

# General Meeting of Shareholders

## Arcona Property Fund N.V.



16 June 2021

# AGENDA

## General Meeting

1. Opening
2. Report of the management board for the 2020 financial year
3. Current matters
4. Adoption of the annual accounts for 2020 and determination of the allocation of the result [**voting item**]
5. Discharge of liability of the management for its management [**voting item**]
6. Discharge of the members of the Supervisory Board for liability for their supervision [**voting item**]
7. Appointment of Mr J. J. van Heijst as member of the Supervisory Board on the proposal of the Priority Foundation [**voting item**]
8. Appointment of Mr M. P. Beys as member of the Supervisory Board on the proposal of the Priority Foundation [**voting item**]
9. Any other items
10. Closure

# 1. OPENING

## 2. REPORT | Focus in 2020

- In 2020 the focus was on:
  - a) Selling non-core real estate
  - b) Refinancing expiring bank loans
  - c) Refinancing / repaying other loans
  - d) Limiting the impact of COVID-19 on the financial stability of Arcona Property Fund
- COVID-19 made it more challenging to achieve sales and refinancing success
- Due to local presence and contacts in the market, important steps were taken in 2020 in sales and refinancing
- Due to the composition of the tenant base with diversified and small tenants, the impact of COVID-19 was limited

## 2. REPORT | Sale of non-core assets

- In late 2019, five non-core real estate properties in Košice were put up for sale
- The aim was to realize approximately EUR 10 million from these sales
- The sale of Krivá 18 and Krivá 23 was announced on September 21, 2020
- The total sales price was EUR 5.85 million
- Sold 7% below appraised value at the end of 2019 and approx. 45% above the purchase price in 2006
- Sales result, net of tax, has been used for loan repayments



Krivá 18



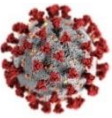
Krivá 23

## 2. REPORT | Refinancing bank loans

- After an extension in May 2020, the loan (financing the Maris office building, Poland) from DNB Bank Polska (DNB) expired at the end of 2020.
- The loan was EUR 5.7 million with annual interest of 3.51%
- DNB indicated that it did not wish to extend the loan any further
- Various banks/financiers were approached by management / local management
- Extensive negotiations were also held with BNP Paribas Bank Polska (BNP) – the financier of the Polish supermarkets – to refinance Maris.
- BNP withdrew from commitments in the final phase and only wanted to refinance the loan for the six Polish supermarkets
- Austria's Hypo Noe was interested in financing both - Maris and the six Polish supermarkets

## 2. REPORT | Refinancing loans

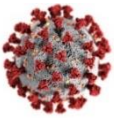
- **Seller loan RECE | NV level**
  - EUR 2.29 million was repaid in October 2020 from the sale of Krivas
  - The remaining part of the loan (EUR 1.91 million) matured in Dec '20
  - The whole loan had an average interest rate of 4.2% over a term of 4+ years
  - In December, the loan (EUR 1.91 million) was extended by a few months at 15% interest
- **Investor loans | NV level**
  - These loans (EUR 2.5 million) matured in December 2020
  - The interest was 10%
  - Extended until June 30, 2021
- **SPDI loan | Boyana Residence**
  - The loan (8%) of EUR 640,000 matured in December 2020
  - Extended until June 2021 in combination with (promised) repayments



## 2. REPORT | Impact COVID-19 on the rent

- The impact of COVID-19 was actively mitigated by:
  - granting rental discounts in exchange for contract extensions
  - Thinking along with tenants
  - Communicate actively with tenants: *'Pay what you can'*
  - Claiming government subsidies for rent compensation
- Rent and service income decreased by 7% to EUR 10.32 million
  - In Poland by 3.3% due to rental decreases in Inowroclaw and Glogow
  - In Slovakia by 10.8% overall due to 29% lower rental income at Kosmalt (student housing)
  - In the Czech Republic by 4.5% due to lower rental income at two buildings





## 2. REPORT | Impact COVID-19 on valuation

- The appraised value of the comparable property portfolio decreased by 3.3%
  - from EUR 92.8 million at the end of 2019 to EUR 89.7 million at the end of 2020
- The lower valuation of the entire portfolio was mainly due to the devaluation of the Polish retail portfolio
- The appraisers in Poland applied a higher yield adjustment due to uncertainty caused by COVID-19, despite a good and sustained performance from the Fund's retail portfolio

