ARCONA PROPERTY FUND N.V.
ANNUAL REPORT 2021

Artist impression 2 floor extension project on Politických vězňů 10 in Prague

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KEY FIGURES

KEY FINANCIAL METRICS

REVENUES AND EARNINGS

	2021	2020	Change
Gross rental and service charge income (in EUR 1,000)	9,176	10,317	-/- 11.1%
Net rental income (in EUR 1,000)	4,010	4,403	-/- 8.9%
Direct result before tax (in EUR 1,000)	1,076	-/- 321	n.m.
Indirect result before tax (in EUR 1,000)	1,949	-/- 3,251	n.m.
Total result before tax (in EUR 1,000)	**3,025**	**-/- 3,572**	n.m.
Tax (in EUR 1,000)	-/-109	217	n.m.
Total result after tax (in EUR 1,000)	**3,134**	**-/- 3,789**	n.m.
Earnings per share (in EUR)	0.83	-/- 1.01	n.m.
Adjusted Earnings per share (in EUR)	0.03	0.00	n.m.
Dividend per share (in EUR)	0.00	0.00	n.m.
Cost ratio (excl. direct vacancy costs) (%)	9.50	9.96	-/- 4.6%

BALANCE SHEET

	31-12 2021	31-12 2020	Change
Investment property and inventories (in EUR 1,000)	81,738	81,395	0.4%
Assets held for sale (in EUR 1,000)	4,550	9,861	-/- 53.8%
Equity (in EUR 1,000)	46,403	42,954	8.0%
Net asset value (**NAV**) per share (in EUR)	13.09	12.31	6.3%
NNNAV per share (in EUR)	12.76	11.84	7.7%
Net Loan-to-Value (**LTV**) (%)	42.2	47.0	-/- 10.2%
Number of ordinary shares outstanding	3,758,683	3,758,683	0.0%
Weighted avg. number of shares outstanding[1]	3,758,683	3,758,683	0.0%

KEY PORTFOLIO METRICS

	31-12-2021	31-12-2020	Change
Number of properties	22	24	-/- 2
Valuation (in EUR million)	85.1	89.8	-/- 4.7
Annual net rental income (in EUR million)	4,080	4,403	-/- 323
Lettable area (in sqm)	66,701	92,714	-/- 26,013
Weighted average occupancy (in %)	90.3	83.6	6.7
Weighted remaining maturity of loans/ borrowings (years)[2]	3.38	2.34	1.04

[1] See 15.38.3
[2] See 15.39.14

BALANCE SHEET STATEMENT (in EUR 1,000)

	2021	2020	2019	2018	2017	2016
Investment properties	79,973	79,577	80,992	89,032	89,798	74,806
Other non-current assets	1,259	471	929	680	523	1,548
Current assets	9,334	14,374	25,577	2,945	7,660	7,598
Total assets	**90,566**	**94,422**	**107,498**	**92,657**	**97,981**	**83,952**
Shareholders' equity	46,403	42,954	48,000	40,911	42,036	36,452
Deferred tax liabilities	3,514	4,143	4,684	4,606	4,295	4,177
Other non-current liabilities	30,597	18,274	33,448	26,519	43,942	25,195
Current liabilities	10,052	29,051	21,366	20,621	7,708	18,128
Total equity and liabilities	**90,566**	**94,422**	**107,498**	**92,657**	**97,981**	**83,952**
LTV (in %)	42.2	47.0	50.0	50.5	52.7	49.3

PROFIT AND LOSS STATEMENT (in EUR 1,000)

	2021	2020	2019	2018	2017	2016
Direct result before tax	1,076	-/- 277	1,422	1,482	3,161[3]	-/- 325
Indirect result before tax	1,949	-/- 3,295	-/- 905	-/- 1,336	3,250	-/- 208
Total result before tax	**3,025**	**-/- 3,572**	**517**	**146**	**6,411**	**-/- 533**
Income tax expense	-/- 109	217	424	352	842	-/- 241
Total result after tax	**3,134**	**-/- 3,789**	**93**	**-/- 197**	**5,569**	**-/- 292**
Occupancy (in %)	90.3	83.6	84.3	86.9	84.0	80.7
Rentable area (in sqm)	66,701	92,174	111,906	103,849	104,186	100,673

ISSUED CAPITAL

	2021	2020	2019	2018	2017	2016
Ultimo outstanding shares	3,758,583	3,758,683	3,758,683	3,165,149	3,165,149	3,165,149
Basic earnings p.s. (in EUR)	0.83	-/- 1.01	0.03	-/- 0.06	1.76	-/- 0.14
Earnings (in EUR)	-/- 0.33	-/- 0.63	-/- 0.01	0.38	0.37	n.a.

DATA PER SHARE (in EUR)

	2021	2020	2019	2018	2017	2016
(Interim-) dividend	n.a.	n.a.	0.10	0.35	0.24	n.a.
NAV	-	-	-	-	-	11.69
NNNAV	12.76	11.84	13.14	13.65	14.05	-
Avg. monthly turnover	269,291	75,006	198,217	260,359	231,240	102,192
Highest share price	7.60	6.29	7.48	7.95	7.40	8.15
Lowest share price	3.40	3.70	5.91	6.79	5.20	5.00
Ultimo share price	7.50	3.93	6.00	7.10	7.40	5.40

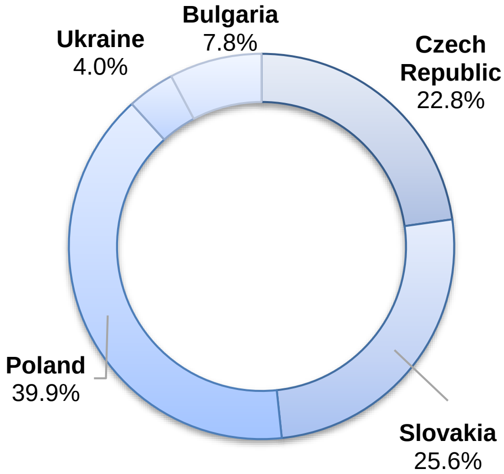
[3] Including EUR 1.88 million results on disposals of properties

REAL ESTATE PORTFOLIO AT A GLANCE

Portfolio breakdown (year-end 2021)	# assets	Value (in EUR m)	Value (in %)
Offices	7	45,578	53.6
Retail centers	10	24,680	29.0
Apartments	1	6,890	8.1
Land	2	3,395	4.0
Total investment	**20**	**80,543**	**94.7**
Held for sale	2	4,550	5.3
Total portfolio	**22**	**85,093**	**100.0**

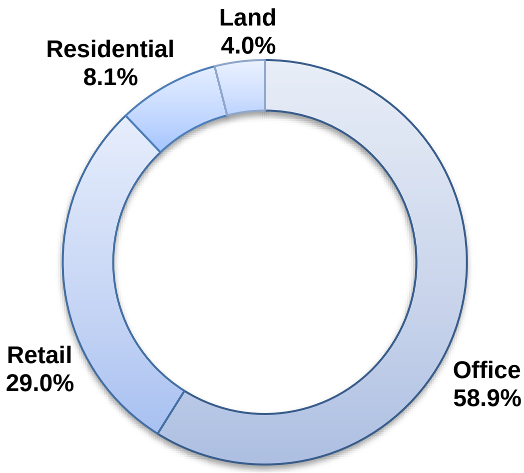
Real estate portfolio[4]
Fair value per country

The Fund strategy aims for a distribution of Poland 40%, Czech Republic 20%, Slovakia 10%, other CEE 30%, this is based on a target EUR 500 million portfolio.



The use of space
within the total real estate portfolio

The physical space distribution (96.0%) within the portfolio shows space use as (1) office, (2) retail and (3) residential. Land is 4.0% of the total real estate portfolio.



[4] including assets held for sale

1 ARCONA PROPERTY FUND N.V.

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

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

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The Netherlands
Tel: +31(0)20 82 04 720
E-Mail: info@arconacapital.com
Website: www.arconapropertyfund.com

Supervisory Board
The Supervisory Board of the Fund comprises:
Mr H.H. Kloos (chairman)
B. Vos M.Sc.
M.P. Beys Esq
Dr. J.J. van Heijst

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

H.H. Kloos, RBA, was born in Nijmegen (NL) on 1 September 1957. Mr. Kloos has been appointed in 2014 and is a former director of VVAA Groep B.V. and FBS Bankiers N.V. Mr. Kloos is currently owner of Kloos Consultants B.V. and was appointed on an interim basis as managing director of several companies such as Robein Bank, Middle Europe Investments N.V., Palmer Capital Fondsenbeheer B.V., De' Medici Vermogensbeheer B.V. and Auragenix N.V. Mr. Kloos is currently managing director a.i. of De' Medici Vermogensbeheer B.V., Mayflower Project [USA], chairman of the commission of Investment Analysts with DSI and member of the Advisory Board with De' Medici Vermogensbeheer.

B. Vos M.Sc. is currently also Chairman of MEI-Middle Europe Opportunity Fund N.V. i.l., Middle Europe Opportunity Fund II N.V. i.l., Middle Europe Opportunity Fund III N.V. and Chairman of the Supervisory Board of Kempen Capital Management N.V.

Michael P. Beys, Esq., was born in New York, New York, USA on October 25, 1971. Appointed to the board in 2021, he is the founder and partner of a law firm in New York, the chairman of the Board of Directors of shareholder Secure Property Development & Investment Plc (**SPDI**), and also the interim CEO and director of FTE Networks, Inc., which owns and operates a real estate portfolio in the U.S. He does not hold any shares in a private capacity.

Dr Jan Jaap van Heijst was born in Leiden, on October 9, 1968. He received his PhD from Groningen University, having done his research partly at Boston University on a Fulbright grant. He started his professional career as a derivatives trader for Optiver in Amsterdam. He spent 2 years working for the same company in New York. In 2009 he left as a partner and started working for ValuePartners Family Office as an asset manager. Mr van Heijst owns 12,855 shares in the Fund.

Managing Board
The Fund is managed by Arcona Capital Fund Management B.V. (**ACFM** or the **Managing Board**). ACFM is based in Amsterdam and registered in the Trade Register of the Chamber of Commerce under number 08107686.

The Managing Board currently has the following directors:
G.St.J. Barker LLB
P.H.J. Mars M.Sc.
H.H. Visscher

The Managing Board has chosen domicile at the offices of the Fund. More information can be found on the website: www.arconapropertyfund.com

Stichting Prioriteit
Stichting Prioriteit (the **Foundation**) of the Fund is managed by a managing board consisting of two members:
G.St.J. Barker LLB
H.H. Visscher

Auditors
Deloitte Accountants B.V.
Gustav Mahlerlaan 2970
NL 1081 LA Amsterdam
The Netherlands

Legal Advisor
Loyens & Loeff N.V.
Blaak 31
NL 3011 GA Rotterdam
The Netherlands

Listing Agent
ABN AMRO Bank N.V
Gustav Mahlerlaan 10
NL 1082 PP Amsterdam
The Netherlands

Administrator
KroeseWevers Accountants B.V.
Colosseum 1
NL 7500 AC Enschede
The Netherlands

Depositary
CSC Depositary B.V.
Woudenbergseweg 11
NL 3953 ME Maarsbergen
The Netherlands

Financial Calendar 2022

Publication of trading update of 1st quarter 2022	12 May 2022
Publication of semi-annual report 2022	31 August 2022
Publication of trading update of 3rd quarter 2022	9 November 2022

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

The Managing Board holds a license to manage Investment Institutions in the sense of Section 2:65 Wft (Act on the Supervision of Investment Institutions, Wet op het financieel toezicht).

2 FOREWORD FROM THE MANAGING BOARD

The Fund began 2021 with renewed COVID-19 lockdowns and other restrictions across its major markets. Nevertheless, during the course of the year, progress on vaccination programmes, focused government support to affected sectors and loose Central Bank monetary policy succeeded in maintaining the positive market sentiment towards real estate that had become apparent in the second half of 2020. This positivity led to a recovery in capital values and trading activity, surprising resilience in rental demand and continued enthusiasm from banks to lend to the sector. The Fund was able to take advantage of this by refinancing major loans in Poland at advantageous rates, disposing of further non-core assets in Slovakia, paying down substantial portions of high-yielding debt and increasing occupancy rates to its highest levels for many years.

The demonstrable operational resilience of the Fund attracted capital market interest and led to a recovery in the Fund´s share price to above pre-COVID levels, with turnover in the stock averaging 2,297 shares per trading day over the year. The share price increased by 90% over the year, the NAV increased by 7.9% and the share price discount to NAV shrank from 67% to 41%.

With further asset sales completed since year end and others underway, the Fund is in a robust position for 2022. However, in the first months of this year, a combination of surging inflation Europe-wide, sharp increases in interest rates in our core markets and the recent Russian invasion of the Ukraine have created certain challenges. We will examine these challenges in more detail later in this report but remain confident the Fund can both withstand this volatility and potentially take advantage of the opportunities that may be created therefrom.

Highlights from 2021

COVID-19 Pandemic

In 2021 the Fund's portfolio has been affected by the economic impact of the global COVID-19 pandemic and by the actions instituted by government authorities to limit the spread of the disease. In most of the countries in which the Fund operates these actions have included the closure of hospitality, educational and sporting/fitness facilities during Q1 2021 and Q4 2021. This has resulted in delayed and reduced rental payments across the Fund's portfolio.

Refinance in Poland

In April 2021 the Fund refinanced the entire real estate portfolio in Poland. The refinance consists of a new loan by HYPO NOE Landesbank für Niederösterreich und Wien with a value of EUR 14 million. The loan refinanced two previous loans for a modern office building and seven regional supermarkets.

The Fund also signed a new loan with a Polish investment fund for EUR 2.2 million. This loan is for three leasehold regional supermarkets and has been used to pay back the seller's loan which was used to acquire these three assets.

Sale Kosmalt

In May the Fund sold the non-core student accommodation Kosmalt in Košice for a price of EUR 4.86 million. The sale of this asset is part of the strategy to sell non-core properties. The proceeds of this sale were used to payback high yielding loans at Fund level.

Signing second phase SPDI

In June the fund signed the purchase agreements with SPDI for the acquisition of SPDI's remaining real estate holdings in Ukraine and for two modern office buildings in Bucharest. These assets have a value around EUR 11.7 million. The assets will be acquired by issuing shares at intrinsic value.

Vote for share buy back at EGM

In October the shareholders voted for a share buyback program. This programme will start once the short-term loans amounting to EUR 5 million have been paid back. The expected timing for completion is the end of 2022.

Sale of office building in Žilina

In November the Fund sold another non-core office property in Žilina for EUR 4 million. Proceeds from this sale were used to pay back loans.

3 ARCONA PROPERTY FUND IN BRIEF

General
The Fund is an investment company with variable capital incorporated under Dutch law and registered in Amsterdam. The shares have been listed on Euronext Amsterdam since 2003. Since 31 October 2018 the Fund is also listed on the Prague Stock Exchange (the **PSE**). At the moment it is not possible to trade in the shares on the PSE. The Fund invests in commercial real estate in Central and Eastern Europe (the **CEE**).

The Fund offers several important features that distinguish it from other real estate funds:
- The focus on Central and Eastern Europe;
- Local representation of Arcona Capital with its own offices in Amsterdam (Netherlands), Munich (Germany), Prague (Czech Republic), Sofia (Bulgaria) and Warsaw (Poland);
- Access to regional property management knowledge and facilities;
- Long-term management experience in Central Europe (since 1992).

Managing Board
Arcona Capital Fund Management B.V. is the managing board of the Fund. On 24 January 2006, it obtained from the AFM a permit under the Wft.

Fund Structure and tradability
The Fund is a closed-end investment institution, and its shares are listed on Euronext Amsterdam and the PSE.

Strategy
The Fund is one of a limited number of listed and regulated property vehicles active in the CEE region, providing regional market exposure for both private and institutional investors. It aims to provide capital preservation and a high dividend yield through a diversified and liquid vehicle managed by property specialists with a fiduciary mind-set. This is a key differentiation from the other listed stocks in the region, which are either very sector-specific or are primarily development-focused with a higher risk profile.

The costs of maintaining such a structure, offering daily trading in the shares, are high and impact disproportionally on smaller funds. Accordingly, since 2012 the Fund has pursued a growth strategy to achieve both critical mass and adequate investment diversification. Over the past 8 years, the Fund has doubled in size, expanded into 3 new regional markets and into the convenience retail and residential sectors. Further growth through acquisition is, however, currently limited by the prevailing share price discount (41% as at end 2021) to NAV. In the medium term, this restricts the Fund to acquisitions funded by share issuances at NAV (such as SPDI) or by further debt issuance.

Continued strong focus on operations
The Fund continues to reduce operational cost ratios (see table 8 on page 22) and improve occupancy levels in the existing portfolio. The Fund will continue to identify and realise opportunities to add value to the existing portfolio by redevelopment and refurbishment.

Portfolio management through selective investments and disposals in core markets
Going forward, the Fund has a clear strategy for its core markets, focusing on regional sectors with above-average growth potential and limited international competition. The Fund will continue to dispose of assets that are not aligned with its strategic focus if favourable opportunities for completing such disposals arise.

Maintaining a prudent financial strategy that supports growth
The Fund intends to maintain its prudent financial strategy of conservative leverage, targeting a LTV-ratio in the range of 40% - 50% (as at 31 December 2021: 42.2%), although an LTV percentage of up to 60% is possible.

The Managing Board has regard to the need for flexibility, in particular the ability to sell real estate from the portfolio without incurring high debt finance breakage costs. The Fund prefers to use several different financiers, so as not to be dependent on just one party.

Investor relations and information supply
The Fund strives to achieve open, timely and clear communication with private and institutional investors, asset managers and other interested parties, and endeavours to configure its public and investor relations' policy accordingly. Currently the Fund's investors are largely private investors and asset/wealth managers.

Corporate Governance
Clarity and transparency in supervision and accounting is considered by the Fund to be the cornerstone of good management and entrepreneurship. The Fund aims for a sound system of corporate governance, with its strategy and investment objectives clearly defined and its operations effectively monitored by the Managing Board, Supervisory Board and independent external parties.

Diversity
The Dutch Corporate Governance Code requires the Fund to have a diversity policy for the composition of its Supervisory Board. The Supervisory Board of the Fund currently comprises four persons, appointed by the shareholders on the basis of their relevant experience, language skills and professional qualifications. If the membership of the Supervisory Board is expanded in the future, the opportunity may be taken to broaden its composition in respect of such factors as age, gender and geographical experience. The managing board of the Fund is ACFM. ACFM is not required by the Dutch Corporate Governance code to provide information on its diversity policy.

Portfolio and historical returns
As at 31 December 2021, the Fund's real estate portfolio comprises 22 properties, located in two cities in the Czech Republic, two cities in Slovakia, ten cities in Poland, two cities in Ukraine and one city in Bulgaria. The majority of the rentable area is designated as modern suburban retail space or flexible primary and secondary office space and the remainder is mostly (student) accommodation space. The fair value of the 22 properties as at 31 December 2021 was EUR 85.09 million[5], a 6,1% increase compared to the EUR 80.26 million value of same portfolio[6] of 22 properties ultimo 2020.

Table 1 – Development of the annual return on NAV per share

	2021	2020	2019	2018	2017	2016
Return[7] (in %)	7.8	-/- 9.9	-/- 2.6	-/- 1.1	15.2	-/- 1.3[8]

[5] Including assets held for sale, investment property under development and inventory apartments.
[6] Without the apartments 2A.
[7] Including shareholder distributions.
[8] Based on comparable net asset values, corrected for shares issued.

4 PRE-ADVICE OF THE SUPERVISORY BOARD

To the general meeting of shareholders
This annual report of the Fund has been prepared by the Managing Board. This report contains the financial statements for the period from 1 January to 31 December 2021. The financial statements are audited and have been approved by Deloitte Accountants B.V. The auditor’s report is presented on pages 182 – 191. The Supervisory Board has received notice of this approval.

The Supervisory Board recommends the financial statements for the year 2021 to the General Meeting for approval.

Meetings and activities of the Supervisory Board
In view of the market volatility resulting from the COVID-19 crisis the Supervisory Board maintained a high frequency of its meetings with the Managing Board. During 2021, the Supervisory Board had nine meetings (2020: thirteen). During these meetings, the Supervisory Board discussed the (administrative) organization, the investment strategy, the commercial strategy and financial reporting of the Fund. These meetings were attended by the Managing Board.

Dividend policy
The current dividend policy is to pay out ca. 35% of the annual net operational profit as dividend. A combination of cash dividends for shareholders and retention of a portion of earnings to reinvest in physical assets and enhance tenant retention should ultimately yield the highest overall return. In the current highly competitive regional real estate market, it is crucial to maintain an adequate level of capital expenditure across the portfolio. Shareholder distributions will normally be paid on two occasions per year: an interim distribution after the end of the half year and a final distribution at the end of the year.

With the discount currently prevailing between the Fund´s share price and the NAV per share, the Managing Board is of the opinion that shareholders´ interests can also be served by a share buy-back programme as an addition to or in place of direct profit distributions. This option has been pre-approved by shareholders and will be implemented during 2022 as soon as disposable funds are available after completion of the current refinancing programme.

Finally
The Supervisory Board would like to express its appreciation for the efforts made during the year by the Managing Board and staff.

Amsterdam, 28 April 2022

Supervisory Board
H. Kloos, chairman
B. Vos M.Sc.
M.P. Beys
J.J. van Heijst

5 REPORT OF THE MANAGING BOARD

The Managing Board hereby presents the annual report of 2021 of the Fund. The reporting period is from 1 January 2021 to 31 December 2021.

5.1 SUMMARY OF THE YEAR

5.1.1 DEVELOPMENTS IN 2021

The following events took place during the reporting period:

4 February | Arcona Property Fund to extend its administrative building in central Prague location
Arcona Property Fund N.V. has obtained a building permit for its extension project on Politických vězňů street.

The building extension project at Politických vězňů 10 will use the full potential of the building's courtyard wing. The project, which will add approximately 250 square metres of new office space on two floors, and more than 100 square metres of terraces, will provide modern premises in a sought-after part of Prague for new and existing tenants.

The courtyard wing currently consists of four floors. The extension will bring the height of the courtyard wing level with the street-facing section of the building, with five floors and a two-storey attic. At the same time, the extended section of the building will undergo reconstruction works and a new elevator will be installed to bring the new administrative premises to a premium standard.

Politických vězňů 10 last underwent a major reconstruction in 1921, when it was raised from its original two floors to five. The courtyard wing now set to be extended was the last part of the building to be added.

9 March | Arcona Property Fund N.V. agrees major refinancing in Poland
The Fund has agreed terms to refinance the majority of its Polish portfolio. The refinancing will cover Arcona Property Funds entire freehold portfolio in Poland, comprising one modern office building and seven supermarkets, with a current gross value of EUR 24.9 million.

Detailed terms have been agreed with a major regional bank to replace both the current loan with BNP Paribas Bank Polska on the seven supermarkets and the loan from DNB Bank Polska which finances the Maris office building.

The new loan, in the sum of EUR 14 million, will have a term of five years and an annual interest rate of 6-month Euribor plus 2.95%. The LTV-ratio after refinancing will be 47.4%. The weighted average maturity of all debt rises from 1.6 to 3.1 years.

1 April | Arcona Property Fund N.V. completes Polish loan refinancing
The Fund has completed the refinancing of its Polish freehold portfolio, consisting of a modern office building and seven regional supermarkets. The seller's loan used to purchase the three leasehold regional Polish supermarkets has also been refinanced with a new loan.

Refinancing office building and regional supermarkets
The new loan to refinance the Maris office building and the regional supermarkets has been provided by HYPO NOE Landesbank für Niederösterreich und Wien AG (**HYPO NOE**) from Austria. The loan has a volume of EUR 14 million and a term of five years. The interest rate is 6-month Euribor plus a margin of 2.95%. With the loan from HYPO NOE, the short-term loans from BNP Paribas Bank Polska S.A. and DNB Bank Polska S.A. amounting to approximately EUR 13.35 million have been fully refinanced.

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 EUR 1,269,000 to approximately EUR 940,000.

Refinancing three leasehold supermarkets
For the other Polish subsidiary, owner of three regional supermarkets on leasehold land, a new loan of EUR 2.2 million has been signed with an investment fund from Poland. The new loan has a term of three years, the interest is Euribor plus a margin of 8.50%. The new loan will be used to pay off the expiring seller's loan. Financing costs will decrease by approximately EUR 100,000 here on an annual basis.
The entire Polish property portfolio of the Fund is now financed on a long-term basis.

30 April | Arcona Property Fund N.V. reports COVID – impacted results for 2020
The Fund has reported its full-year results for 2020. Rental income, profitability and capital values have all fallen compared to 2019, reflecting the impact of the COVID-19 pandemic. Nevertheless, against this challenging background, the Fund was able to preserve its tenant base and successfully to progress its sale and refinancing programme. The expectations for 2021 are that the Fund will continue, as in 2020, to meet all its operational and financial obligations whilst progressing with the disposal of further non-core assets into a rising market.

In 2020 the operational result was EUR 13,000, compared to EUR 692,000 in 2019. The direct result before tax was – EUR 321,000 compared to EUR 1.4 million (including a EUR 500,000 exceptional item) in 2019. Net rental income, on a like for like basis, decreased from EUR 4.9 million to EUR 4.4 million, a decrease of 10.2%. Occupancy rates declined slightly, from 84.3% to 83.6% whilst the loan to value ratio improved from 50% to 47%.

