.o.	-/- 236	-/- 229
Asset Management fee Arcona Capital Poland Sp. z.o.o.	-/- 60	-
	-/- 296¹²	-/- 229
Fund Management fee (Arcona Capital Fund Management B.V.)	319	193

8.32.3 Performance-related remuneration

The Managing Board receives performance-related remuneration, which is dependent on the Fund's total annual return. The calculation of the performance-related remuneration is equal to those described in the financial statements 2016 section 12.56.3 "performance-related remuneration".

For the financial period 2017 the Managing Board received no performance-related remuneration (2016: nil).

8.33 OTHER OPERATING EXPENSES

8.33.1 Specification of other operating expenses

	01-01-2017 to 30-06-2017 In € 1,000	01-01-2016 to 30-06-2016 In € 1,000
Costs of service providers	334	254
Other operating expenses	64	104
	398	358
Costs of funding and acquisition	63	388
	461	746

¹² See also section 8.27 "Analysis of property operating expenses".

8.33.2 Analysis of costs of service providers

	01-01-2017 to 30-06-2017	01-01-2016 to 30-06-2016
	In € 1,000	In € 1,000
Consultancy fees	103	56
Accounting expenses	88	75
Audit fees	34	31
Supervisory Board fees	14	14
Marketing expenses	15	15
Custody fees	25	20
Listing, Paying and Fund Agent fees	11	11
Supervisors' expenses	12	12
Insurance AIFMD	9	6
Other costs of service providers	23	14
	334	254

8.33.3 Analysis of other operating expenses

	01-01-2017 to 30-06-2017	01-01-2016 to 30-06-2016
	In € 1,000	In € 1,000
Non-refundable Value Added Tax	42	40
Change in provision for doubtful receivables	-/ - 4	61
Irrecoverable trade receivables	21	-
Wages and salaries statutory directors	5	3
	64	104

8.33.4 Analysis of costs of funding and acquisition

	01-01-2017 to 30-06-2017	01-01-2016 to 30-06-2016
	In € 1,000	In € 1,000
Capital raise	-	388
Due Diligence	27	-
Transfer tax	23	-
Legal fees	13	-
	63	388

The costs of "Capital raise" in the comparative figures concerns consultancy fees and audit fees with regard to the "Registration Document" and "Securities Note" and acquisition of the Polish investment portfolio.

The "Due diligence" relates to technical and legal due diligence with regard to the acquisition of RECE Progress Sp. z.o.o..

The "Transfer tax" and "Legal fees" relates to acquisition-related costs with regard to the acquisition of RECE Progress Sp. z.o.o..

8.34 FINANCIAL EXPENSES

	01-01-2017 to 30-06-2017	01-01-2016 to 30-06-2016
	In € 1,000	In € 1,000
Interest expense on interest-bearing loans and borrowings	783	437
Non-refundable withholding tax on receivable interest from group companies	19	-
Interest expense on derivatives (interest rate swaps used for hedging)	18	-
Valuation losses on "Other investments"	-	17
Other	3	-
	823	454

8.35 EARNINGS PER (ORDINARY AND REGISTERED) SHARE

8.35.1 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 (ordinary and registered) shares outstanding during the financial period.

The weighted average number of (ordinary and registered) shares are 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 (ordinary and registered) 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, also the comparative figures have been adjusted retrospectively.

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

	01-01-2017 to 30-06-2017	01-01-2016 to 30-06-2016
	In € 1,000	In € 1,000
Profit for the financial period	2,199	119

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

	01-01-2017 to 30-06-2017	01-01-2016 to 30-06-2016
	In pieces	In pieces
Issued shares as at 1 January	3,165,149	1,438,704
Bonus element rights issue	-	308,156
	3,165,149	1,746,860

8.35.4 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.

