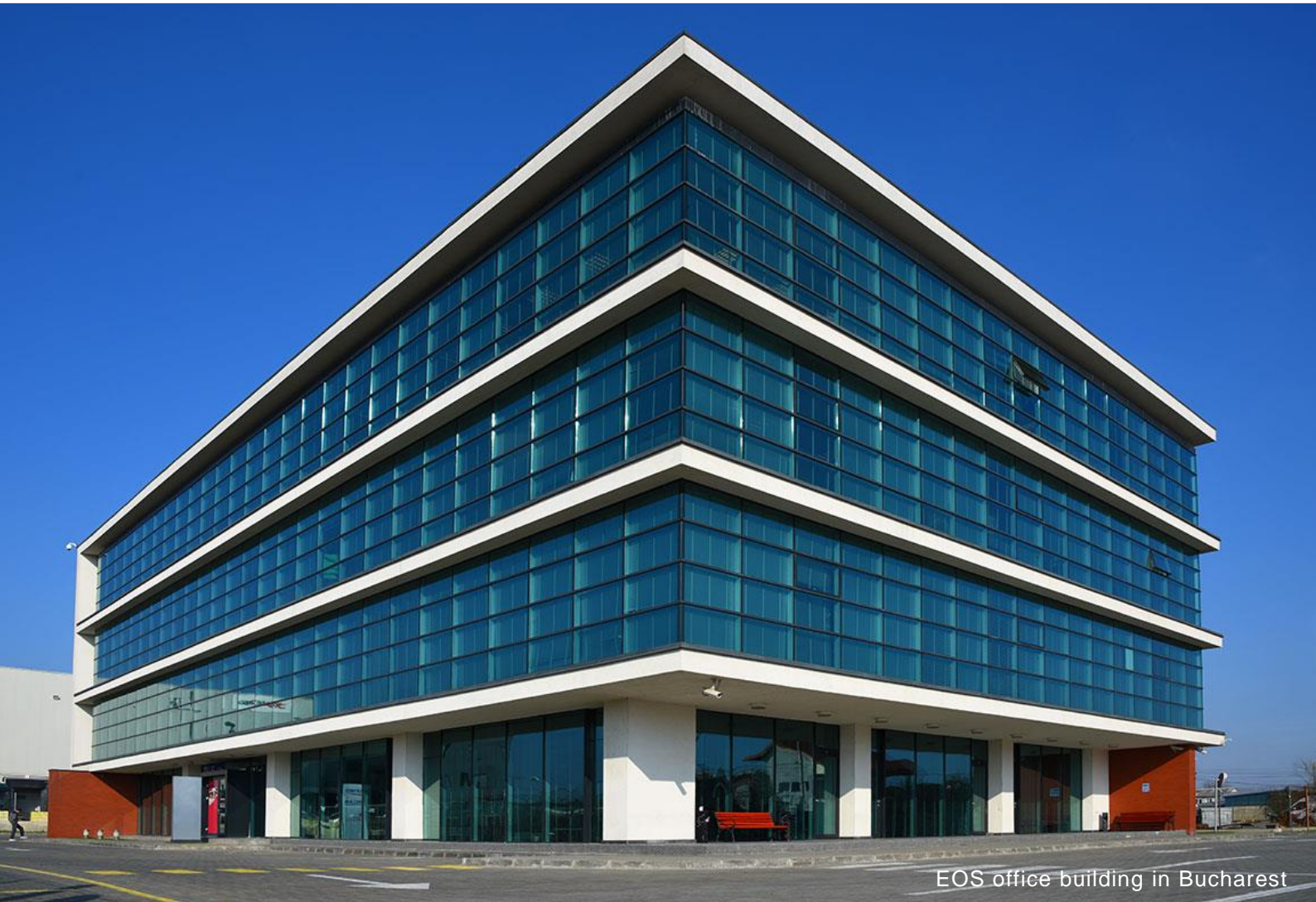




ARCONA CAPITAL



EOS office building in Bucharest

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

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CONTENTS

| | | |
|----------|--|-----------|
| 1 | FOREWORD FROM THE MANAGEMENT | 4 |
| 2 | REPORT OF THE MANAGING BOARD | 7 |
| 2.1 | SUMMARY OF EVENTS DURING THE FIRST HALF OF 2021 | 7 |
| 2.2 | FINANCIAL HIGHLIGHTS | 12 |
| 2.3 | DIVIDEND | 15 |
| 2.4 | FUND OUTLOOK | 15 |
| 2.5 | RISK MANAGEMENT | 16 |
| 2.6 | DECLARATION OF THE MANAGING BOARD | 16 |
| 3 | CONSOLIDATED INTERIM FINANCIAL STATEMENTS | 17 |