Three assets were sold during the year, a vacant supermarket in Kalisz, Poland and two office buildings in Košice, Slovakia. As a result of these sales and a 2.1% decline in the valuation of the remaining 24-asset portfolio, the Fund size decreased from EUR 104 million to EUR 89.8 million. The Fund´s NNNAV has been adjusted to EUR 11.84 per share.

5 May | General meeting of Shareholders and proposed appointment supervisory board
The Fund invites all shareholders to attend the General Meeting of Shareholders (AGM) on Wednesday 16 June 2021 at 15:00 CET. The Fund proposes to expand the Fund´s Supervisory Board (**SB**) by two additional members. At the General Meeting of Shareholders, Messrs M. Beys and J.J. van Heijst will be nominated as new members, taking the full Supervisory Board to four members in total.

6 May | Arcona Property Fund N.V. sells in Slovakia
The Fund has sold the non-core property Kosmalt in Košice, Slovakia. The gross sale price was EUR 4.86 million, 2% above the appraisal value of EUR 4.76 million at the end of 2020.

Kosmalt is located at Kysucká 16, 2 km west of the city centre, and is mainly used as student accommodation. The property, built in the 1960s, has a lettable floor area of 10,711 sqm and an occupancy rate of 43.0% as of March 31, 2021. Rental income has decreased by 29.6% due to the COVID-19 pandemic, from EUR 946,000 in 2019 to EUR 666,000 in 2020.

This sale increases the occupancy rate across the remaining 23 – property portfolio to 86.8%. The net sales proceeds will be mainly used to repay loans.

Over the past 12 months, the Fund has sold three non-core properties in Košice. This sale is a further step in the Fund´s strategy to reduce exposure to Košice and to maintenance-intensive older buildings.

28 May | COVID puts pressure on Arcona Property Fund N.V.'s quarterly result
The Fund saw gross rental income as a result of the COVID-19 pandemic fall by 6.2% in the first quarter of 2021 to EUR 1.87 million, compared to first quarter of 2020. COVID-19 also had an impact on net rental income and result before tax, which both decreased in Q1 2021 compared to the same period last year, when the impact of COVID-19 was still limited. The quality and stability of the real estate portfolio improved in the first quarter due to the successful refinancing of the Polish portfolio and the sale of Kosmalt.

The net rental income of the comparable portfolio decreased by 12.5% in the first quarter to EUR 930,000. The result before tax was EUR 78,000 negative in the first quarter, against a positive result of EUR 176,000 in the same period of 2020. The result before tax without valuation and sales result improved in Q1 2021 to EUR 50,000 negative against EUR 278,000 negative in the same period of 2020.

The drop in gross rental income was mainly caused by the lower rental income from the Kosmalt property. The gross rental income of Kosmalt decreased from EUR 242,000 in Q1 2020 to EUR 157,000 in Q1 2021.

14 June | Arcona Property Fund N.V. and SPDI progress 2nd phase acquisitions
The Fund has signed the purchase agreements with SPDI for the acquisition of SPDI´s remaining real estate holdings in Ukraine and for two modern office buildings in Bucharest, Romania. This is the second phase of the three-phase acquisition of SPDI´s property portfolio in the region.

The assets being acquired are:
- two development sites in the Kiev region of Ukraine, with a total value of EUR 1.8 million;
- a modern 2,700 sqm office building in north-west Bucharest fully leased to Danone Romania until May 2026, valued at EUR 5 million;
- a 24.35% share in a modern office building in central Bucharest partly leased to the Romanian Telecoms Authority (**ANCOM**) and valued at EUR 4.87 million. ANCOM has just agreed a five-year lease extension.

The Fund will acquire the second phase assets by issuing shares at intrinsic value and warrants which can be converted into the Fund shares. The warrants will expire after five years following their issuance and are exercisable after one year, unless a prospectus with respect to the warrant and or the underlying shares is published.

The shares will be admitted to listing in accordance with section 1 sub 5 (a) of Regulation (EU) 2017/1129. SPDI will also provide a Sellers Loan of EUR 1 million.

16 June | Arcona Property Fund N.V. provides update during its AGM
The Fund will explain today the developments in the past year and the current state of affairs during the General Meeting of Shareholders (**AGM**).

In Poland, the Fund has reached an agreement with a new lessee for the Lodz property. This tenant will sign a lease for 1,100 sqm for a term of 12 years. The new tenant will take over 783 sqm from the current main tenant, Tesco, and will also rent approximately 300 sqm of currently vacant space.

Also in Poland, Rossman has extended the expiring leases for two locations (925 sqm) until the end of November 2026. Further financial details will not be disclosed.

Agreement has been reached with two lenders to the Fund to repay 50% (EUR 1.25 million) of their loans from the proceeds from the sale of the Kosmalt property and to extend the remaining loans until the end of 2021.

18 June | Supervisory board member sells Arcona Property Fund shares
The Fund announces that Mr. Vos, member of the Supervisory Board of Arcona Property Fund N.V., has sold all his shares in the Fund on June 17. Mr. Vos held 8,958 shares in the Fund. Mr. Vos sold his shares in order to be fully independent as a Supervisory Board member.

24 August | Recovery of Arcona Property Fund N.V. in the first half of the year
The Fund has published its figures for the first half of 2021. The Fund moved back into profit, net rental income increased by 0.9% and the NAV increased by 0.6%. Further improvements to the financing structure are expected in the second half of the year.

The result after tax in the first half of 2021 amounted to EUR 97,000 (H1 2020: -/- EUR 777,000). Net rental income from the comparable portfolio increased to EUR 1.97 million in the first half of 2021, an increase of 0.9% compared to the same period last year (EUR 1.95 million).

The recovery in results is due mainly to a higher occupancy rate and the improved financing structure. The occupancy rate increased from 83.6% (end 2020) to 86.9% as at 30 June 2021. The LTV-ratio was 46.3% at the end of June 2021, compared to 47.0% at the end of 2020.

4 October | Arcona Property Fund leases to Netto in Lodz
The Fund has completed the previously announced 12-year lease with Netto for its retail location in Lodz, Poland.

As published on June 16, the Fund has reached an agreement with Netto to lease 1,100 sqm of retail space which will become available after Tesco's departure. This agreement has now been definitively signed and will run until December 2033 (plus an option to extend for a further five years). The annual rent is more than EUR 100,000. Netto is responsible for the internal refurbishment of the rented space. The Fund is renovating the façade.

6 October | EGM Arcona Property Fund N.V. votes in favour of share buyback
The Fund held yesterday an Extraordinary General Meeting of Shareholders (EGM). The shareholders present voted in favour of the repurchase of the Fund's own shares.

In order to be able to buy back the shares, the management is continuing its controlled programme to sell real estate in Slovakia, Bulgaria and Ukraine. The proceeds will primarily be used to repay short-term loans amounting to EUR 5 million. Subsequently, the purchase of shares can be started. The management expects the share buyback to be completed by the end of 2022. Further details on the share repurchase programme will be announced at a later date.

2 November | Arcona Property Fund N.V. replaces convertible bonds
The Fund has reached an agreement with the two providers of the convertible bonds which expired on October 31, 2021. The bonds, amounting to EUR 3.5 million, will be replaced by two short-term loans.

The expired convertible bonds had a conversion rate of EUR 8.76. The interest was 6.5%. The replacement loans are not convertible into Arcona Property Fund shares. The interest rate rises to 8%.

The management is planning to repay these loans in full from asset sales in the coming weeks/months. The Fund has made substantial further progress recently in the sale of non-core real estate and expects to be able to inform the market about this in the short term.

10 November | Arcona Property Fund N.V. continues recovery in third quarter
The Fund posted a profit after tax of EUR 199,000 for the first nine months of 2021, compared to a profit of EUR 100,000 for the first six months of 2021 and a loss of EUR 1.5 million for the first nine months of 2020. The occupancy rate was 87.8% at September 30, compared to 86.9% at June 30, 2021 and 83.3% at December 31, 2020. The LTV-ratio decreased to 45.7% in the third quarter, from 46.3% as of June 30, 2021 and 47.0% as of December 31, 2020.

Gross rental income of EUR 5.3 million and net rental income of EUR 3 million for the first nine months of 2021 were comparable to the same period in 2020, after adjusting for the sale of three buildings in Košice, Slovakia.

19 November 2021 | Arcona Property Fund N.V. sells office building in Žilina
The Fund has sold a 1970´s office building in Žilina (Slovakia) for EUR 4 million to a local development company. The Fund´s overall portfolio allocation to Slovakia has now been reduced to 28%, compared to 36% at the beginning of 2021.

Following this sale, the overall gross asset value of the Fund is EUR 81 million and the NAV is EUR 44.2 million, with NAV per share falling by 1.3% to EUR 11.77. The portfolio LTV-ratio improves to 44.1% from 45.7%, and the portfolio occupancy rate improves to 89.4% from 87.8%.

In accordance with current Fund policy, the cash proceeds from the sale after transaction costs and bank loan repayment will be used for partial repayments (EUR 2.5 million) of the short-term loans of EUR 3.5 million which were extended on November 1, 2021. The remaining loan portion of EUR 1 million is due on March 31, 2022 and bears an annual interest of 10%.

5.2 EVENTS AFTER BALANCE SHEET DATE

4 January | Sale of Pražská 2 & 4 in Košice, Slovakia
The Fund signed an agreement with a local investor for the sale of two office buildings (Pražská 2 and Pražská 4) in Košice (Slovakia). The sale price was EUR 4.55 million.

The appraised value of both properties at the end of 2021 was EUR 4.63 million. The occupancy rate at the time of sale was 76.8%. The sale was completed at the end of January 2022. Part of the proceeds were used to repay three short-term loans at fund level in a total amount of EUR 2.25 million.

24 February | Invasion of Ukraine by Russia
Russian troops invaded Ukraine. The Fund owns two plots of land in Ukraine, in Odessa and Zaporozhzhia. The Odessa plot, of 223,934 sqm, is situated to the north of the city adjoining the motorway to Kiev and is planned for logistic development. The valuation as at 31 December 2021 was EUR 2.7 million. The Zaporozhzhia plot, of 263,834 sqm, is located on the southern outskirts of the city and is planned for retail development. The valuation as at 31 December 2021 was EUR 689,000. At the time of publishing this report, according to various media reports, both sites remained under Ukrainian control.

Future developments in the Ukraine are very unclear. Accordingly, the Management decided to revalue both sites to zero in the Fund´s quarterly figures as from March 31, 2022. This revaluation had an impact on the NAV per share. Based on this write-down, the NAV per share decreased from EUR 12.76 to EUR 11.83. This new NAV was published on March 21 2022. See also section 15.3 point D.

The Management will closely follow further developments in Ukraine and if appropriate will adjust the valuations of the two land plots again.

Adjusting the valuations has no negative impact on the continuity of the Fund. The two land plots are not let to third parties and therefore do not generate any income for the Fund. The annual costs for these two plots at a zero valuation amount to approximately EUR 15,000.

22 February | CNB revokes bank licence of Sberbank CZ
The Czech National Bank (**CNB**) announced its decision to revoke the banking licence of Sberbank CZ. This was in response to a run on the bank that began during the previous week following the Russian invasion of Ukraine and the sanctions imposed by the European Union on Russian companies. Ultimately, the Russian state is a 50%+1 shareholder of the Russian parent of Sberbank CZ.

The Fund has, through its 100% subsidiary Arcona Capital RE Bohemia s.r.o. (**ACREB**), a loan from Sberbank CZ since 2019. The outstanding amount of the loan as at 31 December 2021 was EUR 8.45 million. The loan has a term until March 31, 2024. The loan-to-value ratio of the loan is approximately 44%. In connection with this loan, ACREB also has an interest rate hedge with Sberbank CZ which had a positive value of EUR 294,000 as at December 31, 2021. In addition, ACREB has a number of deposit accounts with Sberbank CZ for daily payments. The total amount on these deposits accounts is around EUR 400,000.

After the process to revoke Sberbank CZ's banking license was by the CNB was started, all amounts in ACREB's accounts with Sberbank CZ were frozen. It is also no longer possible to transfer money to or from accounts with Sberbank CZ. ACREB's frozen deposits are of an amount sufficient to cover the interest and principal repayment obligations on the loan from Sberbank CZ for two quarters. There is no default on the loan.

ACREB has meanwhile opened an account with Raiffeisen Bank for daily business-to-business. This allows rent to be received, suppliers to be paid and ACREB to continue its operations. On 17 March, ACREB received EUR 100,000 on this account from the State Guarantee Fund.

The developments at Sberbank CZ have not yet had any material negative impact on ACREB or the Fund. Depending on future developments, ACREB may need to accelerate the refinancing of the Sberbank loan. A possible refinancing could take place under conditions that may be less favourable than the current loan but ACREB does not expect it to be a problem to refinance given the loan-to-value ratio of approximately 44%. See also second 15.43 points E and F.

The Managing Board has carried out an analysis whether the parties involved are on the sanction lists.

29 March | Acquisition of SPDI real estate in Bucharest
The Fund acquired a 21.18% interest in the Delenco office building in Bucharest. The Fund paid for this by issuing 315,668 shares at an intrinsic value of EUR 11.83 and the issuance of 76,085 warrants. The warrants can be converted into shares of the Fund if the share price reaches a price level of EUR 7.20 before 29 March 2027.

5.2.1 NAV PER SHARE AND SHARE PRICE DEVELOPMENT

The following tables show the development of the Fund’s Triple NAV and share price during the period 1 January 2021 to 31 December 2021.

Table 2 – Total Return on share price and Triple NAV during 2021

	Based on share price		**Based on NNNAV**	
	In EUR	In %	In EUR	In %
Start of period	3.93		11.84	
End of period	7.50		12.76	
Return	**3.57**	**90.8**	**0.92**	**7.77**
Distribution to shareholders	0.00		0.00	
Total Return	**3.57**	**90.8**	**0.92**	**7.77**

The NNNAV increased by EUR 0.92 per share. This increase was largely caused by the increased portfolio fair value.

Figure 1 –Development of the Fund's share price per share during 2021

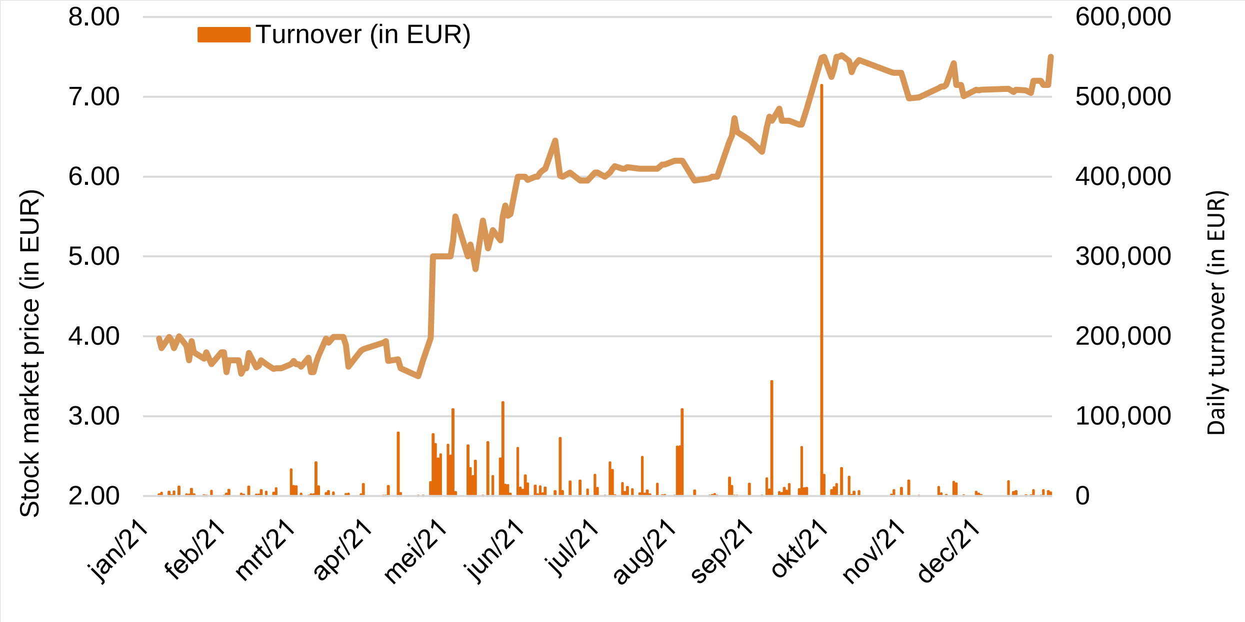


Table 3 – Development of the share price per quarter in 2021

Quarter	Opening price Start of quarter in EUR	Closing price End of quarter in EUR	Volume number of shares
1st Quarter 2021	3.93	3.84	71,658
2nd Quarter 2021	3.92	5.95	262,370
3rd Quarter 2021	6.03	6.95	200,964
4th Quarter 2021	7.46	7.50	39,251
Average per quarter			*143,556*

The above table shows an average trading volume of 2,297 (2020: 832) shares per trading day during 2021. The average quarterly traded volume was 143,556 shares (2020: 51,985) and the average turnover was EUR 0.80 million per quarter (2020: EUR 0.23 million per quarter). The share price traded at the end of 2021 at EUR 7.50 which represents a 41% discount (2020: 67%) to the NAV of EUR 12.76.

Table 4 – Comparative statement of the NAV per share

	31-12-2021	31-12-2020
Shareholders' equity in accordance with NAV (in EUR 1,000)	49,204	46,284
Include:		
1. Fair value of financial instruments	293	-/- 224
2. Fair value of debt	11	13
3. Fair value of deferred tax	-/-1,547	-/- 1,553
Shareholder's equity in accordance with NNNAV (in EUR 1,000)	**47,961**	**44,520**
Number of ordinary shares in issue	3,758,683	3,758,683
NNNAV per profit-sharing share (in EUR)	**12.76**	**11.84**
Annual return on NNNAV (in %)	7.8	-/- 9.9

See also chapter 7.1.10

5.3 INCOME, COST AND RESULT

Earnings per share (**EPS**) for the 2021 financial year increased to EUR 0.83 from EUR -/- 1.01 in the previous year. The EPS increased due to a EUR 1.9 million increase of the valuation result of properties EUR 1.1 million increase of other income and a reduction of the financial expenses of EUR 512,000, (see chapter 9).

5.3.1 BALANCE

Table 5 – Balance statement

All in EUR 1,000	**31-12-2021**	**31-12-2020**	**Change**
Investment property	79,973	79,577	396
Non-current assets	1,259	471	788
Current assets	9,334	14,374	-/- 5,040
Total assets	**90,566**	**94,422**	**-/- 3,856**
Shareholders' equity	46,403	42,954	3,449
Deferred tax liabilities	3,514	4,143	-/- 686
Long-term loans and borrowings	30,597	18,274	12,323
Total current liabilities	10,052	29,051	-/- 18,942
Total shareholders' equity and liabilities	**90,566**	**94,422**	**-/- 3,856**

Investment property increased with only EUR 396,000 change due to the reclassification of EUR 4.7 million to *Assets held for sale* within the portfolio. *Non-current assets* increased by EUR 788,000 due to higher deferred tax assets (see 15.6). *Current assets* decreased due to the sale of assets held for sale in Slovakia (2 assets). *Shareholders' equity* increased by EUR 3.45 million by the retained earnings which are influenced by the valuation result. *Long-term loans and borrowings* increased by EUR 12.3 million due to reclassification of bank loans from current liabilities.

5.3.2 RESULT

The *Result after tax* for 2021 (see table 6 and chapter 9) amounted to EUR 3.1 million (2020: EUR -/- 3.79 million) and can be divided into direct result and indirect result. The total comprehensive income, the result including *Reserve currency translation differences*, amounted to EUR 3.45 million (2020: EUR -/- 5.05 million) (see table 7 and chapter 10).

A detailed summary with comparative figures of the direct and indirect result is provided in the consolidated annual accounts in chapter 9 and in the following sections.

Table 6 – Overview of result

All in EUR 1,000	**2021**	**2020**	**Change**
Gross rental income	7,097	8,087	-/- 990
Service charge income	2,079	2,230	-/- 151
Service charge expenses	-/- 2,786	-/- 3,282	-/- 496
Property operating expenses	-/- 2,380	-/- 2,632	-/- 251
Net rental and related income	**4,010**	**4,403**	**-/- 393**
Financial and other operating income	1,145	79	1,066
Total direct income	**5,155**	**4,482**	**673**
Administrative expenses	-/- 648	-/- 665	17
Other operating expenses	-/- 1,281	-/- 1,422	141
Financial expenses	-/- 2,150	-/- 2,672	522
Total direct costs	**-/- 4,079**	**-/- 4,759**	**680**
Direct result before tax	**1,076**	**-/- 277**	**1,353**
Indirect result before tax	**1,949**	**-/- 3,295**	**5,244**
Result before tax	**3,025**	**-/- 3,572**	**6,597**
Tax	-/- 109	217	-/- 326
Result after tax	**3,134**	**-/- 3,789**	**6,923**

The *direct result before tax* is EUR 1.08 million. The *indirect result before tax* of EUR 1.95 million reflects the revaluation of the real estate portfolio and result on the sales of several assets held for sale. For more information about the property valuations see 15.2 ("Investment property").

Table 7 – Statement of comprehensive income

All in EUR 1,000	**2021**	**2020**
Foreign currency translation differences on net investment in group companies	358	-/- 1,276
Income tax on foreign currency translation differences on net investments in group companies	-/-43	19
	315	-/- 1,257
Net gain/ (loss) recognised directly in equity	**315**	**-/- 1,257**
Profit for the period	3,134	-/- 3,789
Total recognised income and expense for the period	**3,449**	**-/- 5,046**

Ongoing Charges Figure

In 2021 the OCF decreased as a result of a decrease of the total expenses (including *Other operating expenses*) by about 4%, in conjunction with the increase of the average *Group equity* by about 8%. The total expenses also include non-regular costs, such as *Costs of funding and acquisition* (see section 15.36.5). Without these non-regular costs, the OCF would be 9.31% (2020: 9.00%).

The *Fund expense ratio*, which measures the fund costs such as management fee, audit fees and marketing costs against the shareholders' equity, increased to 4.07% (31 December 2020: 4.89%). The difference to the OCF is that operating costs, such as maintenance costs, are not included in the *Fund expense ratio*.

Table 8 – Ongoing Charges Figure

All in %	2021	2020	2019	2018
Ongoing Charges Figure	9.50	9.95	11.13	10.85
OCF excluding one-off and refinancing costs	9.31	9.00	10.01	10.72
Fund expense ratio	4.07	4.89	4.24	4.31

Fund operating expenses
The total *Fund operating expenses* of EUR 1.93 million (2020: EUR 2.09 million) include EUR 86,000 of incidental expenses related to funding and acquisition costs during 2021. See also 15.36.

Financial expenses
The *Financial expenses* are EUR 2.15 million (2020: EUR 2.68 million), of which EUR 1.97 million is interest expense on loans, convertible bonds and derivatives. The remainder comprises other financial expenses detailed under 15.35 (*Financial Expenses*).

5.3.3 CASH FLOW

The net cash flow of the Fund after operating, investment and financing activities was EUR 440,000 (2020: EUR -/- 1,080,000). The table below provides a summary of the cash flow (see chapter 12).

Table 9 – Consolidated cash flow statement

All in EUR 1,000	2021	2020
Cash flow from operating activities	-/-575	-/- 517
Cash flow from investing activities	8,342	6,099
Cash flow from financing activities	-/-7,327	-/- 6,662
Net increase / decrease (-/-) in cash and cash equivalents	**440**	**-/- 1,080**

The *Cash flow from operating activities* is impacted by the change in derivative financial instruments and trade and other receivables. The *Cash flow from investing activities* of EUR 8.3 million is substantial and relates to the two sold properties in 2021. The *Cash flow from financing activities* is based on the repayment of loans and borrowings (EUR 7.3 million). See chapter 12 for more information ("Consolidated statement of cash flow").

5.3.4 BANK LOANS

Table 10 – Overview of interest-bearing loans and borrowings

All in EUR 1,000	31-12-2021	31-12-2020
Non-current part of loans and borrowings		
Secured bank loans	26,902	16,608
Convertible bonds	-	-
Other loans and borrowings	2,151	-
Subtotal	**29,053**	**16,608**
Lease liabilities	1,134	1,234
Total non-current part of loans and borrowings	**30,187**	**17,842**
Current part of loans and borrowings		
Secured bank loans	3,993	16,771
Convertible bonds	-	3,472
Other loans and borrowings	2,453	5,071
Subtotal	**6,446**	**25,314**
Lease liabilities	163	176
Total current part of loans and borrowings	**6,609**	**25,490**
Grand total loans and borrowings	**36,796**	**43,332**

Table 11 – Overview of secured bank loans

All in EUR 1,000	31-12-2021	31-12-2020
Slovenská Sporiteľňa	5,791	8,612
Sberbank CZ	8,089	7,996
Hypo NOE	13,022	-
Total long-term interest-bearing loans and borrowings	**26,902**	**16,608**
DNB Bank Polska	-	5,538
Slovenská Sporiteľňa	794	732
Sberbank CZ	363	367
Hypo NOE [9]	515	7,823
Alpha Bank	2,320	2,311
Total short-term secured bank loans	**3,992**	**16,771**
Total secured bank loans	**30,894**	**33,379**

Over the past twelve months the total LTV of the portfolio has decreased from 47.0% to 42.2% (see also 15.15.4). The Managing Board intends to maintain the total LTV-ratio of the portfolio in the range 40% – 50%, although an LTV-percentage of up to 60% is permitted. At the end of the reporting period the weighted remaining maturity of "Loans and borrowings" (see 15.39.14) was 3.38 years (2020: 2.35) and had a weighted average interest rate of 4.15% (see 15.39.4).