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

	01-01-2017 to 30-06-2017 In € 1,000	01-01-2016 to 30-06-2016 In € 1,000
Profit for the financial period	2,199	119
Interest expense on convertible bonds (net of tax)	214	90
Deferred taxes convertible bonds	-	-/- 4
	2,413	205

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

	01-01-2017 to 30-06-2017 In pieces	01-01-2016 to 30-06-2016 In pieces
Weighted average number of (ordinary and registered) shares outstanding during the period (basic)	3,165,149	1,746,860
Effect on conversion of convertible bonds	696,849	244,864
	3,861,998	1,991,724

8.36 RISK MANAGEMENT

8.36.1 General

According to its investment policy set out in the prospectus, the Registration Document dated 19 October 2016 in combination with the Security Note dated 28 October 2016, the Fund may hold investments in direct property in Central Europe. The Fund's investment portfolio currently consists primarily of property in the Czech Republic, Slovakia and Poland. These properties in principle are held for an indefinite period.

The Fund's investment activities result in exposure to various risks, as also defined in the prospectus, the Registration Document dated 19 October 2016 in combination with the Security Note dated 28 October 2016, as well in the financial statements 2016 section 12.63 "Risk Management". As at statement of financial position's date the exposure to the risks, as described in the financial statements 2016, deviates not materially from their exposure as at 31 December 2016.

8.37 RELATED PARTIES

8.37.1 Identity of related parties

With regard to the 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).

8.37.2 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 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 Fund (and / or its subsidiaries) to Arcona Capital Czech Republic s.r.o. for the amount of € 236,000;
- B. 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 Fund (and / or its subsidiaries) to Arcona Capital Poland Sp. z.o.o. for the amount of € 60,000.

During the financial period no other transactions occurred with members of the Management 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 8.32 “Administrative expenses”.

The remuneration for the Supervisory Board and the remuneration for the statutory directors are described in section 8.33.2 “Analysis costs of service providers” and 8.33.3 “Analysis of other operating expenses”.

8.37.3 Specification major investors¹³

	Type of share	Directly real voting rights In %	Indirectly real voting rights In %	Directly potential voting rights In %	Total In %
H.M. van Heijst	Ordinary shares	4.70	17.24 ¹⁴	n.a.	21.94
	Convertible bond	n.a.	n.a.	16.34	16.34
Stichting Prioriteit MERE	Priority shares	100.00	n.a.	n.a.	100.00

The voting rights are based on information in the Register substantial holdings and gross short positions of the Dutch Authority for the Financial Markets (Stichting Autoriteit Financiële Markten, the “AFM”).

¹³ Major investors: more than 20% voting rights.

¹⁴ Through Stichting Value Partners.

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

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

- A. H.M. van Heijst has provided a private unsecured loan for the principal amount of € 2,000,000. The outstanding amount as at statement of financial position's date amounts to € 2,000,000 (31 December 2016: € nil).
- B. H.M. van Heijst was entitled to interest with regard to the provided private unsecured loan for an amount of € 2,000. The total outstanding amount of the payable interest with regard to provided private unsecured loans towards H.M. van Heijst as at statement of financial position's date amounts to € 2,000 (31 December 2016: € nil);
- C. H.M. van Heijst was entitled to interest with regard to the issued convertible bonds for an amount of € 136,000. The total outstanding amount of the payable interest with regard to the issued convertible bonds towards H.M. van Heijst as at statement of financial position's date amounts to € 136,000 (31 December 2016: € 63,000). The total outstanding amount of the convertible bonds issued to H.M. van Heijst (face value) as at statement of financial position's date amounts to € 4,420,000 (31 December 2016: € 4,420,000).