1 FOREWORD FROM THE MANAGEMENT

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

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

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

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

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

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

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

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

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

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

KEY FIGURES

BALANCE SHEET STATEMENT (in € 1,000)

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

PROFIT AND LOSS STATEMENT (in € 1,000)

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

ISSUED CAPITAL

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

DATA PER SHARE

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

² Without Boyana apartment area

³ Earnings indicator was introduced in 2018

⁴ Determined based on previous method

⁵ Determined based on market conform method

2 REPORT OF THE MANAGING BOARD

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

2.1 SUMMARY OF EVENTS DURING THE FIRST HALF OF 2021

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

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

2.1.1 DEVELOPMENTS DURING H1 2021

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

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

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

The following events took place during the reporting period:

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

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



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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

Event after balance sheet date.

There were no material events after balance sheet date.

2.1.2 NET ASSET VALUE PER SHARE AND SHARE PRICE DEVELOPMENT

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

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

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

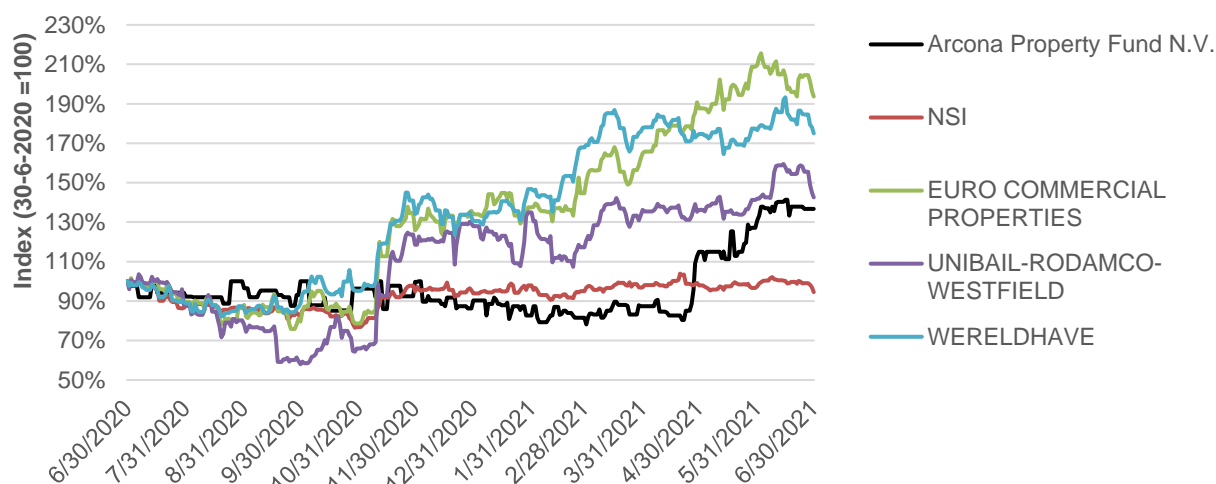
Table 3 – Development of the share price