## 2. REPORT | Annual Accounts

## 2. REPORT | Balance Statement

<b>Assets</b> (in EUR 1,000)	<b>31-12-20</b>	<b>31-12-19</b>	<b>Equity &amp; Liabilities</b> (in EUR 1,000)	<b>31-12-20</b>	<b>31-12-19</b>
Land and buildings	79,258	80,992	Share capital	38,104	38,104
Other assets	479	562	Revaluation reserve	6,691	7,059
Deferred tax	177	367	Other reserves	8,228	9,126
<b>Fixed assets</b>	<b>79,914</b>	<b>81,921</b>	Retained earnings	-/- 10,069	-/- 6,289
			<b>Equity</b>	<b>42,954</b>	<b>48,000</b>
Assets held for sale	9,861	18,785			
Other	3,375	4,346	Bank loan	18,274	33,448
Liquid assets	1,272	2,446	Deferred Taxation	4,143	4,684
<b>Current assets</b>	<b>14,508</b>	<b>25,577</b>	<b>Long-term debt</b>	<b>22,417</b>	<b>38,132</b>
			<b>Short-term loans</b>	<b>29,051</b>	<b>21,366</b>
<b>Total assets</b>	<b>94,422</b>	<b>107,498</b>	<b>Total equity &amp; liabilities</b>	<b>94,422</b>	<b>107,498</b>

## 2. REPORT | Income Statement

(In EUR 1,000)	2020	2019	delta
Operating rental and service income	10,313	11,059	-/- 746
Operational and service costs	-/- 5,914	-/- 5,839	-/- 75
<b>Net rental income</b>	<b>4,399</b>	<b>5,220</b>	<b>-/- 821</b>
Net sales and valuation result	-/- 3,251	-/- 905	-/- 2,346
Other (financial) income	39	635	-/- 596
<b>Total operating income</b>	<b>1,187</b>	<b>4,950</b>	<b>-/- 3,763</b>
Total operating expenses (costs)	-/- 2,087	-/- 2,362	275
<b>Net result before financing costs</b>	<b>-/- 900</b>	<b>2,588</b>	<b>-/- 3,488</b>
Financing charges	-/- 2,672	-/- 2,071	-/- 601
<b>Result for tax</b>	<b>-/- 3,572</b>	<b>517</b>	<b>-/- 4,089</b>
Tax	-/- 217	-/- 424	207
<b>Result after tax</b>	<b>-/- 3,789</b>	<b>93</b>	<b>-/- 3,882</b>

## 2. REPORT | Key Figures

	unit	31-12-20	31-12-19
Number of buildings		24	27
Total assets	€ 1,000	94,422	107,498
Equity	€ 1,000	42,954	48,323
Total liabilities	€ 1,000	51,468	59,498
Gross income (like-for-like)	€ 1,000	10,313	11,059
NAV at year-end per share	€	11.84	13.14
LTV (incl. other loans)	%	47.0	50.0
Occupancy	%	83.6	84.3
Solvability	%	83.5	81.0
Ongoing Charges Figure	%	9.0	10.0