See section 15.15.4 (*Securities, bank covenants and ratios secured bank loans*) for more information on the secured bank loans as at the statement of financial position's date.

[9] See 12.40.1 "Analysis of interest-bearing loans and borrowings"

5.3.5 CURRENCY EXCHANGE RATE

Exchange rates used for the Consolidated Statement of Financial Position (see also 13.7.4)

	31-12-2021	31-12-2020
Bulgarian Lev (EUR/BGN)	1.9558	1.9558
% change	*0.0%*	*0.0%*
Czech Koruna (EUR/CZK)	24.858	26.242
% change	*5.3%*	*-/- 3.3%*
Polish Zloty (EUR/PLN)	4.5969	4.5597
% change	*-/-0.8%*	*-/- 7.1%*
Ukrainian Hryvnia (EUR/UAH)	30.9226	34.7396
% change	*11.0%*	*-/- 31.5%*
US Dollar (EUR/USD)	1.1326	1.2271
% change	*7.7%*	*-/- 9.2%*

Source: European Central Bank (ECB) if available. Exchange rates Ukrainian Hryvnia are based on National Bank of Ukraine.

5.4 DEVELOPMENTS IN THE MARKET AND PORTFOLIO

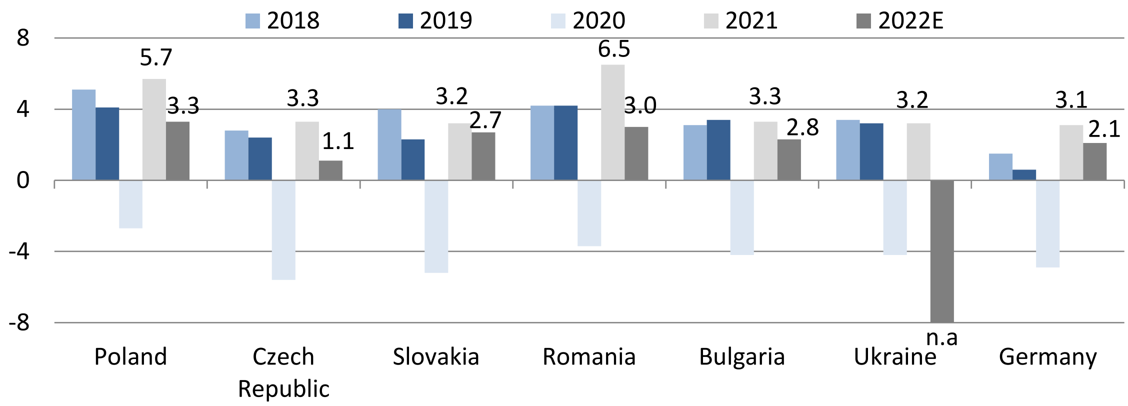
ECONOMIC BACKGROUND AND OUTLOOK

The successive waves of the COVID-19 pandemic in 2021 punctuated the general recovery of both European and CEE economies from 2020’s profound recession phase. The general provision of vaccinations to populations from the Spring months onwards helped to reduce the magnitude and length of “lockdown” or lesser social and economic restrictions. At the time of writing, most CEE countries had fully removed restrictions on activity set in place to combat the 2021-22 winter wave of the COVID “Omicron” variant. The aftermath of the 2020-21 recession shock is unfolding in a different manner than seen in previous cycles, with implications when looking forward. In addition, the 24 February 2022 invasion of Ukraine by Russia has introduced fresh uncertainties and disruption to economic activity.

The 2021 COVID phases had a lesser effect on GDP numbers in CEE compared to Spring 2020 for four reasons: first, the Spring, late Summer and December lockdowns in Europe were more confined to restricting consumer services activity and social interaction. Governments allowed manufacturing and exports to continue functioning. Working from home was encouraged but offices were not compulsorily shut. Secondly, governments continued to run very high budget deficits and supported their populations, though to a lesser extent than in 2020. The vaccination rollouts were part of this support. Thirdly, pent-up demand, particularly for services involving social interaction, boosted activity in the periods between the COVID phases. And fourthly, innovation continued as people and economies adapted to the new conditions fast, especially with new service channels and online retail.

The CEE economies registered GDP growth rates generally in the same 3%-4% range as Germany in 2021. Poland (5.7% year-on-year growth) and Romania (6.5% expansion) were positive outliers, both benefitting from stronger momentum in domestic consumption.

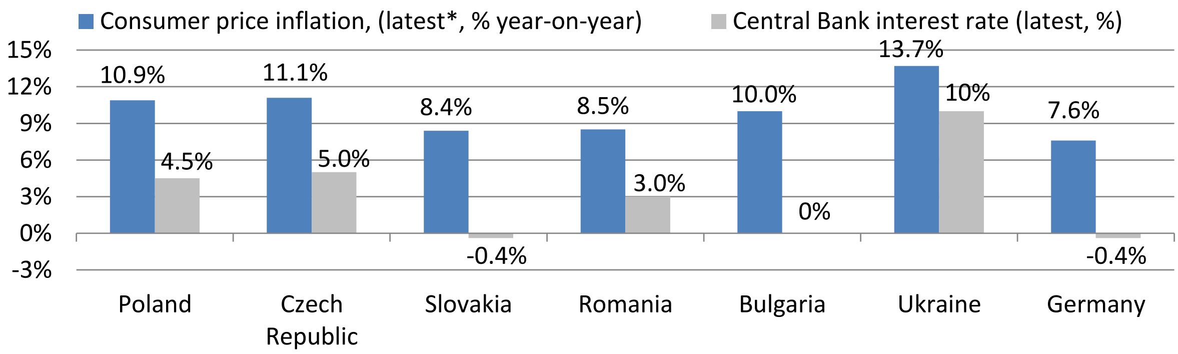
GDP GROWTH, SELECTED CEE COUNTRIES AND GERMANY, 2018-22E (%)



Source: countryeconomy.com (historical data), Arcona Capital external consultancy (2022 estimate), based on FocusEconomics (with -1.5% subtraction for effect of Russia-Ukraine war in CEE and no forecast for Ukraine)

Looking ahead, 2022's economic growth rates are generally expected to be lower than those seen in 2021. Inflation rates are reaching levels unseen in CEE economies since the early transition years of the 1990s and unseen since the early 1980s in the US and Europe. This inflation pulse is likely to extend in time through 2022, as it has causation both on the supply side and the demand side. Many supply chains remain stretched or disrupted as a result of COVID and the inflation of certain input costs is rampant; commodity and energy prices have soared, to levels higher than seen in decades in some cases. The Russia-Ukraine war has increased supply-side inflation pressures further, especially in the food, agricultural and energy arenas. On the demand side, very high Central Bank monetary and government fiscal stimulus in 2020 and into 2021 stoked consumer spending, itself supported by low unemployment rates in most CEE economies. Higher inflation eats away at real incomes of consumers and expenditure budgets of corporates alike, acting as a drag on economic activity.

CONSUMER PRICE INFLATION AND CENTRAL BANK POLICY INTEREST RATES, SELECTED CEE COUNTRIES AND GERMANY, MARCH 2022 (%, YOY)



Source: investing.com, TradingEconomics *February 2022 data for Czech Rep., Slovakia, Romania, Bulgaria

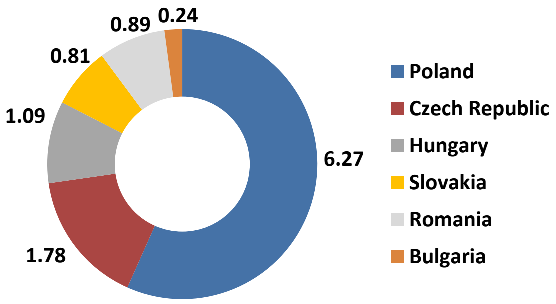
As well as inflation itself, economic activity is likely to slow in the CEE region as a result of higher interest rates. Interest rates were at or close to zero in Poland and the Czech Republic in May 2021 but several hikes have followed inflation rates upwards there and also in Romania and Ukraine. Eurozone interest rates remain anchored at -0.4% but rampant inflation might force the ECB to act. Higher interest rates slow down consumer activity and company borrowing and for the real estate sector will feed through to pressure on funding costs and real estate valuations.

CEE's high export ratios, strong corporate investment, growing IT specialism and still-cheap workforces are positives in this environment and the ebbing of the Omicron COVID variant should lead to a recovery in services spending. The recent onset of war between Russia and Ukraine is likely though, in the very best case, to have a disruptive effect on trade and GDP growth.

REAL ESTATE MARKETPLACE

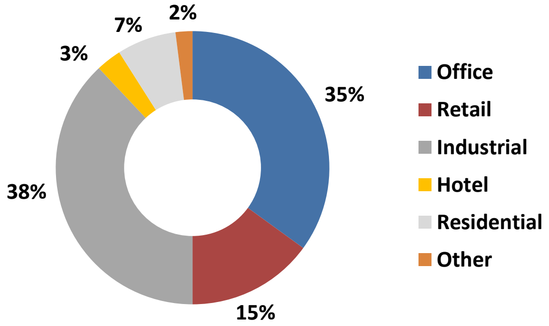
A solid but moderate recovery from the 2020 COVID-19 shock continued in the CEE investment arena in 2021, with EUR 11.1bn of deals transacted. This total volume for the CEE-6 markets was 6% higher than 2020 but still down -20% from 2019's level, according to Colliers data. Overall volumes in the broader European region jumped 20% last year, moving close to 2019's all-time high and suggesting that activity in core western European markets was returning to normal at a faster rate.

CEE-6 FLOWS BY COUNTRY (2021, EUR bn)



Source: Colliers

CEE-6 FLOWS BY SECTOR (2021, %)



Source: Colliers

Examining 2021, purchases of Polish assets were again dominant, with its EUR 6.3bn of deals almost matching the European 20% growth rate and the country's share climbing to 57% of the total pie. Czech flows slid -33% year-on-year, as a lack of available product hit overall activity. Hungarian (+49% growth) and Slovak (+39% increase) volumes grew more than in any other CEE market. Romanian (+1% only) and Bulgarian (-10% fall) volumes stagnated overall.

Domestic and CEE regional investors again concluded significant deal volume in across the region in 2021, with a 32% share of CEE purchases in 2021 according to Colliers. Czech funds and companies were especially active outside of their home market. Buyers from across the EMEA region continued to be present and their market share was stable at 42% in 2021. Several portfolio deals occurred in the Industrial & Logistics sector. Buying interest from Asia dwindled in 9M 2021, down to 6% of volumes. Domestic investors were again largely absent from the Polish marketplace.

2020's profound sector rotation into the industrial & logistics and residential arenas consolidated in 2021. The industrial & logistics sector share (38%) overhauled that of the office sector, whose slice of the pie slipped from 41% in 2020 to 35% in 2021. Retail volumes and its share actually rose and momentum in buyer interest in the retail park and convenience retail sector, especially in Poland, continued in 2021. Hotel volumes remain very meagre, as might have been expected during the COVID-19 lockdown phases. A lack of product in Industrial and Residential PRS may again hold back further expansion of the share of these sectors in the near run.

REAL ESTATE OUTLOOK

In a normal situation, the retreat of COVID-19 as a disruptive risk would suggest more healthy business conditions and a chance of matching or exceeding 2021's total real estate transaction levels in CEE in 2022. Sadly, the economic difficulties caused by Russia's invasion of Ukraine and, partly as a consequence, inflation rising even higher and staying entrenched for longer has implications for the cost of capital and the valuation of assets in the region.

To hold their value in inflationary environments, assets preferably need to see rental growth at levels closer to the rate of change of CPI. Some tenant contracts will have automatic rent uplifts, often linked to Eurozone CPI (7.5% year-on-year at the last reading in March 2022). The question that arises is whether, in an environment where tenants are facing higher costs across their businesses, whether such rent hikes are affordable. In the office sector, this is happening at the same time as due consideration of the space needed in the post-COVID environment, as companies and employees assess their work location patterns. The continued presence of sub-leasing in CEE office markets is a symptom of this process. Of course, purchase demand for and rent levels in commercial offices depend more on the tenant mix of the assets themselves, the type, design and layout of premises, developer construction costs for new assets being completed in 2022 and the market supply situation in any particular city. Inflation-proofing may be more prevalent in the retail sector, through turnover rents but also the tenants themselves are in a better position to keep their margins by hiking prices. This situation helps the convenience retail sector at the margin, given the greater mix of consumer staples, or necessary, goods in these centres, compared with discretionary purchases at larger shopping centres: food, beverages, pharmacy and pet goods are essential items. Tenant mix and type also matters in logistics assets, though 2021 again demonstrated that in lockdown phases specifically, demand for all goods is strong via these channels. Supply chain industrial assets, prevalent in the CEE region, face input cost challenges. Other effects of inflation that hits all sectors are higher service charges that need to be passed on to tenants and higher construction costs, something that looks like holding back a recovery of the construction market in several sectors in CEE countries in 2022. Higher central bank policy interest rates will most likely lead to higher transaction debt funding costs. Rent market outlooks look like staying in favour or tenants in the office and retail sector especially with the opposite being the case for industrial & logistics.

The onset of war through the 24 February 2022 invasion of Ukraine by Russia and, at the time of writing, the continuation of this conflict has accentuated these inflationary pressures: this in consequence has affected currency stability and accelerated the upward path of interest rates in the CEE region. Local currency Czech and Polish policy interest rates, for example, have now risen by 4.75% and 4.5% respectively since May 2021. Those interest rate rises seen since 24 February have acted to stabilise local currencies, which initially weakened against the US Dollar and Euro as a result of the invasion. These trends reflect perceived proximity to the conflict zone, economic growth risks and widening interest rate differentials versus G10 peers have made currency hedging activities very expensive compared to the past. Thus, as much of the transaction volume in CEE is conducted in Euros, frictions for the CEE commercial real estate investment universe which have not been present for much of the last decade are now appearing. Mainstream European bond markets are in addition pricing in the commencement, for the first time in 11 years, of interest rate rises by the ECB later in 2022. Commercial real estate debt funding rates are likely to rise. The outlook for deal activity in the CEE is therefore more uncertain than it was at the beginning of 2022: this may well be reflected in the cessation of the tightening of transaction yields and widening pressures appearing.

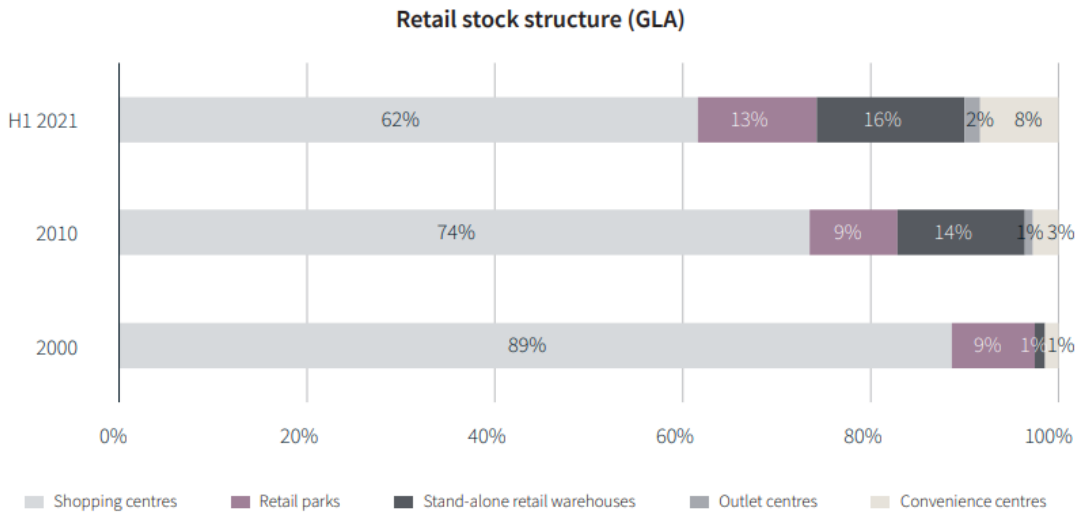
The Polish office market

After the weakness of 2020 when the volume of lease transactions fell -26%, the nationwide office market in Poland recovered somewhat in 2021. Demand for office space nationally rose 5% year on year to 1.24mn sqm, according to JLL. Q4 2021 saw the strongest activity, both in Warsaw and the regions, with 36% of bookings for the 8 main regional markets coming in the last 3 months of the year. Re-opening after the various COVID lockdowns was the major driver. On the supply side, new completions amounted to 550,900 sqm nationally, which was both -20% lower than 2020, according to JLL and substantially lower than the demand. The market thus moved somewhat towards balancing in 2021. In 2022, JLL expect 400,000 sqm of office space to be completed in the regions: if half of their 310,000 sqm Warsaw pipeline under construction assumption completes in 2022, then the total supply will be similar to 2021 and thus most likely lag demand again nationally this year. These pipeline assumptions add up to 7% of national stock, much lower than the 11% estimate from last year (2020 Colliers data). The returning demand should help vacancy rates to peak out in, for example, the Warsaw market (12.7% at the end of 2021, according to JLL). Prime base rents edged down -2% to EUR 24.0/sqm/month in the capital city. JLL expect rents to firm, to reflect both the peaking of vacancy rates and much higher construction costs. As elsewhere, tenants are also facing rising operating costs.

The story remains better by comparison in Szczecin, where our asset is located. The vacancy rate, 5.8% in Q3 2021 according to CBRE, is the lowest amongst the office markets of the nine major cities in Poland. This rate stood at 7.4% in Q3 2020 (CBRE data) and 6.9% at 2020 year end (Colliers data). One of the reasons for this market’s strength is a lack of supply, which CBRE estimated at just 2,000 sqm in 2021, compared to 23,100 sqm and 3,400 sqm in 2019 and 2020 respectively. CBRE see zero new supply on the market in 2022, with 18,000sqm (10% of stock) coming in 2023. Until then, the market is likely to stay tight. Take-up in the first 9 months of 2021 amounted to 9,000sqm, which if repeated in 2022 will eat up almost all the spare stock on the marketplace. As a result of these trends, prime rents have stayed steady since 2019, at EUR 13/sqm/month, with average rents edging up to EUR 12.5/sqm/month in Q3 2021 according to CBRE. Tenants are attracted to the city's proximity to Germany and consideration of the market by business service sector providers are reasons for this relatively positive situation. Szczecin remains as a location with lower average wages than Warsaw or comparative EU cities and thus the shorter term outlook for vacancy and rents appears promising.

The Polish retail market

Conditions in the Polish retail arena stabilised and recovered overall in 2021, following the successive COVID-19 lockdowns. Overall retail sales grew 12.5% over the year in nominal terms, more than matching the -2.3% contraction seen in 2020. At the top end of the asset class, footfall in traditional shopping centres still struggled with the disruptions and remained -29% lower than 2019 levels, according to CBRE. Monthly data for December 2021 showed an improvement to -19% versus 2019, so a recovery phase may be building. As with 2020, it is e-commerce and retail parks/convenience stores that are driving the momentum in overall retail sales. E-commerce for its part expanded 19% in 2021, according to the ecommerceDB source. Euromonitor International sees it growing to 22% of total retail sales by 2025, from the Colliers estimate of a 9.1% share in 2021. Of note is that monthly data showed the e-commerce proportion of retail sales fluctuated downwards when re-openings after lockdown occurred in 2020-21: this shows that the rise of e-commerce will not be in a straight line. Within the "bricks & mortar" space, it is the growth of retail parks and smaller convenience-based retail assets (with a GLA of 2,000-4,999 sqm) which has impressed. The effects of the successive waves of COVID-19 have solidified the market position of these sub-asset classes to such an extent that they made up to half of the retail sector investment volume nationally in 2021, according to JLL and certainly a majority of transactions by number. Prime yields for the best retail parks sat at 6.8% at the end of 2021, with scope for compression according to JLL.



Source: JLL (data for the Polish market)

The convenience centre asset class is gaining proper scale in the Polish retail universe. According to JLL data, it comprised 8% of total stock by gross leasable area ("GLA") in H1 2021, up from just 3% in 2010 and a paltry 1% in the year 2000. This growth has important implications for the onward valuation of the asset class for landlords and an increasing choice of location for tenants. Developers were due to deliver just over 80,000 sqm of new convenience store space in Poland in 2021 according to JLL's estimates in an August 2021 report. This follows a significant 130,000 sqm addition in 2020. Convenience centres play the dominant role in small towns, where they are often the only retail project in their respective markets, accounting for 67% of the retail stock under construction in towns of below 50,000 residents in July 2021. Total convenience centre stock monitored by JLL amounted to around 804,000 sqm at the end of H1 2021. New construction activity, comprising 16 convenience centres, in H2 2021 amounted to 47,500 sqm, or 6% of stock.

The convenience sector has weathered the COVID crisis phase well. JLL continue to estimate that "value" retailers occupied almost every third unit in traditional retail parks and convenience centres in mid—2021. Other popular retail categories include specialised stores (16% of units) and grocery operators (14%). Off-price brands and grocery chains were the least affected by the pandemic in the view of JLL and their expansion plans have barely changed. Action, Dealz, KiK, Pepco, Tedi, Superco (developed by Carrefour), Vollmart or new market entrant, HalfPrice have successfully attracted consumers to their stores by offering attractive prices on a wide range of products. The German dm-drogerie markt pharmacy chain is opening its first store in Poland in April 2022. With these dynamics, JLL believe that smaller convenience-based retail assets are predominantly fully-leased. Chains exiting the market include Tesco (in phases since 2019). The observed demand means that rents remained broadly stable at EUR 8-12/sqm/month for a typical 2,000 sqm unit in a retail park, with service charges at a low EUR 1.5-2.0/sqm/month.

While the lingering effects of the pandemic and now the challenges stemming from the onset of war in Ukraine are present, the convenience retail sector momentum appears strong. CBRE observe that the format is also spreading on the ground floors of residential buildings and mixed-use projects. The threat from e-commerce can partially be met through adoption of technology, which is increasing at the convenience store operator level with click & collect and digitalisation, encouragement of an omni-channel approach by tenants and also through the diversification of location and emphasis on a "local-feel" service.

The Czech office market

Conditions in the Czech office market stabilised in the latter part of 2021, after the major COVID-19 shock of 2020. Vacancy rates in Prague climbed in the first half of the year to 8.0% but stabilised, ending 2021 at 7.8%, according to Colliers. They guide also that the sublease market, which appeared after Q2 2020 and where tenants look to downsize their space, is still present, at up to 2% of the market, or 78,000sqm. Net take-up, the true measure of demand, firmed 23% year-on-year in 2021, to 208,800 sqm, though some way short of 2019's 260,000 sqm level. What has helped the market to balance was dwindling supply, with only 56,800 sqm delivered last year. The average annual delivery, according to Colliers, was roughly 135,000sqm over the last decade. This supply situation is not seen as improving in 2022, as construction cost pressures and the disruptions of the pandemic are likely to mean only an estimated 76,300 sqm, or 2% of stock, being delivered in the Prague market. New projects should change this picture beyond 2023-24.

Prime headline rents in Prague actually firmed slightly in 2021, as a result of the supply constraint, inflation-linking and rising construction costs. City centre rents ticked up around 7% to the level of EUR 23.5-24.0/sqm/month by the year end, according to Colliers. Colliers acknowledged that landlords are continuing to deploy discount incentives of up to -15%-25% from headline rents, as tenants have increasing general cost pressures across their businesses. Inner city class B rent levels shifted up slightly to between EUR 16.0-18.0/sqm/month. As a result of the stabilisation of vacancy rates and rents, Prague prime yields edged down, to 4.0% during the course of 2021. The ability of customers to absorb more rent increases in 2022 and likely higher Euro funding rates should mean that yields have probably bottomed out.

Brno's office market also saw a stabilisation in 2021. The latest vacancy rates showed a -50bps dip to 11.4% at the end of H1 2021, according to CBRE. Net take-up was 19,800 sqm, a 4% increase on the very slow H1 2020. New supply in that period amounted to 16,500 sqm, or 3% of total stock, meaning the market remained roughly balanced. Brno's prime rents thus stood steady at EUR 15.0-16.0/sqm/month in H1 2021. Indications are that supply pressure was easing at the margin in H2 2021. Around 30% of total lease area is to tenants from the IT sector, who are keen to locate in Brno to be able to recruit employees directly from the city's university.

The Slovak office market

The recovery of Slovakia's economy allowed the office market to stabilise somewhat in 2021. Taking Bratislava as a benchmark for the whole country, office vacancy rates moved up to 11.7%, widening 60bps over the course of the year, according to the Bratislava Research Forum. This was a moderate improvement intra-year, as a 12.3% vacancy rate was recorded at the end of September 2021. These rates sit at double the cycle low of 6.0% in 2018. Prime Bratislava rents also exhibited this stabilisation, sitting at EUR 16.50/sqm/month and up slightly from levels seen earlier in 2021. Cushman & Wakefield note that the driving force for rents ticking up in the prime market is occupiers seeking newer, modern properties. This will prompt developers and owners of older units being vacated to refocus their offerings, thus creating some supply pressure for the B class marketplace. Rents in the city's peripheral locations (an approximation for B class offices) also firmed in the course of 2021, rising from EUR 10.50/sqm/month towards EUR 11.50/sqm/month.