8.37.5 Transactions with other related parties III-IV-V)

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

- A. Arcona Capital RE Bohemia s.r.o. paid Asset Management fees to Arcona Capital Czech Republic s.r.o. in the amount of € 49,000 (30 June 2016: € 44,000). The Managing Board of Arcona Capital Fund Management B.V. has decided to reduce its own Management fee by the same amount;
- B. Arcona Capital RE Slovakia s.r.o. paid Asset Management fees to Arcona Capital Czech Republic s.r.o. in the amount of € 187,000 (30 June 2016: € 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. Arcona Capital Real Estate Poland Sp. z.o.o. paid Asset Management fees to Arcona Capital Poland Sp. z.o.o. in the amount of € 48,000 (30 June 2016: € nil). The Managing Board of Arcona Capital Fund Management B.V. has decided to reduce its own Management fee by the same amount;
- D. Arcona Capital Real Estate Trio Sp. z.o.o. paid Asset Management fees to Arcona Capital Poland Sp. z.o.o. in the amount of € 12,000 (30 June 2016: € nil). The Managing Board of Arcona Capital Fund Management B.V. has decided to reduce its own management fee by the same amount;
- E. Arcona Capital RE Bohemia s.r.o. paid fees for advisory services to Arcona Capital Czech Republic s.r.o. for the amount of € 1,000 (30 June 2016: € 4,000);
- F. Arcona Capital RE Slovakia s.r.o. paid fees for advisory services to Arcona Capital Czech Republic s.r.o. for the amount of € 11,000 (30 June 2016: € nil);
- G. Arcona Capital related parties rented office space in the properties of the subsidiaries of the Fund for the amount of € 24,000 (268 m²) (30 June 2016: € 24,000 (268 m²));
- H. Arcona Capital RE Bohemia s.r.o. and Arcona Capital RE Slovakia s.r.o. paid short term wages and salaries for its statutory Directors in the amount of € 5,000 (30 June 2016: € 3,000).

8.37.6 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.

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

Company	MEOF II In %	The Fund In %	Total 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 (31 December 2016: all properties are sold).

8.37.7 Agreements with related parties

The Fund has not entered into any agreements with parties affiliated with the Managing Board of the Fund, other than as described in the financial statements 2016 section 12.56.4 "Agreement with Arcona Capital Fund Management B.V."

8.38 EVENTS AFTER STATEMENT OF FINANCIAL POSITION'S DATE

The following material events after statement of financial position's date have occurred:

- A. As at 3 July 2017 the Fund announced with tenant DVI, a.s. that DVI, a.s. will lease 685 m² in the Karlin asset (located in Czech Republic) at an annual rent of about € 68,000. This area in Karlin will be renovated by the Fund during third quarter 2017 for an amount of about € 90,000.
- B. As at 6 July 2017 the Fund acquired the office building "Maris", located in Szczecin (Poland), through the takeover of 100% of the shares and voting rights of Bywater Sp. z.o.o. Project 5 sp.k. for an amount of € 1,000, as well as the takeover of the shareholders loans for an amount of € 1,809,000. For the takeover of the shares and the shareholders loan the Fund paid an amount in cash of € 1,810,000. The fair value of this payment is equal to the nominal value. DNB Nordbank has provided a secured bank loan for the amount of about € 7,050,000 to the acquired entity. The value of "Maris", appraised by CBRE on 26 June 2017, is € 9,129,000. The purchase was financed with a private unsecured loan of € 2,000,000 with a maturity of 1.5 years and an interest rate of 6.0% The unsecured loan of € 2,000,000 is already included in the interim financial statements as at 30 June 2017. The acquisition fits in with the policy of the Management of the Fund to grow further in Poland, the largest market in Central Europe. As a result of this transaction, the equity of the Fund increased with an amount of about € 480,000 after deduction of costs of acquisition. The main cause for this profit is the acquisition price of the shareholders loan is lower than its fair value.
- C. Based on the interim company financial statements dated 30 June 2017 the Managing Board provided an interim distribution to the shareholders in the amount of € 0,10 per ordinary and registered share. The ex-dividend date was 7 August 2017. Payment date was 9 August 2017.

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

8.39 ESTIMATES AND FORMATION OF AN OPINION BY THE MANAGEMENT

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. Market rents per type of property;
- D. Property prices.

In section 8.10.3 "Valuation of investment properties" and 8.16.3 "valuation of Assets held for sale" the critical assessments by the Managing Board in applying the Fund's principles of the valuation of the investment properties are stated.

Amsterdam, 23 August 2017

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*

*H.H. Visscher
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 Fund, except for B. Vos M.Sc. who had 4,400 ordinary shares (31 December 2016: 4,400) in private possession and 4,562 ordinary shares (31 December 2016: 4,562) 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 2016: 26,991) in the Fund. G.St.J. Barker LLB FRICS is ultimate beneficial owner (UBO) of Arcona Capital GmbH.

9.2 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).