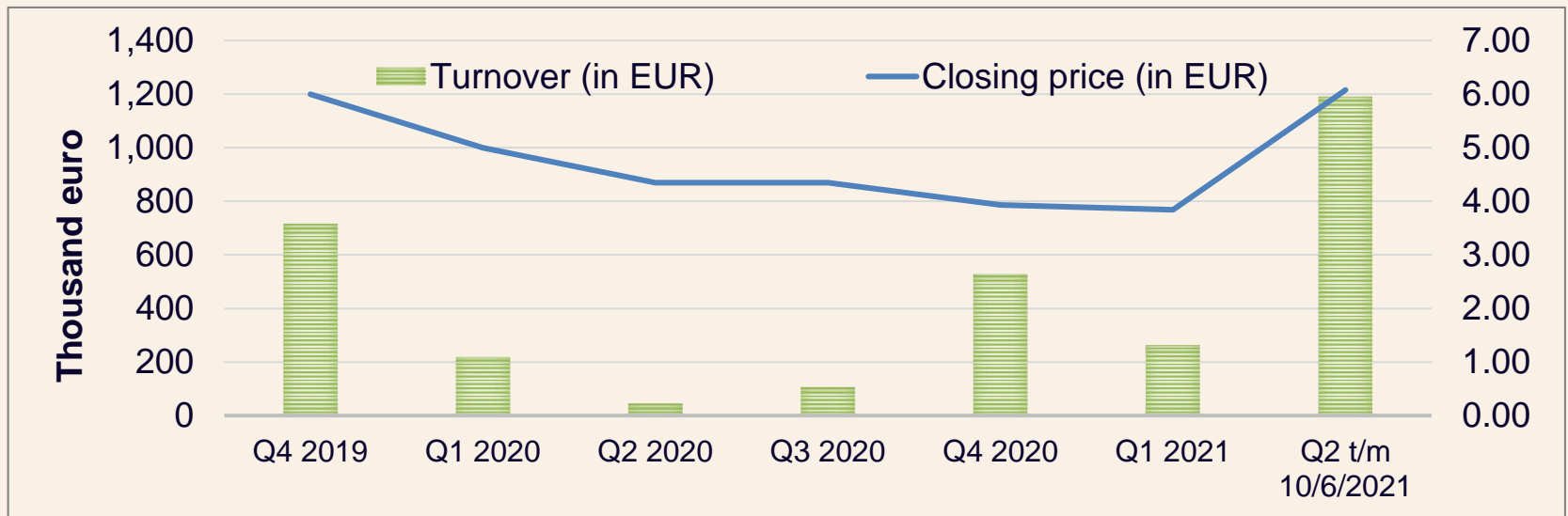
# 3. CURRENT MATTERS

## 3. CURRENT MATTERS | after balance date

- Progress has been made in H1 2021 on the sale of non-core real estate
- Loan refinancing in Poland completed
- Remaining seller loan RECE of EUR 1.91 million has been repaid
- Tenant Rossmann (pharmacist) has extended two leases in Poland until the end of November 2026
- Rossmann has expanded the rental area to a total of 925 m<sup>2</sup> (Grudziądz +459 m<sup>2</sup> and Inowrocław 466 m<sup>2</sup>)
- Rental agreement reached with new tenant in Lodz
- New tenant intends to sign a 12-year contract to replace current tenant Tesco

# 3. CURRENT MATTERS | after balance date

- Share price recovers from EUR 3.93 at the end of 2020 to EUR 6.00 at the end of May 2021
- Turnover has increased by 128% in the past six months compared to the previous six months





## 3. CURRENT MATTERS | after balance date

- Last year it was decided to implement the strategy by: selling some Košice non-core properties, repaying loans and using the (possible) remaining proceeds to buy back own shares
- Despite COVID-19, important steps have been taken:
  - Sell non-core objects in Košice
  - Repay and/or refinance maturing loans and thereby stabilize the financing situation
  - Complete SPDI phase 2 acquisition
  - Use remaining financial resources to repurchase shares or pay dividends

## 3. CURRENT MATTERS | Sale of Kosmalt

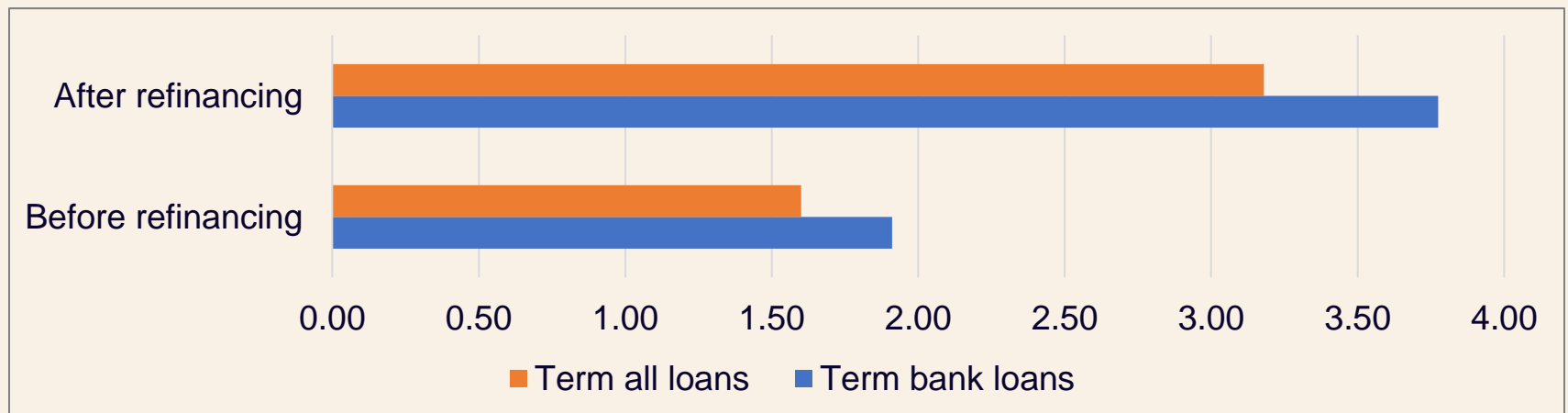
- The sale of the Kosmalt property was signed on May 6, 2021
- The selling price is EUR 4.85 million (2% above appraised value)
- Mainly provides housing for students of the University of Košice
- Net revenues in 2020 were EUR 34,000 (2019: EUR 279,000)
- The sales proceeds will be used to pay off loans
- As a result of the sale:
  - the occupancy rate improves (87.9%)
  - rental income in Slovakia is more stable
  - portfolio quality improves