Developers added approximately 74,000sqm of new office stock to the Bratislava market in 2021. This added just under 4% to the total stock in the city, which reached 1.994mn sqm by the year end. Leasing take-up ended the year strongly, with 98,000sqm in the fourth quarter alone. Demand is thus matching the supply for now: prime rental yields in fact compressed by 75bps towards 5.25%. The construction pipeline stood at 147,400 sqm at the end of 2021, a large drop compared with 2020 and something that could help yields stay at these levels. The risk is rising Euro interest rates, which may push up funding costs.

The Romanian office market
Like its peers in the region, the Romanian office arena stabilised in the latter part of 2021, after emerging from the COVID-19 lockdown periods. Vacancy rates in the Bucharest market climbed slowly in 2021 reaching the level of 13.1%, according to CBRE. Net take-up, the key yardstick of demand, rose 15% year-on-year in 2021 to 163,000 sqm, some way short of 2019's 269,000 sqm cycle high. Renewal/renegotiation deals also jumped similarly, up 16% to 117,000 sqm. New supply, though, was significantly higher than the net take-up, standing at 245,800 sqm of delivery last year. This represented an addition of 8.3% to the city's office stock, bringing the total to 3.195mn sqm. This significant addition was a major factor in pushing the vacancy rate higher, though the addition also brings welcome depth to the investment arena. Supply overhang risk is probably dissipating, due to the economy continuing to rebound from the COVID-19 phase and lower new supply in 2022; completions in 2022 are likely to come in only at 135,000 sqm according to CBRE, the lowest level since 2017. COVID and climbing construction costs have held activity back somewhat. Most of the 2022 new supply will come in the Center-West sub-market.

Prime headline rents in Bucharest stayed flat in 2021, as a result of inflation-linking and rising construction costs balancing the higher supply. CBD rents were at EUR 18.75/sqm/month according to CBRE. In the Center-West district, rents attained the EUR 15.0/sqm/month level, whilst ranging in the EUR 11.0-15.0/sqm/month band in outer parts of this large city. CBRE acknowledged that, as elsewhere, landlords are continuing to deploy discount incentives from headline rents and that sub-leasing is also present. Bucharest prime yields edged down, to 6.75% during the course of 2021. On a standalone basis, the performance of the Romanian economy in 2022 would probably imply reasonably healthy demand for office space, taking into account the post-COVID downshift in activity related to working centrally in offices.

The Bulgarian residential market
Sofia's high-end residential market, concentrated in the districts of the city at the foot of the Vitosha mountain, saw an acceleration in growth in 2021. The supply of new mid-plus and high-end residential units in Sofia increased 15% last year, according to Colliers. This pick-up, after 2020's COVID-19 hiatus, took total stock to the level of 12,760 units. The number of units under construction actually compressed to 3,200, from the 2020 year-end level of 4,000. Demand was very robust, pushing vacancy rates down to just 3% and price reductions also shrank, to just 1% on average. In contrast to the more constrained 2020, a majority (62%) of transactions in H2 2021 were financed partially with bank mortgages: low interest rates aided this demand. Houses and apartments with 2 bedrooms were the units purchased most often in 2021, with outside space and a work / "flex" use room also remaining desirable.

For buy-to-rent investors, representing 62% of purchasers in H2 2021, rents in the high end private segment also maintained their levels. The average rent for a two–bedroom apartment according to Colliers steadied at EUR 950 – 1,200/month, including VAT. Sales prices rose 12% in 2021.

Low Central Bank interest rates and positive GDP growth for Bulgaria should sustain this market through 2022. Colliers see the sales of houses and apartments under construction and interest in larger residential units as continuing. They see developers looking to launch new projects due to high demand and that rents will remain stable. The main issue is likely to be passing on higher construction costs, which may result in sales prices increasing 7%-9% in 2022.

The Ukrainian land market
Normal functioning of the Ukrainian land or real estate market cannot be expected following the invasion of the country by Russian military forces on 24 February 2022. Land prices in 2021 continued to rise, alongside the positive 3.2% GDP growth dynamic. Land price inflation in Ukraine, as elsewhere, is seen as a hedge on accelerating inflation. The latter prompted the National Bank of Ukraine to hike interest rates from 6% to 9% during the course of last year and another 100 basis points to 10% in January 2022. This move, in normal circumstances, would slow the economy and real estate development activity down. But at the time of writing, normal activity is impossible with the country operating under martial law and engaged in repelling an invader. We will update investors on the condition of the Ukrainian land market as soon as clarity allows.

For the record, according to the SV Development land price source, Odessa oblast's land prices were 6.8% higher in USD terms at the beginning of 2022 than at the beginning of 2021. This matched the 2020 rise of 6.3%. In Dnepropretrovsk oblast', adjacent to Zaporizhzhe Oblast', the same source saw a 4.9% increase in 2021. This followed a 7.9% rise in 2020. For reference, Kyiv oblast's prices also saw a USD-terms jump of 7.1% in 2021, after 11.8% in 2020.

5.4.1 REAL ESTATE PORTFOLIO DEVELOPMENT

Table 12 – Comparative statement of the real estate portfolio

	31-12-2021	**31-12-2020**	**change**	**%**
Valuation (in EUR 1,000)[10]	85,093	89,443	-/- 4,350	-/- 4.9
Number of properties	22	24	-/- 2	-/- 8.3
Rentable area (in sqm)	66,701	92,174	-/- 26,013	-/- 28.1

The fair value as at end 2021 is EUR 4.4 million lower than a year before, which is the net result of two property sales in Slovakia, capital investments into the portfolio, an appreciating Czech Crown against the Euro and valuation movements. The like-for-like fair value of the 22 asset portfolio increased by EUR 4.8 million (6.1%) corresponding to valuation changes, mostly in Poland and Czech Republic.

Table 13 – Statement of changes in investment properties (see also 15.2.4)

All in EUR 1,000	**2021**	**2020**
Balance as of 1 January	**75,674**	**76,706**
Acquisitions	41	-
Purchases and additions	314	719
Exchange rate differences	1,069	-/- 762
Disposals	-/- 9	-
Fair value adjustments	3,508	-/- 989
Balance as of 31 December (including assets held for sale)	**80,597**	**75,674**
Reclassification	-/- 4,720	-
Balance as of 31 December	**75,877**	**75,674**

The "Purchases and additions" during 2021 reflects capital expenditure into the properties.

Table 14 – Comparative statement of real estate income 2021 – 2020

	2021	**2020**	**Change**	**Change**
	in EUR 1,000	in EUR 1,000	in EUR 1,000	In %
Gross rental income	7,097	8,087	-/- 990	-/- 12.3
Service cost income	2,079	2,230	-/- 151	-/- 6.8
Total income	**9,176**	**10,317**	**-/- 1,141**	**-/- 11.1**
Service costs	-/- 2,786	-/- 3,282	496	15.1
Operational costs	-/- 2,380	-/- 2,632	252	9.6
Net rental income	**4,010**	**4,403**	**-/- 393**	**-/- 9.9**

[10] Including assets held for sale

The decrease in net rental income in the amount of EUR 393,000 is due to sales of assets. The net rental income of EUR 4.01 million is 9.9% lower compared to the previous year (EUR 4.40 million). Two assets in Ukraine (land property) and one asset in Bulgaria (residential project) are not income-generating properties and did not contribute to the operational income.

5.4.2 FUND PORTFOLIO OPERATIONS

The table below shows how the key ratios of the Fund´s operations changed over 2021:

Table 15 – Comparative statement of the real estate portfolio based on indicators

	31-12-2021	31-12-2020	Change	Change
Fair value per asset (in EUR 1,000)	3,922	3,727	195	5.2%
Number of properties (annual average)	23.8	26.1	-/- 2.3	-/- 8.8%
NOI per asset[11] (in EUR 1,000)	211.1	209.5	1.6	0.8%
Occupancy[12] (in %)	90.3	83.6	6.7	8.0%
Total loan-to-value (in %)	42.2	47.0	-/- 4.8	-/- 10.2%
Discount Share price to NNNAV (in %)	41.2	67.0	-/- 25.8	-/- 38.5%
Ongoing Charges Figure[13] (in %)	9.50	9.00	0.50	5.6%
Fund expense ratio (in %)	4.07	4.89	-/- 0.82	-/- 16.8%
Solvability[14] (in %)	105.1	82.5	22.6	27.4%

5.5 FUND STRATEGY AND OBJECTIVE

The Fund invests in income-generating real estate in Central and Eastern Europe.

The Fund objectives are:
- An annual dividend yield of ca. 8% on the prevailing share price;
- A balanced portfolio of modern high-yielding, multi-tenanted real estate across the region;
- Loan to value between 40% - 50% (including convertible bonds).

The Polish portfolio is currently at 39.8% (2020: 34.5%), the Czech portfolio is 22.6% (2020: 18.9%), the Slovakia portfolio is 25.5% (2020: 35.7%), the Ukrainian portfolio is 4.0% (2020: 3.4%) and the Bulgarian portfolio is 8.1% (2020: 7.4%). The LTV is currently 42.2% (2020: 47.0%).

5.6 DIVIDEND POLICY

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. Management will launch the share buy-back programme approved by shareholders in October 2021 during the course of 2022.

[11] Per income producing asset
[12] Weighted based on fair value, excluding non-income generating properties Aisi Bela and Boyana Residence
[13] Excluding one-off cost elements
[14] Defined as equity / liabilities x 100%

5.7 OUTLOOK

As reported above (post balance sheet date) the sale in January 2022 of another two non-core assets in Košice, Slovakia, has facilitated the repayment of all remaining high-yield short-term debt at Fund level, thus fulfilling a key objective of Management and substantially reducing financing costs. Further disposals planned in the course of the year (in Slovakia and Czech Republic) are expected to generate sufficient liquidity to fund the share buyback recently announced.

The major part of the second-phase acquisitions of the SPDI-portfolio have also been completed, bringing two modern income-producing office buildings in Bucharest, Romania, into the portfolio, increasing both gross and net income and further reducing the LTV-ratio.

The fading effects of the COVID-19 pandemic are not expected to cause any further negative results to fund performance during the remainder of the year.

However, two major developments, one economic and one geopolitical, have arisen in the first quarter of 2022 and have the potential to create challenges for the Fund over the coming months. The recent sharp increase in inflation in the Eurozone and adjoining European economies has already caused the Czech and Polish central banks to hike interest rates, The resultant jump in borrowing costs for real estate investors will certainly cause market hesitation and will feed through to price levels if maintained for any significant period of time. Whilst the Funds loan contracts in Czech Republic are hedged until 2024, other market participants will not be able to avoid the impact of higher borrowing costs and may well step back temporarily from the market. With some specific sector exceptions, we anticipate this will negatively impact capital values, offsetting some of the gains in rental values and rental income to be expected from inflation indexation of lease contracts. The Fund`s holdings in Poland, Slovakia and Bulgaria are either denominated or pegged to the Euro, where borrowing rates remain very low, so here the immediate impact will be muted.

Developments Ukraine
On March 21, 2022, the Managing Board decided to write down the value of the two plots of land in Ukraine from EUR 3.3 million to zero. The impact on the net asset value of the Fund is EUR 0

In Ukraine, the Fund uses a local asset manager, CEG South East Continent Unique Real Estate Management Limited (**Secure**) for management of the properties and for financial administration of the holding entity, Aisi Bela. Secure is a Cypriot entity which employs personnel in Ukraine. These employees are not exclusively active in Ukraine for Aisi Bela.

Aisi Bela has three bank accounts with Universal Bank in Ukraine. The balances on these accounts were limited at the time of the invasion. Aisi Bela has not attracted any financing from banks. The only loans it has outstanding are shareholder loans provided by the Fund. The impact of financing is therefore also limited.

As of 1 April 2022, the Fund has no relationships with persons on a sanction list.

The wholly-owned subsidiary of the Fund in the Czech Republic, Arcona Capital RE Bohemia s.r.o. (**ACREB**) has a loan at Sberbank CZ. Sberbank CZ is a 100% subsidiary of Sberbank Europa AG, which is a 100% subsidiary of Sberbank of Russia. Both Sberbank Europa AG and Sberbank of Russia are on the international sanctions lists. Sberbank CZ is not (yet) on a sanctions list. ACREB can therefore still do business with Sberbank CZ.

Since February 28, 2022, ACREB's bank accounts at Sberbank CZ have been blocked. These amount to approximately EUR 400,000. ACREB received EUR 100,000 from the Czech guarantee fund as part compensation for the balance on ACREB's accounts with Sberbank CZ. On March 31, 2022, ACREB met the interest and repayment obligation to Sberbank CZ for the first quarter of 2022. This payment comes from a newly opened bank account at Raiffeisen Bank. Due to this payment, ACREB is not in default on the bank loan. What will happen to Sberbank CZ as of April 1, 2022 is not yet known. As ACREB is now receiving the rental income on the newly opened bank account the company will be able to service the bank loan going forward. ACREB is investigating the possibilities of refinancing the bank loan with Sberbank CZ elsewhere.

As of April 1, 2022, management does not expect developments in Ukraine to have a negative impact on the Fund's remaining real estate portfolio in Central Europe. The countries where the Fund is active are members of NATO. An attack by Russia on one of these countries is unlikely because it will provoke a counter-reaction from the other NATO countries.

The Fund has entered into an agreement with Secure Property Development & Investments Plc (SPDI) for the acquisition of four properties in Ukraine and Romania. On March 29, 2022, the Fund acquired one Romanian office building (Delenco) from SPDI. It is expected that the acquisition of the EOS office building – a second property in Romania – will be completed shortly. Due to the conflict situation in Ukraine, it is not currently possible to complete the purchase of the two remaining properties (development plots) in and around Kiev, which was agreed in June 2021 at € 1,833,000. The purchase contract for these two properties is subject to specific conditions and provisions which together protect the Fund’s position in the current circumstances.

The Fund and its subsidiaries are also faced with various price increases. The rise in energy prices in particular will have an impact on operations. Ultimately, the increased costs of energy in the service costs are largely passed on to the tenants. As a result, the Fund runs a limited risk. Many leases have an indexation clause, which means that rents increase annually with inflation.

Increasing interest rates
Interest rates are rising across the European capital markets. Rising interest rates may have a negative impact on the financing raised by the subsidiaries of the Fund. A hedge (Interest Rate Swap) has been concluded for the (two) loans from Sberbank CZ to ACREB. This limits the risk as long as Sberbank CZ can meet its obligations towards ACREB. No hedge has been concluded for the loans in Poland, Slovakia and Bulgaria. Rising interest rates mean higher interest charges for these entities. The local entities in Poland and Slovakia are (for now) able to pay these charges.

Boyana Residence E.O.O.D.
The Fund´s 100% subsidiary company in Bulgaria, Boyana Residence E.O.O.D. (**Boyana**), has a loan from Alpha Bank with an outstanding amount of ca. EUR 2.3 million. This loan was due on 30 June 2021. Boyana has not yet refinanced this loan or agreed an extension of the term of the loan with Alpha Bank. At the end of 2021 the Boyana project was valued at EUR 6.89 million.

The Fund´s current business plan is to separate the developable sites within the project from the already built elements, to negotiate a sale of these sites to local developers by mid 2022, to redeem the Alpha Bank loan in full with the proceeds, then subsequently to refurbish and sell the apartments. The Managing Board has been in regular contact with the bank to inform them about the steps being taken to fulfil this plan.

The bank could decide not to wait until the plots are sold and start executing a sale of the complete project, although they have no local representation in Bulgaria to effect such an action. If this happens there is a risk that the full current valuation of EUR 6.89 million would not be realized, which would have a negative impact on the Fund´s Net Asset Value per share. There is no wider risk for the Fund as the loan is directly to Boyana, with no recourse to, or guarantee from, the parent company.

5.8 RISK MANAGEMENT

Risk Management is considered an important managing board responsibility. In this annual report there were no material changes to the risk management framework specified in section 15.42 *Risk management*.

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 section 15.42 “Risk management” and described above in the sections *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 section 15.42 *Risk management* and the notes to the consolidated financial statements.

5.9 REMUNERATION POLICY

The Managing Board of the Fund applies a remuneration policy. The remuneration policy contributes to appropriate and effective risk management and does not encourage employees to take unnecessary risks within the framework of the prospectus and statutes of the Fund. The remuneration policy is in line with the strategy of the Fund, the goals and values of the Managing Board and the interests of the Fund’s investors. The remuneration policy incorporates measures that should prevent the occurrence of conflicts of interest. The goal is to maintain a healthy balance between the fixed and variable remuneration. The fixed remuneration is sufficient for daily expenses and includes payments for education and pension contributions. The variable remuneration must be seen as an addition to the fixed remuneration and evaluates individual employees’ achievements for the company as a whole.

The Managing Board does not pay out a guaranteed variable bonus. Any variable bonus is determined based on results that can be measured or clear achievement goals. The full remuneration policy of the Managing Board can be downloaded from http://www.arconacapital.com.

Remuneration for the Managing Board for the period 2021 – 2017

In 2021 the Fund paid a total fee of EUR 1,301,000 (2020: EUR 1,407,000) to the Managing Board, affiliated companies and Secure Management Ltd. Of this total amount, the Managing Board received a fund management fee of EUR 648,000 (2020: EUR 665,000) and affiliated companies received an asset management fee of EUR 591,000 (2020: EUR 653,000).

All in EUR	**2021**	**2020**	**2019**	**2018**	**2017**
The Managing Board	648,000	665,000	680,000	684,000	675,000
Arcona Capital Czech Republic	406,000	473,000	474,000	466,000	474,000
Arcona Capital Poland	185,000	180,000	179,000	180,000	127,000
Secure Management	62,000	89,000	5,000	n.a	n.a
Total remuneration	**1,301,000**	**1,407,000**	**1,338,000**	**1,330,000**	**1,276,000**

The remuneration for the Managing Board is described in section 15.32.1 “Specification of administrative expenses”.

The Managing Board employed on average 4 employees (2020: 3 employees). The managing directors of the Managing Board are employed by Arcona Capital Nederland N.V. (2) and Arcona Capital GmbH (1). The total number of employees involved in the activities of the Fund is 7 (2020: 6). The Managing Board of the Fund receives a fixed management fee, described in the prospectus of the Fund. Part of the fixed management fee is paid as asset management fee to Arcona Capital Czech Republic, since 2017 to Arcona Capital Poland and since 2019, to Secure Management.

People in senior management functions with the Managing Board are seen as identified staff. Identified staff are defined as follows:

- Managing directors of the Managing Board; and
- Employees fronting administration, portfolio management, marketing and human resources.

No employees received (according to article 1:120 Wft) a remuneration exceeding EUR 1 million. The Managing Board comprises three men. When new managing directors are named, the Managing Board will aim to achieve a balanced Board composition. During 2021 the Fund did not employ any staff directly (2020: 0). As identified staff, a managing director of Arcona Capital Nederland N.V. and its mother company Arcona Capital GmbH is shown. This director is not a policy maker of the Managing Board.

Remuneration for the Supervisory Board for the period 2021 – 2017
The Supervisory Board received a total remuneration of EUR 35,000 (2020: EUR 28,000) in 2021. The remuneration for the Supervisory Board has not changed for the last five years.

All in EUR	**2021**	**2020**	**2019**	**2018**	**2017**
Supervisory Board	35,000	28,000	28,000	28,000	28,000

The remuneration for the Supervisory Board and the remuneration for the statutory directors are described in section 15.33.3 *Analysis of Supervisory Board fees* and 15.33.4 *Analysis of other operating expenses*.

The Managing Board´s management contract with the Fund is described in the prospectus of the Fund and determines the annual level of management fee. The Supervisory Board is therefore not required to issue a remuneration report under the remuneration policy. The Supervisory Board monitors that the fees paid are in accordance with these contractual arrangements. An adjustment of the remuneration can only be implemented if approved by the General Meeting of Shareholders.

5.10 CORPORATE GOVERNANCE

The Fund is a listed company, which as an investment institution is not required fully to apply the Corporate Governance Code preserved in law. However, the Managing Board and Supervisory Board of the Fund consider the principles of accountability and transparency, which underlie the Corporate Governance Code, to be of direct relevance to the Fund. Accordingly, they will seek to apply the principles and best practice provisions set out in the Corporate Governance Code as fully as possible to the operation of the Fund.

5.11 STATEMENT REGARDING ADMINISTRATIVE ORGANISATION AND INTERNAL CONTROL

The Managing Board has reviewed all elements of the administrative organization during the reporting period. We consider that the administrative organization and internal control as prescribed by Article 121 of the **Bgfo** (Besluit gedragstoezicht financiële ondernemingen), meets the requirements prescribed by the Wft and related regulations. Pursuant to this, we declare as the Managing Board of the Fund that the Company possesses a description as prescribed by Article 121 of the Bgfo, which meets the requirements as prescribed by the Bgfo. In addition, the Managing Board declares with a reasonable degree of certainty that the administrative organization and internal control function effectively and in accordance with this description.

Amsterdam, 28 April 2022

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

6 THE REAL ESTATE PORTFOLIO

As of 31 December 2021, the Fund's portfolio comprised twenty-two properties. The following section gives an overview of each property in the portfolio during 2021. The properties are located in five Central European countries: four in the Czech Republic, four in Slovakia, eleven in Poland, one in Bulgaria and two in Ukraine.

6.1 THE REAL ESTATE PORTFOLIO IN POLAND

The Fund portfolio as at 31 December 2021 comprises ten modern retail centres in regional cities across Poland and one modern office building, in Szczecin. The properties are all multi tenanted. The main characteristics of each property are briefly summarised below:

8 Laubitza, Inowroclaw (Laubitza)	
Type	Retail
Rentable Surface (in sqm)	1,749
Occupation Rate (in %)	85.3
Fair value (in EUR)	1,730,000

The property is located in Inowroclaw, within Stare Miasto district, at 8 Laubitza Street, close to Dworcowa Street. The area is mostly commercial in nature. The retail building, completed in 2001, comprises one floor above ground of 1,749 sqm of total lettable area and 41 parking spaces situated at the east, south and west sides of the property.

800-lecia Inowroclawia 27, Inowroclaw (Lecia)	
Type	Retail
Rentable Surface (in sqm)	2,548
Occupation Rate (in %)	97.1
Fair value (in EUR)	2,750,000

Inowrocław Lecia is located in the central part of Poland near to Bydgoszcz and Toruń. The city has approximately 75,000 inhabitants. The site is located on the south-eastern edge of the city, in a residential area comprising apartment blocks and single-family houses. The immediate area is served by seven bus lines providing convenient access to the property for customers using public transport. The centre provides 2,548 sqm lettable area and 100 parking places.

1 Krzemowa, Gdansk (Krzemowa)	
Type	Retail
Rentable Surface (in sqm)	1,622
Occupation Rate (in %)	100.0
Fair value (in EUR)	3,230,000

The Gdańsk–Sopot-Gdynia (750,000 inhabitants) conurbation (TriCity) is located in the northern part of Poland, on the Baltic coast. The property is situated in the southern part of Gdańsk, within the city's most densely populated district, Chelm (50,000 inhabitants). To the north-east it borders the Srodmiescie district, home of the medieval old town. Surrounded by multifamily residential buildings, the property benefits from high volumes of passing traffic, with Gdansk's city centre reachable by car within less than 10 minutes. The site has two entry points, provides 46 parking spaces and extends to 5,122 sqm. The main tenant is Biedronka, on a lease expiring in 2027.

1 Plutona, Glogow (Plutona)	
Type	Retail
Rentable Surface (in sqm)	1,669
Occupation Rate (in %)	77.6
Fair value (in EUR)	1,970,000

Glogow is a developing medium-sized town in the south-east part of Poland, with a current population of nearly 70,000. The property is located in the city's largest housing estate, Kopernik, with a population of 22,500. High-rise residential buildings dominate the property's direct surroundings. The lettable area is 1,669 sqm and there are 62 parking places.

82 Kalinkowa, Grudziadz (Kalinkowa)	
Type	Retail
Rentable Surface (in sqm)	2,556
Occupation Rate (in %)	98.2
Fair value (in EUR)	2,610,000

Grudziadz is a city with nearly 100,000 inhabitants, located in the north of Poland. The property is located in the south-western part of Grudziadz in a densely populated residential area. It is bordered by the Strzemiecin housing estate with its 12-storey blocks of flats to the north and the Kopernika housing estate with its medium-density dwellings to the north-east. The site size is 8,932 sqm and is predominantly held freehold. The parking area overall has 126 parking places.

137 Wojska Polskiego, Piotrkow Trybunalski (Wajska)	
Type	Retail
Rentable Surface (in sqm)	2,603
Occupation Rate (in %)	96.3
Fair value (in EUR)	3,370,000

Piotrków Trybunalski is located in the central part of Poland near to Łódź. The city has approximately 75,000 inhabitants. The city's main competitive advantage is its location in central Poland on the main transport artery providing fast connections to the country's major towns and cities. With recent improvements in the national road and transport infrastructure the city has become one of the most important distribution locations in Poland. The property is located on Wojska Polskiego Street, the main road connecting Piotrkow city centre with the north-western peripheries. Its neighbourhood comprises residential areas to the north and business facilities to the south. Because of its prominent location on the main road and its distinctive signage, the retail centre is highly visible. Extensive new residential developments are under way adjoining the site to north-west which will add to the centre's catchment area. The property has 95 parking places. The main tenant is Biedronka, expiring in 2028.

6 Wolnosci, Slupsk (Wolnosci)

Type	Retail
Rentable Surface (in sqm)	1,859
Occupation Rate (in %)	100.0
Fair value (in EUR)	1,710,000

Slupsk is an historic town in north-western Poland, located just 18 km away from Ustka, a popular seaside resort on the Baltic coast. The current population is 95,000 inhabitants. The property is located in the northern part of the city and its immediate surroundings comprise high density mid-rise residential developments. The Old Town is within 10-minutes' walk. Two bus stops are located directly in front of the property with several others within walking distance. The property has 48 parking places. The main tenant is Jinfeng on a lease expiring in 2022.