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

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

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

Figure 1 – Indexed comparison stock market listed real estate funds



2.1.3 REAL ESTATE PORTFOLIO DEVELOPMENT

Table 4 – Comparative statement of the real estate portfolio

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

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

Table 5 – Statement of changes in investment properties

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

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

⁶ Without right-of-use assets

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

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

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

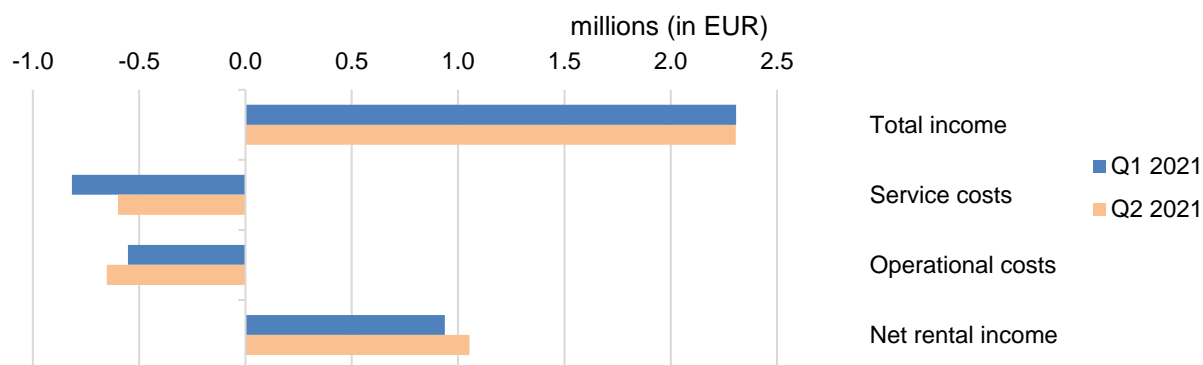
Total semi-annual total income increased by 0.9% to € 4.35 million (comparable portfolio H1 2020: € 4.31 million). Net rental income increased by 0.9% to € 1.97 million, due to an increase in gross rental income related to an increase of occupancy, and despite somewhat higher operational costs in the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

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

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

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

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



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

2.2 FINANCIAL HIGHLIGHTS

2.2.1 BALANCE

Table 8 – Balance statement

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

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

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

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

2.2.2 RESULT

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

Table 9 – Comparative statement of semi-annual results

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

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

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

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

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

2.2.3 CASH FLOW

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

Table 10 – Consolidated cash flow statement

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

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

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

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

Table 11 – Statement of recognised income and expense

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

2.2.4 BANK LOANS

Table 12 – Overview of interest-bearing loans and borrowings

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

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

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

⁸ See 11.13.1 “Analysis of loans and borrowings”.

⁹ Without lease liabilities

2.2.5 FOREIGN CURRENCY

Table 13 – Overview of foreign currency exchange rates

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

Source: European Central Bank (ECB)

2.3 DIVIDEND

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

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

2.4 FUND OUTLOOK

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

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

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

2.5 RISK MANAGEMENT

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

Risk appetite and risk management

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

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

Internal control framework

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

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

Risk monitoring

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

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

2.6 DECLARATION OF THE MANAGING BOARD

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

Amsterdam, 24 August 2021

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

G.St.J. Barker, Managing Director

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

H.H. Visscher, Managing Director

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

CONTENTS

- 3 PERFORMANCE INDICATORS19
- 4 CONSOLIDATED STATEMENT OF FINANCIAL POSITION26
- 5 CONSOLIDATED INCOME STATEMENT27
- 6 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME.....28
- 7 CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY29
- 8 CONSOLIDATED STATEMENT OF CASH FLOW30
- 9 ACCOUNTING PRINCIPLES CONSOLIDATED INTERIM FINANCIAL STATEMENTS.....31
- 10 SEGMENT INFORMATION37
- 11 NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS.....42
- 12 OTHER INFORMATION66

3 PERFORMANCE INDICATORS

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

3.1.1 Earnings

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

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

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

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

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

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

3.1.2 Calculation of (diluted) earnings

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

3.1.3 Explanation of adjustments calculation of (diluted) earnings

1. *Valuation results of properties and other investments*

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

2. *Results on disposals of properties and other investments*

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

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

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

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

4. *Changes in fair value of financial instruments*

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

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

5. *Acquisition costs on share deals*

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

6. *Taxes in respect of adjustments*

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

3.1.4 Calculation of (diluted) adjusted earnings

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

3.1.5 Explanation of adjustments calculation of (diluted) adjusted earnings

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

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

3.1.6 Net Asset Value

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

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

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

3.1.7 Calculation of Net Asset Value

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

3.1.8 Explanation of adjustments calculation of Net Asset Value

1. Fair value of financial instruments

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

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

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

2. *Deferred tax*

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

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

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

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

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

3.1.9 Triple Net Asset Value

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

3.1.10 Calculation of Triple Net Asset Value

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

3.1.11 Explanation of adjustments calculation of Triple Net Asset Value

1. *Fair value of financial instruments*

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

2. *Fair value of debt*

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

3. Fair value of deferred tax

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

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

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

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

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

3.1.12 Calculation of Triple Net Asset Value before distributions to shareholders

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

4 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

5 CONSOLIDATED INCOME STATEMENT

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

6 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

7 CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY

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

8 CONSOLIDATED STATEMENT OF CASH FLOW

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

¹ Transaction costs excluded.