Kosmalt (Kysucká 16)

### 3. CURRENT MATTERS | Hypo Noe loan

- On March 31, 2021, the loans from DNB (EUR 5.7 million) and BNP (EUR 7.7 million) in Poland were repaid
- The new loan from Hypo Noe has a term of five years and amounts to EUR 14 million
- The interest is 6-month Euribor + 2.95%
- This loan increased the average term of the loans from 1.6 years to 3.1 years



## 3. CURRENT MATTERS | Other loans

- At the beginning of April 2021, the remaining part, EUR 1.91 million, of the EUR 4.7 million RECE loan was fully repaid through a loan from a Polish investment fund
- The average interest rate on the RECE loan was 4.2% over the term of 4.25 years
- The new loan is EUR 2.2 million, has an interest rate of 8.5% and a term of three years

## 3. OUTLOOK | Focus & Strategy 2021

- Refinance/pay off maturing loans:
  - Alpha Bank | **Boyana Residence** : EUR 2.3 million
  - SPDI loan | **Boyana Residence** : EUR 450,000
  - Two investor loans | **NV level** : EUR 2.5 million
    - EUR 1.25 million to be repaid June 2021. Agreement reached on an extension of remaining EUR 1.25 million until end 2021.
  - Convertible bond | **NV level** : EUR 3.5 million
- Sale of (non-core) real estate:
  - Apartments/Plots in Sofia, Bulgaria
  - Sites in Ukraine
  - Non-core real estate in Slovakia and the Czech Republic

### 3. OUTLOOK | 2nd phase SPDI acquisition

- Purchase contract of SPDI real estate in Romania and Ukraine signed, completion in the second half of 2021
- The properties acquired:
  - Two development sites in Kiev region, Ukraine
  - Two office buildings in Bucharest, Romania:
    - EOS office, head office of Danone Romania with lease until May 2026
    - 24.35% stake in Delenco – main lease with the Romanian Telecom Authority (ANCOM) was recently extended by five years



- ❖ EOS building
- ❖ Headquarters Danone Romania
- ❖ Northwest Bucharest
- ❖ EUR 5.0 million

## 3. OUTLOOK | Financing SPDI acquisition

- The real estate in Romania and Ukraine is valued at EUR 11.7 million
- The acquisition takes place through:
  - the issuance of approximately 605,000 APF shares at net asset value per share of EUR 11.87 and,
  - Approximately 146,000 warrants that can be converted from EUR 7.20 per share
- Warrants expire after five years



- ❖ 24.35% interest in Delenco
- ❖ Tenants telecom sector
- ❖ Downtown Bucharest
- ❖ EUR 4.9 million



## 3. OUTLOOK | CEE property market

- Most offices, shops, shopping centers and restaurants are open again.
- Investment volumes at the end of 2021 are likely to be at a similar level to 2020 after accelerating in the second half of 2021.
- Investor sentiment points to a strong rebound in activity in H2, subject to progress with the pandemic and open travel.
- Poland represents approximately 65% of the investment volume, followed by the Czech Republic with 14%.
- Offices accounted for 50% of the total transaction volume, followed by Industry and Logistics (28%) and Retail (11%).
- The banks active in the region continue to lend for transactions and generally support the market.





## 3. OUTLOOK | Strategy

- Implementing the strategy by:
  - a) Repayment of loans expiring in 2021 (approximately EUR 8.8 million) through the sale of non-core real estate or through refinancing
  - b) Continuation of the sales programme (including Košice, Boyana and Odessa)
  - c) Once **a)** is completed, return money to shareholders through dividend or share repurchase

# 4. ADOPTION OF THE FINANCIAL STATEMENTS

## Voting item

- Adoption of the annual accounts for 2020

# 5. DISCHARGE FOR MANAGEMENT

## Voting item

- Discharge from liability of the Management Board for the management it conducts

# 6. DISCHARGE FOR THE SB

## Voting item

- Discharge from liability of the members of the Supervisory Board for their supervision

# 7. APPOINTMENT NEW SB MEMBER

## Voting item

- Appointment of Mr J. J. van Heijst as member of the Supervisory Board on the proposal of the Priority Foundation

# 8. APPOINTMENT NEW SB MEMBER

## Voting item

- Appointment of Mr M. P. Beys as member of the Supervisory Board on the proposal of the Priority Foundation

# 9. ANY OTHER ITEMS

# 10. CLOSURE



# CONTACT DETAILS

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