216 Legionow St., Torun (Torun)

Type	Retail
Rentable Surface (in sqm)	2,229
Occupation Rate (in %)	100.0
Fair value (in EUR)	3,220,000

This single-storey retail building, completed in 2001, comprises 2,229 sqm of total lettable area and 64 parking spaces. The property is located in Torun, Chelminskie Przedmiescie district, at 216 Legionow St., close to Wielki Row St. The area is predominantly residential in nature. There is direct access to the building from Legionow and Kozacka Sts. Car parking is located from the north (Wielki Row St.), west (Legionow St.) and south sides of the property and consists of 64 over ground car spaces. Public transport is secured with 2 bus lines that have stops at Wielki Row St. and 4 bus lines that have stops at Legionow St. The site of the property is held leasehold.

20 Grzymaly Siedleckiego St., Bydgoszcz (Bydgoszcz)

Type	Retail
Rentable Surface (in sqm)	1,793
Occupation Rate (in %)	100.0
Fair value (in EUR)	1,720,000

This single-storey retail building, completed in 2001, comprises 1,793 sqm of total lettable area and 64 parking spaces. The subject property is located in the capital of kujawsko-pomorskie voivodeship and ca. 3 km away from the Old Town, on the same side of the Brda River crossing Bydgoszcz. The surroundings of the property are dominated by multifamily residential development and services. The nearest bus and tram stops are located at Wojska Polskiego Street at a distance of approx. 300 m and are serviced by 4 bus lines (including a night one) and 3 tram lines. The site of the property is held leasehold.

107 Kardynala Wyszynskiego St., Lodz (Lodz)

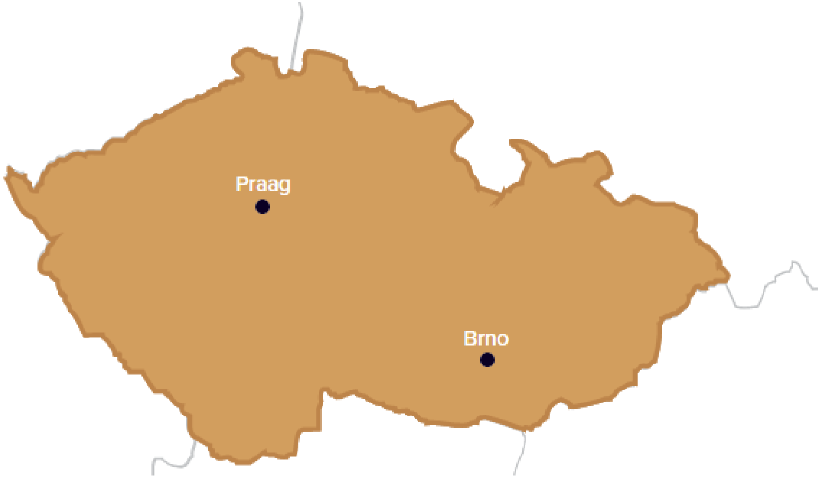
Type	Retail
Rentable Surface (in sqm)	1,609
Occupation Rate (in %)	88.6
Fair value (in EUR)	2,370,000

This single-storey retail building, completed in 2001, provides 1,609 sqm of total lettable area and 60 parking spaces situated in the north and east sides of the property. The property is located in Lodz, Polesie District, at 107 Kardynala Wyszynskiego St., close to Popieluszki St. The area is predominantly residential in nature. Public transport is secured with 7 bus lines that have stops to the west of the property. The main tenant is Netto, on a lease expiring in 2033. The site of the property is held leasehold.

9 Holdu Pruskiego Square, Szczecin (Maris)	
Type	Office
Rentable Surface (in sqm)	5,945
Occupation Rate (in %)	92.3
Fair value (in EUR)	9,220,000

This office building, completed in 2005, comprises six floors above ground and three underground levels (with 119 parking spaces) and is located in the city centre opposite Szczecin´s iconic new concert hall. The total rentable area is 5,945 sqm. The property is currently multi-leased, with 11 tenants. The main tenant is Intive with a lease expiring in 2023.

6.2 THE REAL ESTATE PORTFOLIO IN THE CZECH REPUBLIC



The portfolio comprises four commercial properties located across the Czech Republic. Three are located in Prague and one in Brno, the Czech Republic's second largest city. The properties vary in construction, specification and tenant mix however all are multi tenanted and are primarily used as office accommodation with some providing ground floor retail units. The main characteristics of each property are summarised below.

Sujanovo namesti.3, Brno (VUP)	
Type	Office & Storage
Rentable Surface (in sqm)	4,655
Occupation Rate (main building) (in %)	83.2
Fair value (in EUR)	3,150,000

This administrative complex, constructed in the 1970´s, is located 1,200 meters southeast of the Brno city centre, in an improving commercial and residential area. The accessibility by car and public transport is excellent. The total gross area is 6,077 sqm. Although currently securely leased, this property offers scope for refurbishment and upgrade, with several options now being appraised by the Managing Board. The economic prospects for Brno are positive.

Na Zertvach 34, Prague 8 (Palmovka)	
Type	Office
Rentable Surface (in sqm)	2,263
Occupation Rate (in %)	100
Fair value (in EUR)	3,458,000

The modern office building is located in Prague near the Palmovka metro station in a fast-developing area on the border of the Prague districts of Karlin, Libeň and Vysočany. The total rentable area is 2,263 sqm. The accessibility by road is good and by public transport excellent. The building dates from 1998-1999 and has 28 underground parking spaces.

Prvniho pluku 621, Prague 8 (Karlin)	
Type	Office
Rentable Surface (in sqm)	4,245
Occupation Rate (in %)	93.0
Fair value (in EUR)	6,231

This office complex comprises two adjoining 4- storey buildings. It is located in Karlin, Prague 8, close to the city centre. One of the buildings was recently refurbished to modern standards and the other building was constructed in 2002. The total rentable space (predominantly office space) is 4,245 sqm. There is sufficient parking capacity, with 35 parking spaces in the courtyard.

Politických vězňů 10, Prague 1	
Type	Office
Rentable Surface (in sqm)	2,286
Occupation Rate (in %)	84.5
Fair value (in EUR)	6,476,000

This representative office building is located in Prague’s city centre, near Wenceslas Square. The main building has eight floors and the total rentable space is 2,286 sqm. The whole complex has partly been reconstructed with additional parking spaces. The property is close to the Wilsonova arterial road through Prague city centre and within 5 minutes’ walk of the central railway station.

6.3 THE REAL ESTATE PORTFOLIO IN SLOVAKIA

The Fund portfolio as at end 2021 has four commercial properties in Slovakia. These largely comprise multi storey B-/C class office blocks of concrete frame structure and flat roof construction, situated in urban locations. The properties are all multi tenanted and are primarily used as office accommodation. Some properties provide retail or storage space. The main characteristics of each property are briefly summarised below:

Záhradnicka 46, Bratislava (Záhradnicka)	
Type	Office
Rentable Surface (in sqm)	3,755
Occupation Rate (in %)	63.6
Fair value (in EUR)	4,054,000

The underground floors and first four upper storeys of this modernised property are used for office or retail purposes. The building is located on a side road close to the business centre of Bratislava. It has six stories and two underground floors in total, providing 3,755 sqm of rentable area. The building has 28 parking spaces.

Pražská 4, Košice (Pražská 4) **– ASSET HELD FOR SALE**	
Type	Office
Rentable Surface (in sqm)	6,088
Occupation Rate (in %)	63.1
Fair value (in EUR)	2,234,000

The two 10 -story Pražská buildings are located in the Terasa residential area, approximately 1,5 km west from the historical centre of Košice. The premises can be used for office, business and short-stay accommodation purposes. The total space of Pražská 4 is 7,670 sqm of which 6,088 sqm is rentable. There are 71 parking spaces available.

Pražská 2, Košice (Pražská 2) **– ASSET HELD FOR SALE**	
Type	Office
Rentable Surface (in sqm)	6,058
Occupation Rate (in %)	86.3
Fair value (in EUR)	2,316,000

As with Pražská 4, the 10-storey Pražská 2 property can be used for office, business and short-stay accommodation purposes. The total space of Pražská 2 is 7,723 sqm of which 6,058 sqm is rentable.

Letná 45, Kosiče (Letná)	
Type	Office
Rentable Surface (in sqm)	11,169
Occupation Rate (in %)	95.2
Fair value (in EUR)	13,100,000

This office building (the biggest in the portfolio) is prominently situated on Festival Square, approx. 1 km northwest from the historical centre of Košice. There is an ongoing refurbishment programme to increase accessibility, aesthetics and tenant facilities. The building is easily accessible by car or public transport as it is near the outer city ring road. There are 70 parking places and 14 garages available.

6.4 THE REAL ESTATE PORTFOLIO IN BULGARIA

The Fund´s portfolio includes a residential project located in Sofia, Bulgaria. The project comprises five apartment blocks and adjoining development land. The main characteristics of the property are summarised below:

Boyana Residences, Sofia (Boyana)	
Type	Apartments and land plot
Surface area (in sqm)	22,440
Occupation Rate (in %)	n/a
Fair value (in EUR)	6,890,000

The project is located in the low-density Boyana residential district 9 km south-west of Sofia city centre.

Phase I of the project has been completed and obtained an occupancy permit in 2016. This phase delivered 67 apartment units, during 2020 apartment block 2A with 28 apartments has been sold. Phases II and III are not yet under construction. They will add another 18,790 sqm of residential space (174 apartment units and 211 parking places). The development plans include a variety of units, ranging from 60 to 150 sqm, with the ground floor units also offering gardens.

The Fund´s business plan for the project is to refurbish and sell the remaining completed apartments, to update and re-permit the development segments and ultimately to sell these on to local developers.

6.5 THE REAL ESTATE PORTFOLIO IN UKRAINE

The Fund´s portfolio includes two land plots located in Ukraine, in the cities of Odessa and Zaporizhzhia. The main characteristics of the properties are briefly summarised below:

Nerubaiske Village, Odessa (Biliayivskyi District)	
Type	Land plot
Surface area (in sqm)	223,934
Occupation Rate (in %)	n/a
Fair value (in EUR)	2,701,748

The land plot fronts the Odessa-Kiev M-05 Highway, a six-lane strategic road with high levels of freight traffic connecting Ukraine´s capital city with its largest seaport.

The land plot is approximately 7.5 km from the Odessa Ring Road and 1.8 km from the nearest motorway exit. The immediate neighbourhood is developing as a logistics and industrial hub for Odessa, with two major schemes, the established temperature-controlled complex ‘Inrise Logistics Park’ and the newly built ‘Odessa Logistics Park’ already in operation. The plot has been prepared for warehouse construction with extensive foundation works already completed.

The Fund´s business plan for the project is to update the development documentation and planning and then to sell to a local or international warehouse developer.

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Balabynska Village, Zaporizhzhia (Zaporizkyi District)	
Type	Land plot
Surface area (in sqm)	263,834
Occupation Rate (in %)	n/a
Fair value (in EUR)	688,680

This very large land plot is located about 2 km to the south of the city of Zaporizhzhia and borders the M105 highway from Kharkov to Mariupol. The site is zoned for commercial use and offers potential for retail park or shopping centre development.

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7 PERFORMANCE INDICATORS

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

7.1.1 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 7.1.8 "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 13.4 "Change (of presentation) of comparative figures".

7.1.2 Calculation of (diluted) earnings

	Notes	31-12-2021 In € 1,000	31-12-2020 In € 1,000
Earnings per IFRS Consolidated Income Statement	*9*	3,134	-/- 3,789
Exclude:			
1. Valuation results of properties and other equity investments			
a. Owned investment property	*15.26.1*	-/- 3,647	1,038
b. Investment property under development	*15.26.1*	7	-/- 162
c. Other equity investments	*15.35*	-	1
2. Results on disposals of properties and other equity investments			
a. Results on disposals of owned investment properties	*15.27.1*	25	-
b. Realised currency results on net investments in group companies	*15.30*	-/- 530	-/- 45
3. Tax on results on disposals of properties and other equity investments		-/- 5	-
4. Changes in fair value of financial instruments			
a. Derivatives	*15.30*	-/- 508	189
b. Convertible bonds	*15.15.6*	28	31
5. Acquisition costs on share deals		-	-
6. Taxes in respect of adjustments		266	367
Earnings		**-/- 1,230**	**-/- 2,370**
Total number of shares in issue entitled to profit	*15.13.1*	3,758,683	3,758,683
Earnings per share (in €)		**-/- 0.33**	**-/- 0.63**
Total number of outstanding profit-sharing shares (fully diluted)		3,758,683	3,758,683
Diluted earnings per share (in €)		**-/- 0.33**	**-/- 0.63**

7.1.3 Explanation of adjustments calculation of (diluted) earnings

1. Valuation results of properties and other equity 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 equity 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 equity investments

This adjustment includes the profit or loss on disposal of “Owned investment property”, “Investment property under development” and “Other equity 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 includes also 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 equity investments

This adjustment includes the tax charge or credit relating to profits or losses on “Owned investment property”, “Investment property under development” and “Other equity 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 includes also any current income tax relating directly to the above adjustments to the extent that they are considered material.

7.1.4 Calculation of (diluted) adjusted earnings

	Notes	**2021** In € 1,000	**2020** In € 1,000
Earnings	*7.1.2*	-/- 1,230	-/- 2,370
Exclude:			
1. Valuation results of “Owned investment properties held for sale”	*15.26.1*	707	976
2. Valuation results of “Right-of-use assets”	*15.26.1*	97	90
3. Results on disposals “Owned investment properties held for sale”	*15.27.1*	809	1,313
4. Impairment allowance of “Inventories”		53	17
5. Results on disposals of “Inventories”	*15.28*	-	23
6. Penalties for early termination of rental contracts	*15.31*	-/- 5	-/- 14
7. Costs of funding and acquisition	*15.33.5*	86	451
8. Interest expense on lease liabilities	*15.35*	84	92
9. Fee for early repayment loans and borrowings		3	-
10. Break fee derivative financial instruments		15	-
11. Foreign exchange and currency results	*15.30*	-/- 25	53
Include:			
12. Operating leases	*15.15.7*	-/- 186	-/- 178
Subtotal adjustments (before taxes)		1,638	2,823
13. Taxes in respect of above adjustments		-/- 321	-/- 436
Total adjustments		1,317	2,387
Adjusted earnings		**87**	**17**
Total number of shares in issue entitled to profit	*15.13.1*	3,758,683	3,758,683
Adjusted earnings per share (in €)		**0.02**	**0.00**
Total number of outstanding profit-sharing shares (fully diluted)		3,758,683	3,758,683
Diluted adjusted earnings per share (in €)		**0.02**	**0.00**

7.1.5 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.

7.1.6 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 (see also section 15.13.1) 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 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 derivative financial instruments 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".

7.1.7 Calculation of NAV

	Notes	31-12-2021 In € 1,000	31-12-2020 In € 1,000
Group equity in accordance with IFRS	*8*	46,403	42,954
Exclude:			
1. Fair value of financial instruments	*15.4*	-/- 293	224
2. Deferred tax	*15.5.1*	3,094	3,106
Group equity in accordance with NAV		**49,204**	**46,284**
Total number of shares in issue entitled to profit	*15.13.1*	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 €)		**13.09**	**12.31**

7.1.8 Explanation of adjustments calculation of NAV

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 derivative financial instruments 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”).

7.1.9 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.

7.1.10 Calculation of NNNAV

	Notes	31-12-2021 In € 1,000	31-12-2020 In € 1,000
Group equity in accordance with NAV	*7.1.7*	49,204	46,284
Include:			
1. Fair value of financial instruments	*15.4*	293	-/- 224
2. Fair value of debt		11	13
3. Fair value of deferred tax		-/- 1,547	-/- 1,553
Group equity in accordance with NNNAV		**47,961**	**44,520**
Total number of shares in issue entitled to profit	*15.13.1*	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 €)		**12.76**	**11.84**

7.1.11 Explanation of adjustments calculation of NNNAV

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 reference is made to section 13.38.3 “Deferred tax” in the Accounting Principles Consolidated Financial Statements.

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 7.1.8 (3) “Explanation of adjustments calculation of NAV” above.

7.1.12 Calculation of NNNAV before distributions to shareholders

	Notes	**31-12-2021** In € 1,000	**31-12-2020** In € 1,000
Group equity in accordance with NNNAV	*7.1.10*	47,961	44,520
Exclude:			
1. Cumulative distributions to shareholders		3,120	3,120
Group equity in accordance with NNNAV before distributions to shareholders		**51,081**	**47,640**
Total number of shares in issue entitled to profit	*15.13.1*	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 €)		**13.59**	**12.67**

8 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**31-12-021** In € 1,000	**31-12-2020** In € 1,000
Assets			
Investment property	*15.2*	77,274	77,168
Investment property under development	*15.3*	2,699	2,409
Derivative financial instruments	*15.4*	141	-
Deferred tax assets	*15.5*	605	177
Trade and other receivables	*15.8*	490	250
Prepayments and deferred expenses	*15.9*	23	44
Total non-current assets		**81,232**	**80,048**
Derivative financial instruments	*15.4*	152	-
Tax assets	*15.7*	87	189
Trade and other receivables	*15.8*	709	822
Prepayments and deferred expenses	*15.9*	327	412
Cash and cash equivalents	*15.10*	1,744	1,272
Inventories	*15.11*	1,765	1,818
Assets held for sale	*15.12*	4,550	9,861
Total current assets		**9,334**	**14,374**
Total assets		**90,566**	**94,422**
Group equity (attributable to Parent Company shareholders)	*15.13*	**46,403**	**42,954**
Liabilities			
Loans and borrowings	*15.15*	30,187	17,842
Derivative financial instruments	*15.16*	-	118
Deferred income and tenant deposits	*15.18*	410	314
Deferred tax liabilities	*15.19*	3,514	4,143
Total non-current liabilities		**34,111**	**22,417**
Tax liabilities	*15.14*	700	620
Loans and borrowings	*15.15*	6,609	25,489
Derivative financial instruments	*15.16*	-	134
Trade and other payables	*15.17*	2,590	2,658
Deferred income and tenant deposits	*15.18*	153	150
Total current liabilities		**10,052**	**29,051**
Total liabilities		**44,163**	**51,468**
Total group equity and liabilities		**90,566**	**94,422**

9 CONSOLIDATED INCOME STATEMENT

	Notes	**2021** In € 1,000	**2020** In € 1,000
Gross rental income	*15.24*	7,097	8,087
Service charge income	*15.25*	2,079	2,230
Service charge expenses	*15.25*	-/- 2,786	-/- 3,282
Property operating expenses	*15.25*	-/- 2,380	-/- 2,632
Net rental and related income		**4,010**	**4,403**
Valuation results of properties	*15.26*	2,836	-/- 1,942
Results on disposals of properties	*15.27*	-/- 834	-/- 1,313
Impairment allowance of inventories		-/- 53	-/- 17
Results on disposals of inventories	*15.28*	-	-/- 23
Net results on properties	*15.29*	**1,949**	**-/- 3,295**
Financial income	*15.30*	1,121	50
Other operating income	*15.31*	24	29
Other income		**1,145**	**79**
Total income		**7,104**	**1,187**
Administrative expenses	*15.32*	648	665
Other operating expenses	*15.33*	1,281	1,422
Total operating expenses		**1,929**	**2,087**
Net operating result before financial expenses		**5,175**	**-/- 900**
Financial expenses	*15.35*	2,150	2,672
Profit before income tax		**3,025**	**-/- 3,572**
Income tax expense	*15.37*	-/- 109	217
Profit for the period		**3,134**	**-/- 3,789**
Attributable to:			
Parent Company shareholders		3,134	-/- 3,789
Profit for the period		**3,134**	**-/- 3,789**
Basic earnings per share (€)	*15.38.1*	0.83	-/- 1.01
Diluted earnings per share (€)	*15.38.4*	0.83	-/- 1.01

10 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**2021** In € 1,000	**2020** In € 1,000
Items that are or may be reclassified subsequently to profit or loss:			
Foreign exchange and currency translation differences on net investment in group companies		358	-/- 1,276
Income tax on foreign exchange and currency translation differences on net investments in group companies		-/- 43	19
Total foreign exchange differences		315	-/- 1,257
Net gain / loss (-/-) recognised directly in group equity		**315**	**-/- 1,257**
Profit for the period	*9*	3,134	-/- 3,789
Total comprehensive income for the period		**3,449**	**-/- 5,046**
Attributable to:			
Parent Company shareholders		3,449	-/- 5,046
Total comprehensive income for the period		**3,449**	**-/- 5,046**

11 CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY

	Issued capital	Share premium	Revaluation reserve	Reserve currency translation differences	Equity component convertible bonds	Retained earnings	Total share-holders' equity
	In € 1,000	In € 1,000	In € 1,000	In € 1,000	In € 1,000	In € 1,000	In € 1,000
Balance as at January 1, 2021	18,794	19,310	6,691	947	144	-/- 2,932	42,954
Total comprehensive income	-	-	2,034	315	-/- 144	1,244	3,449
Balance as at December 31, 2021	**18,794**	**19,310**	**8,725**	**1,262**	**-**	**-/- 1,688**	**46,403**
Balance as at January 1, 2020	18,794	19,310	7,059	2,204	144	489	48,000
Total comprehensive income	-	-	-/- 368	-/- 1,257	-	-/- 3,421	-/- 5,046
Balance as at December 31, 2020	**18,794**	**19,310**	**6,691**	**947**	**144**	**-/- 2,932**	**42,954**

12 CONSOLIDATED STATEMENT OF CASH FLOW

	Notes	2021 In € 1,000	2020 In € 1,000
Cash flow from operating activities			
Profit for the period	*9*	3,134	-/- 3,789
Adjustments for:			
Net results on properties[1]		-/- 2,008	3,032
Financial income	*15.30*	-/- 1,121	-/- 49
Financial expenses	*15.35*	2,150	2,672
Income tax expense	*15.37*	-/- 109	217
Changes in:			
Derivative financial instruments		-/- 37	191
Tax assets		66	-/- 71
Trade and other receivables		-/- 129	-/- 260
Prepayments and deferred expenses		105	248
Tax liabilities		-/- 6	-/- 18
Trade and other payables		-/- 211	182
Deferred income and tenant deposits		98	-/- 91
Cash generated from operating activities		**1,932**	**2,264**
Interest received		58	2
Interest paid		-/- 1,671	-/- 2,558
Income tax paid / income tax received		-/- 894	-/- 225
Net cash from / used in (-/-) operating activities		**-/- 575**	**-/- 517**
Cash flow from investing activities			
Proceeds from the sale of assets held for sale		8,860	6,825
Proceeds from the sale of other equity investments		-	3
Acquisitions of / additions to owned investment properties		-/- 346	-/- 719
Acquisitions of / additions to assets held for sale		-/- 172	-/- 10
Net cash from / used in (-/-) investing activities	*15.41.1*	**8,342**	**6,099**
Cash flow from financing activities			
Proceeds from secured bank loans		14,009	377
Proceeds from other long-term liabilities		2,340	-
Transaction costs related to loans and borrowings		-/- 331	-
Repayments of secured bank loans		-/- 16,810	-/- 4,561
Repayments of other long-term liabilities		-/- 6,349	-/- 2,300
Payments of lease liabilities		-/- 186	-/- 178
Net cash from / used in (-/-) financing activities	*15.41.2*	**-/- 7,327**	**-/- 6,662**
Net increase / decrease (-/-) in cash and cash equivalents		440	-/- 1,080
Cash and cash equivalents as at 1 January	*15.10*	1,272	2,446
Effect of exchange and currency translation result on cash		32	-/- 94
Cash and cash equivalents as at 31 December	*15.10*	**1,744**	**1,272**

[1] Transaction costs excluded.

13 ACCOUNTING PRINCIPLES CONSOLIDATED FINANCIAL STATEMENTS

13.1 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 Financial Statements have been approved by the Supervisory Board.

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

13.2 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards (**IFRS**) 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**).

13.3 STATEMENT OF COMPLIANCE AND FUTURE RELATED ASSUMPTIONS

The Fund has applied the significant accounting principles as set out in sections 13.2 to 13.38. The Managing Board authorised the Consolidated Financial Statements for issue on April 28, 2022.

As at December 31, 2021, group equity of the Fund is positive. As stated in the liquidity forecast up to end-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 (see also 15.42 “Risk management” and 15.46 “Events after Statement of Financial Position’s date”).

Invasion of Ukraine by Russia
On February 24, 2022, Russian troops invaded Ukraine. The Fund owns two plots of land in Ukraine, in Odessa and Zaporozhzhia. The Odessa plot, of 223,934 sqm, is situated to the north of the city adjoining the motorway to Kiev and is planned for logistic development. The valuation as at 31 December 2021 was € 2.7 million. The Zaporozhzhia plot, of 263,834 sqm, is located on the southern outskirts of the city and is planned for retail development. The valuation as at 31 December 2021 wast € 689,000. At the time of publishing this report, according to various media reports, both sites remained under Ukrainian control.

Future developments in the Ukraine are very unclear. Accordingly, the Management decided to revalue both sites to zero in the Fund´s quarterly figures as from March 31, 2022. This revaluation had an impact on the NAV per share. Based on this write-down, the NAV per share decreased from € 12.76 to € 11.83. This new NAV was published on March 21 2022. See also section 15.3 point D.