9 ACCOUNTING PRINCIPLES CONSOLIDATED INTERIM FINANCIAL STATEMENTS

9.1 REPORTING ENTITY

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

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

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

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

9.2 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

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

9.3 STATEMENT OF COMPLIANCE AND FUTURE RELATED ASSUMPTIONS

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

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

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

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

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

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

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

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

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

9.4 SIGNIFICANT EVENTS AND TRANSACTIONS

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

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

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

4. Sale of Kosmalt

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

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

5. Purchase agreements second phase SPDI

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

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

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

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

6. New members Supervisory Board

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

9.5 CHANGE (OF PRESENTATION) OF COMPARATIVE FIGURES

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

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

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

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

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

9.6 BASIS OF PREPARATION OF THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

9.6.1 General

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

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

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

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

9.6.2 Judgements, assumptions and estimation uncertainties

13.4.2.1 General

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

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

13.4.2.2 Judgements, assumptions and estimation uncertainties

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

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

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

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

9.6.4 New and revised IFRS Standards and interpretations not yet applied

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

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

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

9.6.5 Exchange rates used for the Consolidated Statement of Financial Position

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

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

9.6.6 Average exchange rates used for the Consolidated Income Statement

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

9.7 FINANCIAL INSTRUMENTS

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

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

10 SEGMENT INFORMATION

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

10.1 OVERVIEW OF SEGMENT RESULT (OVERVIEW A)

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

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

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

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

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

10.2 RECONCILIATION SEGMENT RESULT WITH PROFIT FOR THE PERIOD

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

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

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

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

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

⁶ Based on main purpose of the property.

10.4 OVERVIEW OF GEOGRAPHIC ASSETS (OVERVIEW C)

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

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

11 NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

11.1 SUBSIDIARIES

11.1.1 Consolidated subsidiaries

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

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

11.1.2 Subsidiaries incorporated during the financial period

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

11.2 INVESTMENT PROPERTY

11.2.1 Analysis of investment property

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

11.2.2 Analysis of owned investment property

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

11.2.3 Specification of owned investment property

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

11.2.4 Statement of changes in owned investment property

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

11.2.5 Valuation of owned investment property

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

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

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

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

11.2.6 Specification of right-of-use assets

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

11.2.7 Statement of changes in right-of-use assets

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

11.2.8 Valuation of right-of-use assets

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

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

11.3 INVESTMENT PROPERTY UNDER DEVELOPMENT

11.3.1 Specification of investment property under development

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

11.3.2 Statement of changes in investment property under development

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

11.3.3 Valuation of investment property under development

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

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

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

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

11.4 RECOGNISED DEFERRED TAXES

11.4.1 Statement of changes in recognised deferred taxes

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

11.5 TAX ASSETS

11.5.1 Specification of tax assets

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

11.5.2 Specification of tax assets

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

11.6 TRADE AND OTHER RECEIVABLES

11.6.1 Analysis of trade and other receivables

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

11.6.2 Specification of trade and other receivables

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

11.6.3 Analysis of trade receivables

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

11.6.4 Expected credit losses for trade receivables

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

As already mentioned in the Consolidated Financial Statements 2020:

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

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

11.7 PREPAYMENTS AND DEFERRED EXPENSES

11.7.1 Analysis of prepayments and deferred expenses

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

11.7.2 Specification of prepayments and deferred expenses

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

11.8 CASH AND CASH EQUIVALENTS

11.8.1 Analysis of cash and cash equivalents

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

11.8.2 Specification of cash and cash equivalents

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

11.9 INVENTORIES

11.9.1 Analysis of inventories

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

11.9.2 Statement of changes in inventories

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

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

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

11.10 ASSETS HELD FOR SALE

11.10.1 Analysis of assets held for sale

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

11.10.2 Analysis of owned investment property held for sale

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

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

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

11.10.3 Statement of changes in owned investment property held for sale

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

11.10.4 Valuation of owned investment property held for sale

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

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

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

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

11.11 GROUP EQUITY

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

11.12 TAX LIABILITIES

11.12.1 Specification of tax liabilities

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

11.12.2 Analysis of tax liabilities

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

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

11.13 LOANS AND BORROWINGS

11.13.1 Analysis of loans and borrowings

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

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

11.13.2 Statement of changes in secured bank loans

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

11.13.3 Analysis of convertible bonds

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

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

11.13.4 Statement of changes in convertible bonds

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

11.13.5 Statement of changes in lease liabilities

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

11.13.6 Analysis of lease liabilities

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

11.13.7 Analysis of other loans and borrowings

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

11.13.8 Statement of changes in other loans and borrowings

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

11.14 DERIVATIVE FINANCIAL INSTRUMENTS

11.14.1 Specification of derivative financial instruments

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

11.14.2 Specification of derivative financial instruments

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

11.15 TRADE AND OTHER PAYABLES

11.15.1 Analysis of trade and other payables

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

11.15.2 Specification of trade and other payables

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

11.16 DEFERRED INCOME AND TENANT DEPOSITS

11.16.1 Analysis of deferred income and tenant deposits

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

11.16.2 Specification of deferred income and tenant deposits

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

11.17 DEFERRED TAX LIABILITIES

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

11.18 GROSS RENTAL INCOME

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

11.19 PROPERTY OPERATING EXPENSES

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

11.20 VALUATION RESULTS OF PROPERTIES

11.20.1 Analysis of valuation results of properties

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

11.20.2 Specification of valuation results of properties

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

11.21 RESULTS ON DISPOSALS OF PROPERTIES

11.21.1 Analysis of results on disposals of properties

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

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

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

11.21.3 Specification of results on disposals of properties

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

11.22 VALUATION RESULTS OF INVESTMENT PROPERTY UNDER DEVELOPMENT

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

11.23 NET RESULTS ON PROPERTIES

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

11.24 RESULTS ON DISPOSALS OF INVENTORIES

11.24.1 Analysis of results on disposals of inventories

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

11.24.2 Analysis of results on disposals of inventories

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

11.25 NET RESULTS ON INVENTORIES

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

11.26 FINANCIAL INCOME

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

11.27 OTHER OPERATING INCOME

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

11.28 ADMINISTRATIVE EXPENSES

11.28.1 Management fee

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

11.28.2 Specification fund management fee

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

⁸ See also section 11.19 "Property operating expenses".

11.29 OTHER OPERATING EXPENSES

11.29.1 Specification of other operating expenses

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

11.29.2 Analysis of costs of service providers

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

11.29.3 Analysis of other operating expenses

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

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

11.29.4 Analysis of costs of funding and acquisition

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

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

11.30 FINANCIAL EXPENSES

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

11.31 INCOME TAX EXPENSE

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

11.32 EARNINGS PER SHARE⁹

11.32.1 Calculation of “Basic earnings per share”

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

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

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

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

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

11.32.3 Weighted average number of outstanding shares (basic)

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

11.32.4 Calculation of “Diluted earnings per share”

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

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

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

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

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

11.32.6 Weighted average number of shares outstanding (diluted)

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

11.33 RISK MANAGEMENT

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

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

11.34 RELATED PARTIES

11.34.1 Identity of related parties

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

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

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

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

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

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

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

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

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

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

11.34.3 Specification major investors

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

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

¹⁰ Through "Stichting Value Partners".

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

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

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

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

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

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

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

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

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

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

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

11.34.7 Agreements with related parties

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

11.34.8 Loans from third parties

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

11.35 EVENTS AFTER STATEMENT OF FINANCIAL POSITION'S DATE

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

Amsterdam, August 24, 2021

The Managing Board:

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

G.St.J. Barker
Managing director

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

H.H. Visscher
Managing director

The Supervisory Board:

H.H. Kloos RBA
Chairman

B. Vos M.Sc.

J.J. van Heijst

M.P. Beys

12 OTHER INFORMATION

12.1 PERSONAL INTERESTS

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

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

12.2 INDEPENDENT AUDITOR'S REPORT

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