The Management will closely follow further developments in Ukraine and if appropriate will adjust the valuations of the two land plots again.

Adjusting the valuations has no negative impact on the continuity of the Fund. The two land plots are not let to third parties and therefore do not generate any income for the Fund. The annual costs for these two plots at a zero valuation amount to approximately € 15,000.

CNB revokes bank licence of Sberbank CZ
On Monday, February 28, 2022, the Czech National Bank (**CNB**) announced its decision to start the process to revoke the banking licence of Sberbank CZ. This was in response to a run on the bank that began during the previous week following the Russian invasion of Ukraine and the sanctions imposed by the European Union on Russian companies. Ultimately, the Russian state is a 50%+1 shareholder of the Russian parent of Sberbank CZ.

The Fund has, through its 100% subsidiary Arcona Capital RE Bohemia s.r.o. (**ACREB**), a loan from Sberbank CZ since 2019. The outstanding amount of the loan as at 31 December 2021 was € 8.45 million. The loan has a term until March 31, 2024. The loan-to-value ratio of the loan is approximately 44%. In connection with this loan, ACREB also has an interest rate hedge with Sberbank CZ which had a positive value of € 294,000 as at December 31, 2021. In addition, ACREB has a number of deposit accounts with Sberbank CZ for daily payments the total amount on these accounts is around € 400,000.

After the CNB started the process to revoke Sberbank CZ's banking license, all amounts in ACREB's accounts with Sberbank CZ were frozen. It is also no longer possible to transfer money to or from accounts with Sberbank CZ. ACREB's frozen deposits are of an amount sufficient to cover the interest and principal repayment obligations on the loan from Sberbank CZ in the medium-term. There is no default on the loan.

ACREB has meanwhile opened an account with Raiffeisen Bank for daily business-to-business. This allows rent to be received, suppliers to be paid and ACREB to continue its operations. On 17 March, ACREB received € 100,000 on this account from the State Guarantee Fund.

The developments at Sberbank CZ have not yet had any material negative impact on ACREB or the Fund. Depending on future developments, ACREB may need to accelerate the refinancing of the Sberbank loan. A possible refinancing could take place under conditions that may be less favourable than the current loan but ACREB does not expect it to be a problem to refinance given the loan-to-value ratio of approximately 44%. See also section 15.43 points E and F.

The Managing Board has carried out an analysis whether the parties involved are on the sanction lists. No transactions were conducted with sanctioned parties.

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

13.4 CHANGE (OF PRESENTATION) OF COMPARATIVE FIGURES

In order to align the comparative figures with the Consolidated Statement of Financial Position as at December 31, 2021, some items in the comparative figures in the Consolidated Statement of Financial Position as at December 31, 2021 are presented in a different way as done in the Consolidated Statement of Financial Position December 31, 2020 and / or Consolidated Income Statement 2020. The following presentations in the comparative figures are changed:

- the "Lease incentives", which were as at December 31, 2020 part of "Prepayments and lease incentives" are reclassified to "Investment property" for an amount of € 319,000;
- reclassification from "Owned investment property" to "Lease incentives" for an amount of € 4,000. As a result of this reclassification the "Gross rental income" (amortisation lease incentives) increased and the "Valuation results of properties" decreased with also an amount of € 4,000;
- the "Valuation results of investment property under development" are reclassified to "Valuation results of properties" for an amount of € 162,000;
- the "Impairment allowance of inventories" and "Results of disposals of inventories", which were as at December 31, 2020 part of "Net results of inventories" are reclassified to "Net results of properties" for an amount of € 40,000 negative;
- The "Debt Service Reserve Account", which were as at December 31, 2020 part of "Cash and cash equivalents" are reclassified to "Trade and other receivables" for an amount of € 250,000.

The changes mentioned above will have no impact on "Group equity" and "Profit for the period".
The above-mentioned changes of presentation in the "Consolidated Statement of Financial Position" have also impact on:

- the presentation of the "Consolidated statement of cash flow";
- "Segment reporting" (section 14.5.1 "Overview of segment result (overview A)", section 14.5.3 "Overview carrying amount of type of property per business category (overview B)" and section 14.5.5 "Overview of geographic assets (overview C).

13.5 BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

13.5.1 General

The Consolidated 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 explained below have been consistently applied to the results, other gains and losses, assets, liabilities and cash flows of entities included in the Consolidated 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 13.5.4 "New and amended IFRS Standards and interpretations that are effective for the current period".

13.5.2 Judgements, assumptions and estimation uncertainties

13.5.2.1 General

Preparation of the Consolidated 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.

13.5.2.2 Judgements

Judgements made by Managing Board in the application of the EU-IFRS that have significant effect on the Consolidated Financial Statements with a significant risk of material adjustment in the next financial period are:

- equity-accounted investees: whether the Group has significant influence over an investee;
- consolidation: whether the Group has de facto control over an investee; and
- lease term: whether the Group is reasonably certain to exercise extension options.

13.5.2.3 Assumptions and estimation uncertainties

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

Assumptions and estimation uncertainties made by the Managing Board that have significant risk of resulting in material adjustments to the carrying amounts of assets and liabilities in the next financial period are:

- fair value measurements: in estimating the fair value of an asset or liability, the Group uses observable market data to the extent it is available. The Group engages external, independent appraisers to perform the valuation. The Managing Board works closely with the external, independent appraisers to establish the appropriate valuation techniques and inputs to the model;
- recognition of deferred tax assets: availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilised;
- recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources;
- measurement of “expected credit losses” allowance for trade receivables: key assumptions in determining the weighted-average loss rate;
- acquisition of subsidiary: fair value of the consideration transferred (including contingent consideration) and fair value of the assets acquired and liabilities assumed, measured on a provisional basis;
- identifying related parties.

13.5.3 Measurement of fair values

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

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

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

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

- 13.9: “Financial instruments”;

- 13.10.2: “Investment property”;
- 13.11: “Investment property under development”;
- 13.19.2: “Assets held for sale”.

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

AMENDMENT TO IFRS 16 - LEASES

As a result of the COVID-19 pandemic, rent concessions have been granted to tenants. In case additional lease incentives (either discount or free rent) were given, these incentives are straightlined over the term of the lease agreement, in accordance with the Fund’s main principles for financial reporting. The impact on the results are limited.

13.5.5 New and revised IFRS Standards and interpretations not yet applied

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2021. These standards and amendments did not have an impact on these consolidated financial statements:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest rate benchmark reform;
- Amendments to IFRS 17 and IFRS 4, “Insurance contracts”;
- Narrow scope amendments to IFRS 3, “Business combinations”, IAS 16, “Property, plant and equipment” and IAS 37“Provisions, contingent liabilities and contingent assets”;
- Amendments to IAS 1, “Presentation of financial statements” and IAS 8 “Accounting policies, changes in accounting estimates and errors”.

There are no IFRS or IFRIC interpretations that are not yet effective which are expected to have a significant impact financial statements of the Fund.

13.6 BASIS OF CONSOLIDATION

13.6.1 Subsidiaries

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

Subsidiaries are fully consolidated with effect from the date on which control commences until the date that control ceases.

The Fund recognises acquisitions if IFRS 3 (revised) “Business Combinations” or IAS 40 “Investment property” applies. Acquisitions are considered a business combination if there is an acquisition of assets, rental activities and such a management organisation, that the acquired entity can operate as an independent company, with the aim of generating economic results. The Fund does not necessarily consider acquisitions of properties within a legal company as a business combination, but evaluates these acquisitions individually for the above operational characteristics.

The Fund applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquired assets and the equity interests issued by the Fund. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Fund recognises any non-controlling interest in the acquired assets on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest’s proportionate share of the recognised amounts of acquiree’s identifiable net assets. Acquisition-related costs are expensed as incurred. “Goodwill” is the amount by which the cost of an acquired entity at first recognition exceeds the net fair value of the identifiable assets and liabilities and contingent liabilities assumed. Changes in the purchase price after the acquisition date do not result in recalculation or adjustment of the “Goodwill”. After first recognition, the “Goodwill” is valued at costs less any cumulative impairment losses. “Goodwill” is attributed to cash-generating entities and is not amortised. “Goodwill” is assessed for impairment annually, or earlier if circumstances give cause. “Negative goodwill” resulting from an acquisition is recognised directly into Income Statement.

For acquisitions of subsidiaries not meeting the definition of a business, the Fund allocates the cost between the individual identifiable assets and liabilities assumed in the Fund based on their relative fair values at the date of acquisition. Acquisition-related costs are capitalised. Such transactions or events do not give rise to “Goodwill” and deferred taxes as at date of acquisition are not stated.

Consolidated Financial Statements are prepared using uniform accounting policies for similar transactions. Accounting principles of subsidiaries are consistent with the policies adopted by the Fund.

13.6.2 Elimination of transactions on consolidation

All intercompany receivables, payables, significant transactions and any unrealised profits and losses on transactions within the Fund, or income or expenses from such transactions within the Fund have been eliminated in the Consolidated Financial Statements to the extent that no impairment loss is applicable.

13.7 BASIS OF PREPARATION OF CONSOLIDATED STATEMENT OF CASH FLOW

The Fund has used the indirect method for the Consolidated Statement of Cash Flow. Given the nature of the Fund (investment company) financial income is not netted against financial expenses but presented separately under the total income (see also section 13.33 “Financial income”), so financial income is presented in the Consolidated Statement of Cash Flow under “Cash flow from operating activities”.

Cash and cash equivalents as mentioned in the Consolidated Statement of Cash Flow include the Statement of Financial Position’s item “Cash and cash equivalents” and, if applicable “Bank overdrafts”. Transactions without settlement in cash are not recognised in the Consolidated Statement of Cash Flow.

13.8 CURRENCY

13.8.1 Functional and presentation currency

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

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

13.8.2 Foreign currency transactions

Foreign currency transactions are translated into Euros at the exchange rate applicable on the transaction date. Assets and liabilities denominated in foreign currencies are translated into Euros at the exchange rate applicable on the Statement of Financial Position’s date. Exchange rate differences arising from translation are recognised in the Income Statement. Cash flows in foreign currencies are converted at the exchange rate applicable on settlements date.

13.8.3 Financial Statements of foreign activities and net investment in foreign activities

The assets and liabilities of foreign operations and fair value adjustments arising on consolidation are translated into Euros at the exchange rate applicable on the Statement of Financial Position’s date.

The income and expenses of foreign operations are translated into Euros at the 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.

13.8.4 Exchange rates used for the Consolidated Statement of Financial Position

	31-12-2021	31-12-2020
Bulgarian Lev (EUR / BGN)	1.95580	1.95580
% change	*0.0%*	*0.0%*
Czech Koruna (EUR / CZK)	24.85800	26.24200
% change	*5.3%*	*-/- 3.3%*
Polish Zloty (EUR / PLN)	4.59690	4.55970
% change	*-/- 0.8%*	*-/- 7.1%*
Ukrainian Hryvnia (EUR / UAH)	30.92260	34.73960
% change	*11.0%*	*-/- 31.5%*
US Dollar (EUR / USD)	1.13260	1.22710
% change	*7.7%*	*-/- 9.2%*

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

13.8.5 Average exchange rates used for the Consolidated Income Statement

	2021	2020
Bulgarian Lev (EUR / BGN)	1.95580	1.95580
Czech Koruna (EUR / CZK)	25.64858	26.49758
Polish Zloty (EUR / PLN)	4.57202	4.46801
Ukrainian Hryvnia (EUR / UAH)	32.24849	31.21595

13.9 FINANCIAL INSTRUMENTS

13.9.1 General

Financial assets and financial liabilities are recognised in the Consolidated Statement of Financial Position when the Fund becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

13.9.2 Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

13.9.2.1 Classification of financial assets

In accordance with IFRS 7 financial assets have been classified as follows:

I. Debt instruments that meet the following conditions are measured subsequently at amortised cost:
   - the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
   - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

II. Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (**FVTOCI**):
   - the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
   - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

III. By default, all other financial assets are measured subsequently at fair value through profit or loss (**FVTPL**).

Despite the foregoing, the Fund may make the following irrevocable election / designation at initial recognition of a financial asset:

- the Fund may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see below); and
- the Fund may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see below).

I. Financial assets at amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Fund recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "Financial income".

II. Financial assets classified as at FVTOCI

There are no debt instruments or equity instruments designated as at FVTOCI as at Statement of Financial Position's date.

III. Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI (see I.) are measured at FVTPL. Specifically:

- investments in equity instruments are classified as at FVTPL, unless the Fund designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition;
- debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria (see (I.) and (II.) above) are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called "accounting mismatch") that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Fund has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "Financial income" or "Financial expenses".

All the Fund's financial assets are classified as "Financial assets at amortised cost and effective interest method", with the exception of:

- derivative financial instruments. These financial instruments are classified as "Financial assets at FVTPL".

13.9.2.2 Impairment of financial assets

The Fund recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Fund always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Fund's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Fund recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Fund measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Fund compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Fund considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Fund's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Fund's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Fund presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Fund has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Fund assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

A financial instrument is determined to have low credit risk if:

1. the financial instrument has a low risk of default,
2. the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
3. adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Fund considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

For financial guarantee contracts, the date that the Fund becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Fund considers the changes in the risk that the specified debtor will default on the contract.

The Fund regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default
The Fund considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:
- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Fund, in full (without taking into account any collateral held by the Fund).

Irrespective of the above analysis, the Fund considers that default has occurred when a financial asset is more than 3 months past due unless the Fund has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets
A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:
A. significant financial difficulty of the issuer or the borrower;
B. a breach of contract, such as a default or past due event (see above);
C. the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
D. it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
E. the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy
The Fund writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Fund's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses
The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Fund's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Fund in accordance with the contract and all the cash flows that the Fund expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses are consistent with the cash flows used in measuring the lease receivable in accordance with IAS 17 Leases.

For a financial guarantee contract, as the Fund is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Fund expects to receive from the holder, the debtor or any other party.

If the Fund has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Fund measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which a simplified approach was used.

The Fund recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the "Revaluation reserve", and does not reduce the carrying amount of the financial asset in the Statement of Financial Position.

Derecognition of financial assets

The Fund derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Fund continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the "Revaluation reserve" is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Fund has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the "Revaluation reserve" is not reclassified to profit or loss, but is transferred to "Retained earnings".

13.9.3 Financial liabilities and equity

13.9.3.1 Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Fund are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Fund's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Fund's own equity instruments.

Compound instruments

The component parts of convertible bonds issued by the Fund are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Fund's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to “Retained earnings”. Where the conversion option remains unexercised at the maturity date of the convertible bond, the balance recognised in equity will be transferred to “Retained earnings”. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible bonds using the effective interest method.

13.9.3.2 Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Fund, are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is:

1. contingent consideration of an acquirer in a business combination;
2. held for trading; or
3. it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Fund manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative financial instrument, except for a derivative financial instrument that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a Fund of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Fund’s documented risk management or investment strategy, and information about the Grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivative financial instruments, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in “Financial income” or “Financial expenses”.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability’s credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Fund that are designated by the Fund as at FVTPL are recognised in profit or loss.

Financial liabilities measured subsequently at amortised cost
Financial liabilities that are not:
1. contingent consideration of an acquirer in a business combination, or
2. held-for-trading, or
3. designated as at FVTPL

are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

All the Fund's liabilities are classified as "financial liabilities measured subsequently at amortised cost", with the exception of:
1. derivative financial instruments. These financial instruments are classified as "Financial liabilities at FVTPL".

Derecognition of financial liabilities
The Fund derecognises financial liabilities when, and only when, the Fund's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Fund exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Fund accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

If the modification is not substantial, the difference between:
1. the carrying amount of the liability before the modification; and
2. the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

13.9.3.3 Derivative financial instruments
The Fund enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, options and interest rate swaps.

Derivative financial instruments are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative financial instrument with a positive fair value is recognised as a financial asset whereas a derivative financial instrument with a negative fair value is recognised as a financial liability. Derivative financial instruments are not offset in the Consolidated Financial Statements unless the Fund has both the legal right and the intention to offset. A derivative financial instrument is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months.

Other derivative financial instruments are presented as current assets or current liabilities.

13.10 INVESTMENT PROPERTY

13.10.1 General

Investment property compromises owned investment property, as well as right-of-use assets.

Investment property is property that is held to realise rental income or an increase in value, or both. The initial recognition of investment properties is at cost including related transaction costs. After initial recognition, investment properties are carried at fair value, with an adjustment for the carrying amount of lease incentives.

Right-of-use assets are assets that represent a lessee's right to use an underlying asset for the lease term. For the accounting principles of right-of-use assets is referred to section 13.35 "Leases".

Lease incentives are initially and subsequently measured at historical cost. Lease incentives are allocated proportionally to subsequent periods.

13.10.2 Measurement of fair value

Fair value is the price that would be received for an asset in an orderly transaction between market participants at the measurement date and adjusted, if necessary, for differences in the nature, location or condition of the specific asset. If this information is not available, the Fund uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow or capitalisation projections. Valuations are performed as at Statement of Financial Position's date. External valuations are performed by an independent appraiser with relevant recognised qualifications and recent experience with the location and the type of property. The valuations have been made in accordance with the appropriate sections of the current RICS Valuation Standards. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. Considering the type of investment property Level 3 fair value hierarchy is applied for all real estate assets in the portfolio.

The valuations are made on the basis of the total of the net annual rents generated by the properties and, where relevant, the associated costs. The major sources of uncertainty in estimates are as follows:

A. development of rents;
B. capitalisation factor for transactions;
C. fair rents per type of property;
D. property prices;
E. vacancy;
F. remaining period of non-cancellable rental contracts.

Three standard methods of valuation computation are considered, namely:

I. term and reversion method;
II. hard core and top-slice method;
III. initial yield method.

I. Term and reversion method

The term and reversion method involves the following: net income up to the end of the contract term and the market-based net income over the following at least ten years are discounted back to the valuation date ("term"). For the time after this period, the stabilised net rental income is capitalised at the market interest rate and also discounted back to the valuation date to determine the perpetual yield ("reversion"). Depending on the estimates of risk - which are based on the type of property, location and region as well as current market circumstances - different discount rates are applied to the current rental income and the capitalisation of the perpetual yield. The assumptions underlying the valuation, e.g. for risk, void periods, vacancies or maintenance costs and capex are based on estimates by relevant market players, on derived data or the appraisers' experience. Capital expense (**CAPEX**) is expenditure in the foreseeable future which falls outside the scope of the normal annual maintenance programme.

II. Hard core and top-slice method

The hard core and top-slice method is similar to the logic behind the term and reversion model. Net income generated by the property - up to the market rent (hard core component) - is capitalised at a normal market interest rate as a perpetual yield over the entire term (term of the rental contract plus subsequent rental). The top-slice component (the net income for this same term that exceeds the market rent) is then discounted at a risk-adjusted market interest rate. The amount of the risk premium is dependent on the probability of vacancy.

III. initial yield method

The initial yield method applies a single all risks yield at the date of valuation, i.e. net income / gross purchase price.

For all investment properties that are measured at fair value, the current use of the properties is their highest and best use. In these Financial Statements all properties were externally valued using the "hard core and top-slice method". In order to arrive at the valuation of the property, the annual net rents are capitalized using a yield factor that reflects the specific risks inherent to the net cash flows.

13.10.3 Analysis of assumptions and input parameters used in the valuations per property category

The fair value is the outcome of the (theoretical) rent divided by the net initial yield (expressed as a percentage) of the investment property. The yields applied are specific to the type of property, location, maintenance condition and letting potential of each asset. The yields are determined based on comparable transactions, as well as on market and asset-specific knowledge.

The most important assumptions and input parameters used in the valuations are mentioned in below tables.

No.	Property category	2021 Yield factor[2] in %	2020 Yield factor in %
A	Office B^{+}-class	6.00 - 9.00	6.25 - 9.31
B	Office B^{-}-class	7.50 - 9.00	7.50 - 9.00
C	Office / business B / C-class	7.00 - 14.25	8.00 - 13.50
D	Retail B-class	7.00 - 7.75	7.98 - 12.13

No.	Property category	2021 Market rent per sqm in € 1	2020 Market rent per sqm In € 1
A	Office B^{+}-class	108 - 152	114 - 163
B	Office B^{-}-class	117 - 132	119 - 126
C	Office / business B / C-class	60 - 84	55 - 78
D	Retail B-class	98 - 153	79 - 153

[2] The yield factors 2020 and 2021 correspond with the equivalent yield specifications of the external independent appraiser.

No.	Property category	2021 Vacancy in %	2020 Vacancy in %
A	Office B^{+}-class	4.8 - 16.1	5.4 - 20.0
B	Office B^{-}-class	6.5 - 38.3	4.4 - 31.3
C	Office / business B / C-class	10.4 - 36.9	16.3 - 43.6
D	Retail B-class	0.0 - 22.0	0.0 - 30.5

Where necessary the following aspects are reflected in the valuation:

- the type of tenant that uses the property or that is responsible for fulfilling the rental obligations, or the type of tenant that is likely to use the property after vacancy, and the general expectation with regard to their creditworthiness;
- void periods, vacancies and maintenance costs, which are based on estimates by relevant market players, on derived data or the appraisers' experience;
- the residual economic life of the property. Standard and infinite economic life is assumed;
- whereby it is assumed that in the case of rent adjustment or extension of the lease, in the case of which a rent increase is expected, all notifications, and where necessary notices to the contrary, meet all legal requirements and have been sent in good time.

Profits or losses arising from changes in the fair value are recognised in the Income Statement. In determining the property fair value capitalized lease incentives are reflected in the valuation results, to avoid double counting.

As at the valuation date there were an unprecedented set of circumstances caused by COVID-19 and an absence of relevant / sufficient market evidence on which valuators base their judgements. The property valuations are therefore reported as being subject to “material valuation uncertainty” as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

As of April 1, 2022, management does not expect developments in Ukraine to have a negative impact on the Fund's remaining real estate portfolio in Central Europe. The countries where the Fund is active are members of NATO. An attack by Russia on one of these countries is unlikely because it will provoke a counter-reaction from the other NATO countries.

13.11 INVESTMENT PROPERTY UNDER DEVELOPMENT

Property that is currently being constructed or developed for future use as investment property is classified as investment property under development. Investment property under development is measured at fair value if the fair value is considered to be reliably determinable. Investment property under development for which the fair value cannot be determined reliably, but for which the Fund expects that the fair value of the property will be reliably determinable when construction is completed, is measured at cost less impairment until the fair value becomes reliably determinable or construction is completed - whichever is earlier.

It may sometimes be difficult to reliably determine the fair value of the investment property under development. In order to evaluate this, the Managing Board considers the following factors, among others:

- the provisions of the construction contract;
- the stage of completion;
- whether the project / property is standard (typical for the market) or non-standard;
- the level of reliability of expected cash inflows after completion;
- the development risk specific to the property;
- past experience with similar constructions;
- status of construction permits.

Costs include the material and labour for the construction, costs of staff directly related to technical supervision, project management on the basis of time spent and finance costs. The finance cost is capitalised interest that is charged until the date of delivery and is based on the interest to be allocated to development or on the basis of the average effective rate of the Group, where no specific project financing is present. Interest charges include interest and all costs associated with the Fund.
Capitalised interest will cease when substantially all the activities necessary to prepare the investment property under development for its intended use or sale are complete.

The fair value of investment property under development is determined on an identical basis to investment property, with the understanding that the capitalisation factor is adjusted to reflect development risks.

Fair value changes and impairment losses are recognised in the Income Statement as valuation result. Investment property under development will be transferred to investment property on the date of delivery.

13.12 INVENTORIES

Inventories are recognised initially at cost, including transaction costs, which represents their fair value at the time of acquisition and are subsequently measured at the lower of cost and net realizable value.

Costs include the material and labour for the construction, costs of staff directly attributable to technical supervision, project management on the basis of time spent and finance costs. The finance cost is capitalised interest that is charged until the date of delivery and is based on the interest to be allocated to inventories or on the basis of the average effective rate of the Group, where no specific project financing is present. Interest charges include interest and all costs associated with the Fund.
Capitalised interest will cease when substantially all the activities necessary to prepare the inventories for their intended use or sale are complete.

Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

13.13 DERIVATIVE FINANCIAL INSTRUMENTS

For the accounting principles with regard to derivative financial instruments (assets and liabilities) is referred to section 13.9 “Financial instruments”.

13.14 DEFERRED TAX ASSETS

For the accounting principles with regard to deferred tax assets is referred to section 13.38 “Income tax expense”.

13.15 TAX ASSETS

Tax assets comprise the expected tax receivable on the taxable amounts and any adjustments to the tax receivable in respect of previous years. The amount of the tax receivable is the best estimate of the tax amount expected to be received, reflecting uncertainty related to taxes.

13.16 TRADE AND OTHER RECEIVABLES

Trade and other receivables (without a significant financing component) are initially measured at the transaction price and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

13.17 PREPAYMENTS AND DEFERRED EXPENSES

Prepayments and deferred expenses are initially and subsequently measured at historical cost. Prepayments and deferred expenses are allocated proportionally to subsequent periods.

13.18 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and cash held in bank accounts. Time deposits are only included in cash and cash equivalents if the expectation is that they will be used to fund working capital within a period of three months or less from the date of acquisition. Cash and cash equivalents meet the definition given by IFRS 9, i.e., short-term, highly-liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.
Cash and cash equivalents are recognised and measured at fair value through profit or loss in accordance with IFRS 9, as described in section 13.9 “Financial instruments”.

Cash In the Consolidated Statement of Cash Flow bank overdrafts at call, which constitute an integral part of the Fund’s asset management, form part of cash and cash equivalents.

13.19 ASSETS HELD FOR SALE

13.19.1 General

Non-current assets or disposal groups comprising assets and liabilities are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. This only applies if the asset or disposal group is available for immediate sale in its present condition. Furthermore, the sale must be highly probable, the Managing Board must be committed to a plan to sell the asset or disposal group and an active programme to locate a buyer must have been initiated. The sale should be completed within one year from the date of classification.

13.19.2 Measurement of fair value

Assets or disposal groups held for sale are generally measured at the lower of their carrying amount and fair value less cost of disposal, except for investment property. Investment property held for sale and right-of-use assets held for sale are measured in accordance with section 13.10 “Investment property”. Any impairment loss on a disposal group is allocated to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to financial assets, deferred tax assets or investment property, which continue to be measured in accordance with the Fund’s regular accounting policies. Impairment losses on initial classification as held for sale or held for distribution and subsequent gains and losses on re-measurement are recognised in the Income Statement.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

13.20 GROUP EQUITY

For the accounting principles of the several shareholders’ equity components is referred to sections 18.3.3 “Share premium” to 18.3.7 “Equity component convertible bonds”.

13.21 TAX LIABILITIES

Tax liabilities comprise the expected tax payable on the taxable amounts and any adjustments to the tax payable in respect of previous years. The amount of the tax payable is the best estimate of the tax amount expected to be paid, reflecting uncertainty related to taxes.

13.22 LOANS AND BORROWINGS

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred and subsequently measured at amortised cost, with any difference between cost and the redemption amount being stated in the Income Statement over the term of the loans using the effective interest method.

13.23 TRADE AND OTHER PAYABLES

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

13.24 DEFERRED INCOME AND TENANT DEPOSITS

Deferred income and tenant deposits are initially and subsequently measured at historical cost. Deferred income is allocated proportionally to subsequent periods. Tenant deposits are recognised at their received amounts.

13.25 DEFERRED TAX LIABILITIES

For the accounting principles with regard to the deferred tax liabilities is referred to section 13.38 “Income tax expense”.

13.26 GROSS RENTAL INCOME

Gross rental income from investment properties is stated in the Income Statement excluding Value added tax (VAT), on the basis of the period of the lease. If the investment property has been acquired during the financial period, the rental income is accounted as of the date of acquisition by the Fund. If office or other equipment is leased together with the premises, this is included in the rental income.

Rent adjustments due to indexation are recognised as they arise.

Rent-free periods and investments made or allowances granted to tenants by the Fund (“lease incentives”) are allocated on a linear basis over the lease term. The lease term consists of the period until the first break option for the tenants, which period can be extended by the Managing Board with the expected prolongation of the leases.

Revenue received from tenants for early termination of leases is directly recognised in the Income Statement as it arises.

13.27 SERVICE CHARGE INCOME AND SERVICE CHARGE EXPENSES

The Fund is acting as principal for service charge income. Service charge income corresponds to service charges invoiced to tenants, and is presented separately in the Income Statement. Service charge income is recorded as income in the period in which it is earned.

Service charge expenses cover the costs of services such as general maintenance and repairs, security, heating, cooing, lighting and cleaning of common areas. Service charge expenses are recognised in the Income Statement of the period to which they relate.

13.28 PROPERTY OPERATING EXPENSES

Property operating expenses consist mainly of maintenance costs, property taxes, insurance premiums and management and collection costs. Service charges are stated separately in the Income Statement. If the investment property has been acquired in the course of the financial period, the direct operating expenses are accounted for from the date of acquisition by the Fund.

VALUATION RESULTS OF PROPERTIES

The valuation results of properties (inventories excluded) are unrealised changes in the fair value of properties compared to the fair value as at 31 December of the preceding financial period. In case (part of) a property is sold the valuation result of properties includes also the reversal of the unrealised changes in the fair value from prior years (see also section 13.30 “Results on disposals of properties”).

13.29 RESULTS ON DISPOSALS OF PROPERTIES

The results on disposals of properties comprise realised results on disposals of properties (inventories excluded). This result is calculated by the difference between the selling price less the original purchase price. Therefore the results on disposals of properties comprise the valuation result of properties in the current year as well as the unrealised valuation results of properties booked in prior years.

13.30 IMPAIRMENT ALLOWANCE OF INVENTORIES

The (reversal of) impairment allowance of inventories relate to (reversal of) impairment changes of the inventories in relation to the valuation as at 31 December of the preceeding financial period.

13.31 RESULTS OF DISPOSALS OF INVENTORIES

The results on disposals of inventories relate to realised results on disposals of inventories. This result is calculated by the difference between the selling price less valuation as at 31 December of the preceeding financial period.

13.32 FINANCIAL INCOME

Interest income on funds invested is recognised in the Income Statement as it accrues.

Given the nature of the Fund (investment company) financial income is not netted against finance charges, but presented separately under the total income. Financial income arises principally from the investments held in order to be used for investment in property. Financial income also includes the exchange and currency translation profits that arise principally from the settlement of monetary items or from the translation of monetary items in foreign currency.

Financial income also includes the positive changes in fair value of derivative financial instruments.

13.33 OTHER OPERATING INCOME

Other operating income is recognised in the Income Statement when it is probable that the economic benefits will flow into the Fund and the (net) revenues can be measured reliably.

Other operating income also includes penalties for early termination of rental contracts. Tenants who terminate leases prior to the contractual expiration date are liable to pay early termination penalties, which are credited to income for the period in which they are recognised.

13.34 LEASES

At inception of a contract, the Fund assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Fund uses the definition of a lease in IFRS 16.

13.34.1 The Fund as a lessee

At commencement or on modification of a contract that contains a lease component, the Fund allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Fund has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Fund recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses or, if it relates to investment property the right-of-use will be valued at fair value in line with IAS 40. The right-of-use will additionally be adjusted for any remeasurement of the lease liability, when applicable.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Fund's incremental borrowing rate. Generally, the Fund uses its incremental borrowing rate as the discount rate.

The Fund determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Fund is reasonably certain to exercise, lease payments in an optional renewal period if the Fund is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Fund is reasonably certain not to terminate early.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

13.34.2 Short-term leases and low value assets

The Fund has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets (USD 5,000 or less) and short-term leases. The Fund recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

13.34.3 The Fund as a lessor

At inception or on modification of a contract that contains a lease component, the Fund allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Fund acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Fund makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Fund considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Fund is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Fund applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Fund applies IFRS 15 to allocate the consideration in the contract.

The Fund applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Fund further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Fund recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of “Other operating income”.

Generally, the accounting policies applicable to the Fund as a lessor in the comparative period did not differ from IFRS 16.

13.35 ADMINISTRATIVE EXPENSES AND OTHER OPERATING EXPENSES

Administrative expenses and other operating expenses are recognised in the Income Statement. Expenses may only be deferred if they meet the definition of an asset.

13.36 FINANCIAL EXPENSES

Financial expenses comprise the interest expense on funds taken up, calculated using the effective interest method, exchange and currency translation losses, which arise principally from the settlement of monetary items, or in the translation of monetary items in foreign currency.

Financial expenses also include the negative changes in fair value of derivative financial instruments.

Interest expense is recognised in the Income Statement as it accrues, by means of the effective interest rate method.

13.37 INCOME TAX EXPENSE

13.37.1 Income tax expense

The income tax expense for the financial period comprises current and deferred tax. It is recognised in Income Statement except to the extent that it relates to a business combination, or items recognised in equity or comprehensive income.

13.37.2 Current tax

The current tax comprises the expected tax payable or receivable on the taxable statement of income for the financial period and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted as at Statement of Financial Position’s date. Current tax also includes any tax arising from dividends.

Tax assets and liabilities are offset only if certain criteria are met.

13.37.3 Deferred tax

Deferred tax is recognised in respect of taxable and / or deductible temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred tax is not recognised for:

- taxable and / or deductible temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss (“Initial Recognition Exception”);
- taxable and / or deductible temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Fund is able to control the timing of the reversal of the taxable temporary differences and it is probable that they will not reverse in the foreseeable future;
- taxable and / or deductible temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Fund. Deferred tax assets are reviewed at each Statement of Financial Position’s date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each Statement of Financial Position’s date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is 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 measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Fund expects, at Statement of Financial Position’s date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of properties measured at fair value is presumed to be recovered through sale, and the Fund has not rebutted this presumption.

Deferred tax assets and deferred tax liabilities are not discounted.

Deferred tax assets and liabilities are offset in case the Fund or its subsidiaries has a legally enforceable right to set-off tax assets against tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same Tax Authority.

14 SEGMENT INFORMATION

14.1 GENERAL

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

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

Given the Fund's management decision-making structure and internal reporting structure each property is indicated as an operating segment. The properties held during the financial period (current period and / or previous period), as mentioned in section 14.5.1 "Overview of segment result (Overview A)", are taken into account in the segment reporting overviews.
The following segment reporting overviews are given for each property:

A. overview of segment result (net operating income), apportioned to the Fund's geographic categories;
B. overview carrying amount of type of property, apportioned to the Fund's business categories;
C. overview of assets apportioned to the Fund's geographic categories.

Since each separate property is indicated as an operating segment, most of the Fund's assets cannot be allocated to the operating segments. Therefore only the carrying amount of each property is reported as a segment asset. For an overview of the carrying amount of each type of property is referred to section 14.5.3 "Overview carrying amount of type of property per business category (overview B)".

14.2 GEOGRAPHIC CATEGORIES

The Fund distinguishes the following geographic categories:

A. Czech Republic;
B. Slovakia;
C. Poland;
D. Ukraine;
E. Bulgaria;
F. The Netherlands;
G. Other countries.

14.3 BUSINESS CATEGORIES

The Fund distinguishes the following business categories:

A. Office;
B. Retail;
C. Residential;
D. Land.

14.4 SEGMENTATION CRITERIA

The Fund uses the following segmentation criteria of its assets:

- if the assets in an individual foreign country represent more than 1% of the total assets as at Statement of Financial Position's date, these assets shall be disclosed separately. If those assets represent less than 1% of the total assets as at Statement of Financial Position's date, these items will be allocated as "Other countries". The assets located in the Fund's country of domicile are disclosed separately, also in case these assets are less than 1% of the total assets;
- the allocation of the property is based on the geographic location of the premises;
- the allocation of deferred tax assets is based on the geographic location of the company which generated the deferred tax assets;
- the allocation of investments in associates and other equity investments is based on the business location of the company the Fund invests in;
- the allocation of other assets (tax assets, trade and other receivables, prepayments and deferred expenses and cash and cash equivalants) is based on the geographic location of the debtor and / or contracting party.

The allocation of segment results to the several geographic categories is based on the geographic location of the premises.

14.5 SEGMENT RESULTS

14.5.1 Overview of segment result (overview A)

Segment	Gross rental income		Service charge income		Service charge expenses		Property operating expenses		Subtotal net rental & related income	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	in € 1,000		in € 1,000		in € 1,000		in € 1,000		in € 1,000	
Czech Republic:										
Palmovka	268	250	105	103	-/- 75	-/- 83	-/- 92	-/- 76	206	194
Karlin	472	450	175	173	-/- 136	-/- 139	-/- 132	-/- 122	379	362
VUP	218	210	181	179	-/- 161	-/- 152	-/- 74	-/- 78	164	159
PV 10	312	267	140	128	-/- 103	-/- 108	-/- 95	-/- 91	254	196
Total Czech Republic	**1,270**	**1,177**	**601**	**583**	**-/- 475**	**-/- 482**	**-/- 393**	**-/- 367**	**1,003**	**911**
Slovakia:										
Záhradnicka	325	350	8	11	-/- 81	-/- 82	-/- 128	-/- 135	124	144
Pražská 2	422	438	-	6	-/- 177	-/- 198	-/- 157	-/- 155	88	91
Pražská 4	364	385	2	5	-/- 111	-/- 128	-/- 123	-/- 131	132	131
Krivá 18	-	327	-	12	-	-/- 92	-	-/- 37	-	210
Krivá 23	-	336	-	15	-	-/- 99	-	-/- 27	-	225
Letná	1,227	1,188	14	13	-/- 167	-/- 195	-/- 321	-/- 363	753	643
Vural	409	455	61	69	-/- 207	-/- 242	-/- 170	-/- 167	93	115
Kosmalt	243	666	5	13	-/- 139	-/- 369	-/- 123	-/- 276	-/- 14	34
Total Slovakia	**2,990**	**4,145**	**90**	**144**	**-/- 882**	**-/- 1,405**	**-/- 1,022**	**-/- 1,291**	**1,176**	**1,593**
Poland:										
Laubitza 8	148	176	53	56	-/- 64	-/- 64	-/- 76	-/- 46	61	122
800-lecia Inowroclawia	162	174	156	167	-/- 135	-/- 101	-/- 92	-/- 72	91	168
Krzemowa	253	263	156	128	-/- 114	-/- 101	-/- 77	-/- 72	218	218
Plutona	117	47	37	22	-/- 65	-/- 66	-/- 56	-/- 47	33	-/- 44
Kalinkowa	233	223	151	143	-/- 155	-/- 131	-/- 110	-/- 93	119	142
Wojska Polskiego	258	239	173	175	-/- 146	-/- 134	-/- 89	-/- 95	196	185
Wolnosci	161	161	62	63	-/- 88	-/- 80	-/- 57	-/- 57	78	87
Graniczna	-	-	-	-	-	-/- 22	-	-/- 16	-	-/- 38
Grzymaly Siedleckiego	234	232	93	115	-/- 95	-/- 116	-/- 28	-/- 33	204	198
Kardyn. Wyszynskiego	195	209	100	138	-/- 102	-/- 141	-/- 45	-/- 40	148	166
Legionow	319	327	138	175	-/- 166	-/- 163	-/- 75	-/- 46	216	293
Maris	757	713	269	321	-/- 297	-/- 274	-/- 160	-/- 158	569	602
Total Poland	**2,837**	**2,764**	**1,388**	**1,503**	**-/- 1,427**	**-/- 1,393**	**-/- 865**	**-/- 775**	**1,933**	**2,099**
Ukraine:										
Aisi Bela	-	-	-	-	-/- 2	-/- 2	-/- 30	-/- 38	-/- 32	-/- 40
Bulgaria:										
Boyana	-	-	-	-	-	-	-/- 51	-/- 117	-/- 51	-/- 117
Inventories	-	1	-	-	-	-	-/- 19	-/- 44	-/- 19	-/- 43
Total Bulgaria	**-**	**1**	**-**	**-**	**-**	**-**	**-/- 70**	**-/- 161**	**-/- 70**	**-/- 160**
Grand total	**7,097**	**8,087**	**2,079**	**2,230**	**-/- 2,786**	**-/- 3,282**	**-/- 2,380**	**-/- 2,632**	**4,010**	**4,403**

Segment	Subtotal net rental & related income 2021	2020	Net results on properties 2021	2020	Other operating income[3] 2021	2020	Financial expenses[4] 2021	2020	Total segment result 2021	2020
	in € 1,000		in € 1,000		in € 1,000		in € 1,000		in € 1,000	
Czech Republic:										
Palmovka	206	194	269	-/- 297	-	-	-	-	475	-/- 103
Karlin	379	362	-/- 65	98	1	2	-	-	315	462
VUP	164	159	480	-/- 18	-	1	-	-	644	142
PV 10	254	196	433	-/- 43	-	11	-	-	687	164
Total Czech Republic	**1,003**	**911**	**1,117**	**-/- 260**	**1**	**14**	**-**	**-**	**2,121**	**665**
Slovakia:										
Záhradnicka	124	144	-/- 259	-/- 184	2	-	-	-	-/- 133	-/- 40
Pražská 2	88	91	-/- 449	-/- 206	-	-	-	-	-/- 361	-/- 115
Pražská 4	132	131	-/- 271	-/- 1	-	-	-	-	-/- 139	130
Krivá 18	-	210	-	-/- 280	-	-	-	-	-	-/- 70
Krivá 23	-	225	-	-/- 332	-	-	-	-	-	-/- 107
Letná	753	643	76	1,922	-	-	-	-	829	2,565
Vural	93	115	-/- 765	164	-	-	-	-	-/- 672	279
Kosmalt	-/- 14	34	-/- 31	-/- 1,269	-	-	-	-	-/- 45	-/- 1,235
Total Slovakia	**1,176**	**1,593**	**-/- 1,699**	**-/- 186**	**2**	**-**	**-**	**-**	**-/- 521**	**1,407**
Poland:										
Laubitza 8	61	122	-/- 227	-/- 188	-	-	-	-	-/- 166	-/- 66
800-lecia Inowroclawia	91	168	425	-/- 498	-	-	-	-	516	-/- 330
Krzemowa	218	218	208	-/- 51	-	-	-	-	426	167
Plutona	33	-/- 44	273	-/- 143	-	-	-	-	306	-/- 187
Kalinkowa	119	142	229	-/- 288	-	-	-	-	348	-/- 146
Wojska Polskiego	196	185	-/- 3	-/- 214	-	-	-	-	193	-/- 29
Wolnosci	78	87	362	-/- 50	-	-	-	-	440	37
Graniczna	-	-/- 38	-	-/- 200	-	-	-	-	-	-/- 238
Grzymaly Siedleckiego	204	198	9	-/- 17	-	-	11	14	202	167
Kardyn. Wyszynskiego	148	166	517	-/- 196	2	-	23	26	644	-/- 56
Legionow	216	293	486	-/- 170	-	-	50	52	652	71
Maris	569	602	401	-/- 481	-	-	-	-	970	121
Total Poland	**1,933**	**2,099**	**2,705**	**-/- 2,496**	**2**	**-**	**84**	**92**	**4,531**	**-/- 489**
Ukraine:										
Aisi Bela	-/- 32	-/- 40	-/- 75	185	-	-	-	-	-/- 107	145
Bulgaria:										
Boyana	-/- 51	-/- 117	-/- 21	-/- 498	-	-	-	-	-/- 72	-/- 615
Inventories	-/- 19	-/- 43	-/- 53	-/- 40	-	-	-	-	-/- 72	-/- 83
Total Bulgaria	**-/- 70**	**-/- 160**	**-/- 74**	**-/- 538**	**-**	**-**	**-**	**-**	**-/- 144**	**-/- 698**
Grand total	**4,010**	**4,403**	**1,949**	**-/- 3,295**	**5**	**14**	**84**	**92**	**5,880**	**1,030**

[3] "Other operating income" relates solely to penalties for early termination of rental contracts.
[4] "Financial expenses" relates solely to interest expense on lease liabilities.

14.5.2 Reconciliation segment result with profit for the period

The reconciliation between the total segment results as calculated in section 14.5.1 “Overview of segment result (overview A)” with the “Profit for the period”, as stated in the Consolidated Income Statement, is made below.

	2021 in € 1,000	2020 in € 1,000
Total segment result (overview A)	5,880	1,030
Unallocated income	1,140	65
Unallocated expenses	3,995	4,667
Profit before income tax	3,025	-/- 3,572
Income tax expense	-/- 109	217
Profit for the period	**3,134**	**-/- 3,789**

14.5.3 Overview carrying amount of type of property[5] per business category[6] (overview B)

Segment	31-12-2021 Carrying amount In € 1,000	31-12-2020 Carrying amount In € 1,000
Office:		
Palmovka	3,458	2,954
Karlin	6,231	5,921
VUP	3,150	2,515
PV 10	6,476	5,620
Záhradnicka	4,054	4,319
Pražská 2	2,316	2,593
Pražská 4	2,234	2,505
Letná	13,100	13,100
Vural	Sold	4,730
Maris	9,220	8,830
Total office	**50,239**	**53,087**
Retail:		
Laubitza 8	1,730	1,959
800-lecia Inowroclawia	2,750	2,326
Krzemowa	3,230	3,026
Plutona	1,970	1,696
Kalinkowa	2,610	2,365
Wojska Polskiego	3,370	3,388
Wolnosci	1,710	1,348
Grzymaly Siedleckiego	1,720	1,645
Kardyn. Wyszynskiego	2,370	1,708
Legionow	3,220	2,711
Total retail	**24,680**	**22,172**
Residential:		
Kosmalt	Sold	4,763
Inventories Boyana	1,765	1,818
Total residential	**1,765**	**6,581**
Land:		
Aisi Bela	3,387	3,085
Boyana	4,820	4,837
Total land	**8,207**	**7,922**
Grand total	**84,891**	**89,762**

14.5.4 Major tenants

The Fund reports one tenant (2020: one) with a gross rental income more than 10% (i.e. € 866,000) of the Fund's total gross rental income. This tenant is a tenant in the building of Letná, located in Slovakia.

[5] Right-of-use assets excluded
[6] Based on main purpose of the property.

14.5.5 Overview of geographic assets (overview C)

	Czech Republic		Slovakia		Poland		Ukraine		Subtotal	
	31-12-2021	31-12-2020	31-12-2021	31-12-2020	31-12-2021	31-12-2020	31-12-2021	31-12-2020	31-12-2021	31-12-2020
	in € 1,000		in € 1,000		in € 1,000		in € 1,000		in € 1,000	
Investment property	19,315	17,011	17,154	22,149	35,297	32,495	688	676	72,454	72,331
Investment property under development	-	-	-	-	-	-	2,699	2,409	2,699	2,409
Derivative financial instruments	293	-	-	-	-	-	-	-	293	-
Deferred tax assets	-	-	-	-	427	-	119	116	546	116
Inventories	-	-	-	-	-	-	-	-	-	-
Tax assets	-	1	-	-	87	188	-	-	87	189
Trade and other receivables	60	70	454	485	263	403	-	-	777	958
Prepayments and deferred expenses	78	92	102	160	163	198	4	3	347	453
Cash and cash equivalents	318	401	273	119	931	568	1	14	1,523	1,102
Assets held for sale	-	-	4,550	9,861	-	-	-	-	4,550	9,861
	20,064	**17,575**	**22,533**	**32,774**	**37,168**	**33,852**	**3,511**	**3,218**	**83,276**	**87,419**

	Subtotal (transport)		Bulgaria		The Netherlands		Other countries		Grand total	
	31-12-2021	31-12-2020	31-12-2021	31-12-2020	31-12-2021	31-12-2020	31-12-2021	31-12-2020	31-12-2021	31-12-2020
	in € 1,000		in € 1,000		in € 1,000		in € 1,000		in € 1,000	
Investment property	72,454	72,331	4,820	4,837	-	-	-	-	77,274	77,168
Investment property under development	2,699	2,409	-	-	-	-	-	-	2,699	2,409
Derivative financial instruments	293	-	-	-	-	-	-	-	293	-
Deferred tax assets	546	116	59	61	-	-	-	-	605	177
Inventories	-	-	1,765	1,818	-	-	-	-	1,765	1,818
Tax assets	87	189	-	-	-	-	-	-	87	189
Trade and other receivables	777	958	-	-	-	-	422	114	1,199	1,072
Prepayments and deferred expenses	347	453	-	-	3	3	-	-	350	456
Cash and cash equivalents	1,523	1,102	14	3	207	167	-	-	1,744	1,272
Assets held for sale	4,550	9,861	-	-	-	-	-	-	4,550	9,861
	83,276	**87,419**	**6,658**	**6,719**	**210**	**170**	**422**	**114**	**90,566**	**94,422**

15 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15.1 SUBSIDIARIES

15.1.1 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	31-12-2021 Proportion of shares held by the Parent In %	 Proportion of shares held by the Group 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.

Name of subsidiary	Registered office	Country of incorporation	31-12-2020 Proportion of shares held by the Parent In %	 Proportion of shares held by the Group 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	n.a.	n.a.

15.1.2 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 Secure Property Development & Investment plc (**SPDI**).

15.1.3 Subsidiaries acquired during the financial period

During the financial period the Fund acquired no subsidiaries.

15.1.4 Subsidiaries sold during the period

During the financial period the Fund sold no subsidiaries.

15.2 INVESTMENT PROPERTY

15.2.1 Analysis of investment property

	31-12-2021 In € 1,000	31-12-2020 In € 1,000
Owned investment property (lease incentives excluded)	75,668	75,351
Lease incentives	209	323
Owned investment property	75,877	75,674
Right-of-use assets	1,397	1,494
	77,274	**77,168**

15.2.2 Analysis of owned investment property

	31-12-2021 In € 1,000	31-12-2020 In € 1,000
Buildings (including underground)	70,369	70,161
Land plots	5,508	5,513
	75,877	**75,674**

15.2.3 Specification of owned investment property

Name of property	Address	31-12-2021 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	3,458	2,954
Karlin	Prvního Pluku 621/8a, Prague	6,231	5,921
VUP	Šujanovo náměsti 3, Brno	3,150	2,515
PV 10	Politických Vězňu 10, Prague	6,476	5,620
Subtotal		**19,315**	**17,010**
In ownership of Arcona Capital RE Slovakia s.r.o. (Slovakia)			
Záhradnicka	Záhradnícka 46, Bratislava	4,054	4,319
Letná	Letná 45, Košice	13,100	13,100
Vural	Alexandra Rudnaya 21, Žilina	Sold	4,730
Subtotal		**17,154**	**22,149**
In ownership of Arcona Capital Real Estate Poland Sp. z o.o. (Poland)			
Laubitza	Laubitza 8, Inowroclaw	1,730	1,959
Lecia Inowroclawia	800-lecia Inowroclawia 27, Inowroclaw	2,750	2,326
Krzemowa	Krzemowa 1, Gdansk	3,230	3,026
Plutona	Plutona 1, Glogow	1,970	1,696
Kalinkowa	Kalinkowa 82, Grudziadz	2,610	2,365
Wojska Polsiekgo	Wojska Polskiego 137, Piotrkow Trybunalski	3,370	3,388
Wolnosci	Wolnosci 6, Slupsk	1,710	1,348
Subtotal		**17,370**	**16,108**
In ownership of Arcona Capital Real Estate Trio Sp. z o.o. (Poland)			
Grzymaly Siedleckiego	Grzymaly Siedleckiego 20, Bydgoszcz	1,720	1,645
Kardynala Wyszynskiego	Kardynala Wyszynskiego 107, Lodz	2,370	1,708
Legionow	Legionow 216, Torun	3,220	2,711
Subtotal		**7,310**	**6,064**
In ownership of Arcona Capital Poland B.V. Project 5 Sp.k. (Poland)			
Maris	Holdu Pruskiego 9 & 12 Malopolska 12, Szczecin	9,220	8,830
In ownership of Aisi Bela LLC (Ukraine)			
Balabino Project	Territory of Balabynska Village Council, Zaporizkyi District, Zaporizhzhia Region	688	676
In ownership of Boyana Residence E.O.O.D. (Bulgaria)			
Boyana	Gardova Glava, Boyana	4,820	4,837
		75,877	**75,674**

15.2.4 Statement of changes in owned investment property

	2021 In € 1,000	2020 In € 1,000
Balance as at 1 January	75,674	76,706
Acquisitions	41	-
Additions	314	719
Fair value adjustments	3,508	-/- 989
Exchange rate differences	1,069	-/- 762
Disposals	-/- 9	-
Reclassification (to "Assets held for sale")	-/- 4,720	-
Balance as at 31 December	**75,877**	**75,674**

The "Acquisitions" for the amount of € 41,000 relates to the purchase of a small land plot of Kalinkowa (Poland).

The "Disposals" for the amount of € 9,000 negative relates to the sale of a small land plot of Kalinkowa (Poland).

The "Reclassification (to "Assets held for sale") for the amount of € 4,720,000 negative relates to the property Vural, which has been reclassified to "Assets held for sale" (see also section 15.12.3 "Statement of changes in owned investment property held for sale").

15.2.5 Valuation of owned investment property

All owned investment property is valued at fair value. The owned investment property, stated under section 15.2.3 "Specification of owned investment property", was valued by an external, independent appraiser as at Statement of Financial Position's date. The valuations are prepared for accounting purposes and are in accordance with relevant IFRS regulations. The fair values of the owned investment property are primarily derived using the "Hard core and top-slice method".

15.2.6 Specification of right-of-use assets

Nature of right-of-use asset	Related to owned investment property	31-12-2021 In € 1,000	31-12-2020 In € 1,000
Right-of-use held by Arcona Capital Real Estate Trio Sp. z o.o. (Poland)			
Land lease	Grzymaly Siedleckiego	164	212
Land lease	Kardynala Wyszynskiego	381	418
Land lease	Legionow	852	864
		1,397	**1,494**

15.2.7 Statement of changes in right-of-use assets

	2021 In € 1,000	2020 In € 1,000
Balance as at 1 January	1,494	1,584
Fair value adjustments	-/- 97	-/- 90
Balance as at 31 December	**1,397**	**1,494**

15.2.8 Valuation of right-of-use assets

The right-of-use assets, stated under section 15.2.6 “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 initially measured at cost, which compromises the initial amount of the lease liability adjusted by the amount of any prepaid or accrued lease payment, less any lease incentives received. The right-of-use asset is subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses. The right-of-use asset will additionally be adjusted for any remeasurement of the lease liability, when applicable. 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.

15.2.9 Transactions with related parties

The property sale and purchase transactions executed during the financial period were not executed with parties affiliated with the Managing Board or the Fund.

15.2.10 Sensitivity analysis

The appraisal of the “Buildings including underground”, hereinafter referred to as the Porfolio implies an average weighted Reversion Yield of 8.5% (December 31, 2020: 9.7%).

In case the yields used for the appraisals of the portfolio on Statement of Financial Position’s date had been 50 basis points higher, the value of the portfolio would have decreased by 6.5% (December 31, 2020: 5.8%). In this situation, the “Group equity” would have been € 4,030,000 lower (December 31, 2020: € 3.890,000 lower).

In case the yields used for the appraisals of the portfolio on Statement of Financial Position’s date had been 50 basis points lower, the value of the portfolio would have increased by 7.4% (December 31, 2020: 6.5%). In this situation, the “Group equity” would have been € 4,602,000 higher (December 31, 2020: € 4,361,000 higher).

A sensitivity analysis with possible changes in Yield and Estimated Rental Value (**ERV**) results in the following changes in portfolio value:

	31-12-2021				
Change in	**Change in yield**				
ERV	**-/- 0.50%**	**-/- 0.25%**	**0.00%**	**0.25%**	**0.50%**
-/- 5.0%	2.7%	-/- 0.9%	-/- 4.3%	-/- 7.5%	-/- 10.5%
-/- 2.5%	5.1%	1.4%	-/- 2.1%	-/- 5.4%	-/- 8.5%
0.0%	7.4%	3.6%	0.0%	-/- 3.3%	-/- 6.5%
2.5%	9.7%	5.8%	2.1%	-/- 1.3%	-/- 4.5%
5.0%	12.1%	8.1%	4.3%	0.8%	-/- 2.5%

	31-12-2020				
Change in	**Change in yield**				
ERV	**-/- 0.50%**	**-/- 0.25%**	**0.00%**	**0.25%**	**0.50%**
-/- 5.0%	2.0%	-/- 1.2%	-/- 4.2%	-/- 7.0%	-/- 9.7%
-/- 2.5%	4.3%	1.0%	-/- 2.1%	-/- 5.0%	-/- 7.8%
0.0%	6.5%	3.2%	0.0%	-/- 3.0%	-/- 5.8%
2.5%	8.8%	5.3%	2.1%	-/- 1.0%	-/- 3.9%
5.0%	11.0%	7.5%	4.2%	1.1%	-/- 1.9%

The ERV is the external appraisers’ opinion as to the open market rent which, on the date of valuation, could reasonably be expected to be obtained on a new letting or rent review of an investment property.

15.3 INVESTMENT PROPERTY UNDER DEVELOPMENT

15.3.1 Specification of investment property under development

Name of property	Address	31-12-2021 In € 1,000	31-12-2020 In € 1,000
In ownership of Aisi Bela LLC (Ukraine)			
Bela Logistic Park	Territory of Nerubaiske Village Council, Biliayivskyi District, Odesa Region	2,699	2,409

15.3.2 Statement of changes in investment property under development

	2021 In € 1,000	2020 In € 1,000
Balance as at 1 January	2,409	2,976
Fair value adjustments	-/- 7	162
Exchange rate differences	297	-/- 729
Balance as at 31 December	**2,699**	**2,409**

15.3.3 Valuation of investment property under development

All investment property under development is valued at fair value. The investment property under development, stated under section 15.3.1 "Specification of investment property under development", was valued by an external, independent appraiser as at Statement of Financial Position's date. The valuation is prepared for accounting purposes and is in accordance with relevant IFRS regulations. The fair values of investment property under development are primarily derived using the "Market approach" based on comparable properties in the market.

15.4 DERIVATIVE FINANCIAL INSTRUMENTS

15.4.1 Specification of derivative financial instruments

	31-12-2021 In € 1,000	31-12-2020 In € 1,000
Non-current part of derivative financial instruments	141	-
Current part of derivative financial instruments	152	-
	293	**-**

15.4.2 Specification of derivative financial instruments

	31-12-2021 In € 1,000	31-12-2020 In € 1,000
Interest rate swaps used for hedging	293	-

15.5 RECOGNISED DEFERRED TAXES

15.5.1 Specification of recognised deferred taxes

	31-12-2021		
	Recognised deferred tax assets In € 1,000	**Recognised deferred tax liabilities** In € 1,000	**Total** In € 1,000
Owned investment property	498	3,521	-/- 3,023
Receivables from shareholders and other group companies	-	71	-/- 71
Subtotal non-current investments	498	3,592	-/- 3,094
Tax losses (carried forward)	446	-	446
Trade and other receivables	12	1	11
Prepayments and deferred expenses	13	14	-/- 1
Interest receivables from shareholders and group companies	-	13	-/- 13
Assets held for sale	-	339	-/- 339
Loans and borrowings	-	9	-/- 9
Loans due to shareholders and other group companies	16	-	16
Interest due to shareholders and other group companies	89	-	89
Derivative financial instruments	-	65	-/- 65
Trade and other payables	52	-	52
Deferred income and tenant deposits	-	2	-/- 2
Deferred taxes before set-off	1,126	4,035	-/- 2,909
Set-off deferred taxes	-/- 521	-/- 521	-
	605	**3,514**	**-/- 2,909**

	31-12-2020		
	Recognised deferred tax assets In € 1,000	**Recognised deferred tax liabilities** In € 1,000	**Total** In € 1,000
Owned investment property	135	3,213	-/- 3,078
Receivables from shareholders and other group companies	-	28	-/- 28
Subtotal non-current investments	135	3,241	-/- 3,106
Tax losses (carried forward)	249	-	249
Lease incentives	-	12	-/- 12
Trade and other receivables	10	6	4
Prepayments and deferred expenses	-	11	-/- 11
Assets held for sale	-	1,162	-/- 1,162
Loans due to shareholders and other group companies	18	-	18
Derivative financial instruments	4	-	4
Trade and other payables	50	-	50
Deferred taxes before set-off	466	4,432	-/- 3,966
Set-off deferred taxes	-/- 289	-/- 289	-
	177	**4,143**	**-/- 3,966**

15.5.2 Analysis of recognised deferred taxes

	2021 In € 1,000	2020 In € 1,000
Will expire	256	131
Will never expire	-/- 3,165	-/- 4,097
Balance as at 31 December	**-/- 2,909**	**-/- 3,966**

An allocation of the recognised deferred tax assets to the various geographic segments is presented in section 14.5.5 “Overview of geographic assets (overview C)”.

15.5.3 Analysis of recognised deferred tax assets concerning tax losses (carried forward)

	2021 In € 1,000	2020 In € 1,000
Expires in 2022	-	29
Expires in 2025	187	102
Expires in 2026	69	-
Subtotal will expire	256	131
Will never expire	190	118
Balance as at 31 December	**446**	**249**

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

15.5.4 Statement of changes in recognised deferred taxes

	2021 In € 1,000	2020 In € 1,000
Balance as at 1 January	-/- 3,966	-/- 4,317
Adjustments related to prior years	4	10
Additions / withdrawals	1,078	272
Change in tax rate	-/- 1	76
Exchange rate differences	-/- 24	-/- 7
Balance as at 31 December	**-/- 2,909**	**-/- 3,966**

15.6 UNRECOGNISED DEFERRED TAXES

15.6.1 Specification of unrecognised deferred taxes

	31-12-2021		
	Unrecognised deferred tax assets	**Unrecognised deferred tax liabilities**	**Total**
	In € 1,000	In € 1,000	In € 1,000
Owned investment property	-	179	-/- 179
Investment property under development	174	-	174
Tax losses (carried forward)	2,294	-	2,294
Inventories	48	-	48
Trade and other receivables	5	-	5
Loans due to shareholders and other group companies	65	-	65
Trade and other payables	15	-	15
Current liabilities due to shareholders and other group companies	88	-	88
	2,689	**179**	**2,510**

	31-12-2020		
	Unrecognised deferred tax assets	**Unrecognised deferred tax liabilities**	**Total**
	In € 1,000	In € 1,000	In € 1,000
Owned investment property	241	176	65
Investment property under development	153	-	153
Receivables from shareholders and other group companies	1	-	1
Tax losses (carried forward)	1,919	-	1,919
Inventories	42	-	42
Trade and other receivables	25	-	25
Prepayments and deferred expenses	20	-	20
Secured bank loans	137	-	137
Loans due to shareholders and other group companies	126	-	126
Trade and other payables	11	-	11
Current liabilities due to shareholders and other group companies	98	-	98
	2,773	**176**	**2,597**

15.6.2 Analysis of unrecognised deferred taxes

	2021 In € 1,000	2020 In € 1,000
Will expire	228	1,558
Will never expire	2,282	1,039
Balance as at 31 December	**2,510**	**2,597**

15.6.3 Analysis of unrecognised deferred tax assets concerning tax losses (carried forward)

	2021 In € 1,000	2020 In € 1,000
Expires in 2021	-	5
Expires in 2022	82	136
Expires in 2023	22	95
Expires in 2024	11	48
Expires in 2025	21	649
Expires in 2026	92	467
Expires in 2027	-	158
Subtotal will expire	228	1,558
Will never expire	2,066	361
Balance as at 31 December	**2,294**	**1,919**

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

15.6.4 Statement of changes in unrecognised deferred taxes

	2021 In € 1,000	2020 In € 1,000
Balance as at 1 January	2,597	2,230
Adjustments related to prior years	-/- 20	122
Additions / withdrawals	-/- 600	669
Change in tax rate	484	-/- 282
Exchange rate differences	49	-/- 142
Balance as at 31 December	**2,510**	**2,597**

15.7 TAX ASSETS

15.7.1 Specification of tax assets

	31-12-2021 In € 1,000	31-12-2020 In € 1,000
Non-current part of tax assets	-	-
Current part of tax assets	87	189
	87	**189**

15.7.2 Specification of tax assets

	31-12-2021 In € 1,000	31-12-2020 In € 1,000
Corporate income tax (**CIT**)	72	108
Value added tax (**VAT**)	15	81
	87	**189**

15.8 TRADE AND OTHER RECEIVABLES

15.8.1 Analysis of trade and other receivables

	31-12-2021 In € 1,000	31-12-2020 In € 1,000
Non-current part of trade and other receivables	490	250
Current part of trade and other receivables	709	822
	1,199	**1,072**

15.8.2 Specification of trade and other receivables

	31-12-2021 In € 1,000	31-12-2020 In € 1,000
Trade receivables	516	618
Debt Service Reserve Account (**DSRA**)	490	250
Receivables Secure Management srl	114	114
Receivables SPDI	8	-
Invoiceable amounts	15	33
Other trade and other receivables	56	57
	1,199	**1,072**

The “Receivables Secure Management srl” amounting to € 114,000 relates to compensation for the repayment of a tax credit incurred on the sale of the inventory apartment block 2-A at Boyana (Bulgaria).

The “Receivables SPDI” amounting to € 8,000 relates to an overpayment as a result of withholding tax.

15.8.3 Analysis of trade receivables

	31-12-2021 In € 1,000	31-12-2020 In € 1,000
Trade receivables (gross)	957	1,343
Total expected credit losses for trade receivables	-/- 441	-/- 725
	516	**618**

15.8.4 Provision for doubtful trade receivables

The Fund always measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses. The Fund has chosen to apply the “simplified model” for the calculation of the loss allowance for trade receivables. The “expected credit loss-rate” is based on historical information (chosen is a 5-year history), whereby the historical default loss percentage is adjusted for forecast information. The Fund presumed that all trade receivables are homogenous. Usually the Fund has recognised a loss allowance of 100% for collective assessed expected credit losses with regard to trade receivables over one year past due (after reduction of recoverable value added tax), because historical experience has indicated that these trade receivables are generally not recoverable.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Fund writes-off on a trade receivable when there is information indicating the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

15.8.5 Risk profile of trade receivables

The following table details the risk profile of trade receivables based on the Fund’s provision matrix.

	31-12-2021				
	Up to 1 month past due	**1 to 3 months past due**	**3 months to 1 year past due**	**More than 1 year past due**	**Total**
Expected credit loss rate	4.0%	7.3%	18.8%	100.0%	
Trade receivables (gross) (in € 1,000)	298	150	112	397	957
Collective assessed expected credit losses (in € 1,000)	-/- 12	-/- 11	-/- 21	-/- 397	-/- 441
Individually assessed expected credit losses (in € 1,000)					-
Trade receivables (net) (in € 1,000)					**516**

	31-12-2020				
	Until 1 month past due	**1 until 3 months past due**	**3 months until 1 year past due**	**More than 1 year past due**	**Total**
Expected credit loss rate	3.1%	11.8%	28.7%	90.9%	
Trade receivables (gross) (in € 1,000)	260	110	136	837	1,343
Collective assessed expected credit losses (in € 1,000)	-/- 8	-/- 13	-/- 39	-/- 761	-/- 821
Individually assessed expected credit losses (in € 1,000)					96
Trade receivables (net) (in € 1,000)					**618**

15.8.6 Movement in lifetime expected credit losses for trade receivables

The following table shows the movement in lifetime expected credit losses that has been recognised for trade and other receivables in accordance with the “simplified approach” as set out in IFRS 9.

	2021		
	Collective assessed expected credit losses In € 1,000	**Individually assessed expected credit losses** In € 1,000	**Total expected credit losses** In € 1,000
Balance as at 1 January	821	-/- 96	725
Amounts written-off	-/- 470	75	-/- 395
Amounts recovered	-/- 56	-	-/- 56
Change in loss allowance due to new trade and other receivables originated net of those derecognised due to settlement	141	21	162
Exchange rate differences	5	-	5
Balance as at 31 December	**441**	**-**	**441**

	2020		
	Collective assessed expected credit losses In € 1,000	**Individually assessed expected credit losses** In € 1,000	**Total expected credit losses** In € 1,000
Balance as at 1 January	612	229	841
Amounts written-off	-/- 76	-	-/- 76
Amounts recovered	-/- 39	-	-/- 39
Change in loss allowance due to new trade and other receivables originated net of those derecognised due to settlement	330	-/- 325	5
Exchange rate differences	-/- 6	-	-/- 6
Balance as at 31 December	**821**	**-/- 96**	**725**

15.8.7 Individually assessed expected credit losses for trade receivables

The individually assessed expected credit losses for trade receivables amounts zero (December 31, 2020: € 96,000 negative). As already mentioned in the Consolidated Financial Statements 2020:

- All individually assessed expected credit losses for trade receivables relates to the debtor Piotr & Pawel (**PiP**), which in recent past was in administration;
- As at March 4, 2021 the Polish courts confirmed the settlement agreed on the administration procedure of PiP as final and binding;
- As at April 6, 2021 the Fund has received the corresponding basic obligation payment for an amount of € 83,000 and penalty interest for an amount of € 3,000.

Based on described above the individually assessed expected credit losses for trade receivables as at Statement of Financial Position’s date with regard to PiP amounts zero and as at Statement of Financial Position’s date there are no other individually assessed expected credit losses.

15.9 PREPAYMENTS AND DEFERRED EXPENSES

15.9.1 Analysis of prepayments and deferred expenses

	31-12-2021 In € 1,000	31-12-2020 In € 1,000
Non-current part of prepayments and deferred expenses	23	44
Current part of prepayments and deferred expenses	327	412
	350	**456**

15.9.2 Specification of prepayments and deferred expenses

	31-12-2021 In € 1,000	31-12-2020 In € 1,000
Deferred expenses	177	245
Prepayments	173	211
	350	**456**

15.10 CASH AND CASH EQUIVALENTS

The “Cash and cash equivalents” are at the free disposal of the Fund, with the exception of € 183,000 (December 31, 2020: € 288,000), which amount is retained on reserve accounts (e.g. “Security Deposit Account”, “Repair Reserve Account” and “CAPEX Account”).

15.10.1 Specification of cash and cash equivalents

	31-12-2021 In € 1,000	31-12-2020 In € 1,000
Bank balances	1,558	985
Deposits	183	285
Cash	3	2
	1,744	**1,272**

15.11 INVENTORIES

15.11.1 Analysis of inventories

Name of inventory	Address	31-12-2021		31-12-2020	
		Quantity	Carrying amount In € 1,000	Quantity	Carrying amount 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	185	62	238
			1,765		**1,818**

15.11.2 Statement of changes in inventories

	2021 In € 1,000	2020 In € 1,000
Balance as at 1 January	1,818	2,823
Impairments	-/- 53	-/- 17
Disposals	-	-/- 988
Balance as at 31 December	**1,765**	**1,818**

The fair value of the inventories as at Statement of Financial Position's date is € 2,070,000 (December 31, 2020: € 1,828,000).

15.12 ASSETS HELD FOR SALE

15.12.1 Analysis of assets held for sale

	31-12-2021 In € 1,000	31-12-2020 In € 1,000
Owned investment property held for sale	4,550	9,861

15.12.2 Analysis of owned investment property held for sale

Name of property	Address	31-12-2021 In € 1,000	31-12-2020 In € 1,000
In ownership of Arcona Capital RE Slovakia s.r.o. (Slovakia)			
Pražská 2	Pražská 2, Košice	2,316	2,593
Pražská 4	Pražská 4, Košice	2,234	2,505
Kosmalt	Kysucká 16, Košice	Sold	4,763
Vural	Alexandra Rudnaya 21, Žilina	Sold	n.a.
		4,550	**9,861**

The Fund had recognised the properties shown above as “Owned investment property held for sale”. Two properties (Kosmalt and Vural) were sold during 2021. Pražská 2 and Pražská 4 are sold as at January 19, 2022 for a total amount of € 4,550,000.

Kosmalt was sold as at May 6, 2021 for an amount of € 4,860,000.
Vural was sold as at November 29, 2021 for an amount of € 4,000,000.

15.12.3 Statement of changes in owned investment property held for sale

	31-12-2021	31-12-2020
	In € 1,000	In € 1,000
Balance as at 1 January	9,861	18,785
Reclassification (from “Owned investment property”)	4,720	-
Additions	172	10
Fair value adjustments	-/- 1,343	-/- 2,109
Disposals	-/- 8,860	-/- 6,825
Balance as at 31 December	**4,550**	**9,861**

The “Reclassification (from “Assets held for sale”) for the amount of € 4,720,000 relates to the property Vural, which has been reclassified from “Owned investment property” (see also section 15.2.4 “Statement of changes in owned investment property”).

15.12.4 Valuation of owned investment property held for sale

All owned investment property held for sale is valued at fair value, without deduction of costs of sale. The owned investment property held for sale, stated under section 15.12.2 “Analysis of owned investment property held for sale”, are not valued by an external, independent appraiser as at 31 December 2021. The owned investment property held for sale are valued against selling price. As mentioned above Pražská 2 and Pražská 4 are sold as at January 19, 2022 for a total amount of € 4,550,000.

15.13 GROUP EQUITY

15.13.1 Comparative statement

	31-12-2021	31-12-2020	31-12-2019	31-12-2018	31-12-2017
	In € 1,000	In € 1,000	In € 1,000	In € 1,000	In € 1,000
Group equity	**46,403**	**42,954**	**48,000**	**40,911**	**42,036**
Number of ordinary shares in issue	3,165,149	3,138,158	3,138,158	3,138,158	3,138,158
Number of registered shares in issue	593,534	620,525	620,525	26,991	26,991
Total number of shares in issue entitled to profit	**3,758,683**	**3,758,683**	**3,758,683**	**3,165,149**	**3,165,149**
Net Asset Value per ordinary and registered share (in €)	**12.35**	**11.43**	**12.77**	**12.93**	**13.28**

15.13.2 “Closed-end” structure

The Fund operates as a closed-end investment company. Ordinary shares can be traded continuously through:

- Euronext Fund Services (**EFS**) in Amsterdam (The Netherlands); and
- Prague Stock Exchange (**PSE**) in Prague (Czech Republic).

The registered shares are currently restricted from trading on EFS and / or PSE.

15.13.3 Capital management

All issued ordinary and registered shares are part of the Fund’s capital management responsibilities. The Fund’s objectives when managing capital are to safeguard the Fund’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Fund reserves the right to declare dividends or make distributions if the Managing Board so decides.

15.13.4 Equity components

For further analysis and statements of changes in the various equity components is referred to section 19.8.1 “Statement of changes in shareholders’ equity”.

15.14 TAX LIABILITIES

15.14.1 Specification of tax liabilities

	31-12-2021 In € 1,000	**31-12-2020** In € 1,000
Non-current part of tax liabilities	-	-
Current part of tax liabilities	700	620
	700	**620**

15.14.2 Analysis of tax liabilities

	31-12-2021 In € 1,000	**31-12-2020** In € 1,000
Corporate income tax (**CIT**)	475	390
Property tax	114	95
Value added tax (**VAT**)	70	119
Withholding tax (**WHT**)	41	16
	700	**620**

15.15 LOANS AND BORROWINGS

15.15.1 Analysis of loans and borrowings

Kind of loans and borrowings	31-12-2021 Non-current liabilities	Current liabilities	Total
	In € 1,000	In € 1,000	In € 1,000
Secured bank loans	26,902	3,993	30,895
Lease liabilities	1,134	163	1,297
Other loans and borrowings	2,151	2,453	4,604
	30,187	**6,609**	**36,796**

Kind of loans and borrowings	31-12-2020 Non-current liabilities	Current liabilities	Total
	In € 1,000	In € 1,000	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**

15.15.2 Statement of changes in secured bank loans

	2021	2020
	In € 1,000	In € 1,000
Balance as at 1 January	33,378	38,048
Additions as a result of acquisitions	-	530
Loans advanced	14,009	377
Redemptions	-/- 16,810	-/- 5,360
(Amortisation) flat fee and transaction costs	-/- 136	56
Exchange rate differences	454	-/- 273
Balance as at 31 December	**30,895**	**33,378**

15.15.3 Analysis of secured bank loans

Name of company	31-12-2021 Name of credit institution	Date of maturity .	Weighted average interest rate In %	Face value In € 1,000	Carrying amount In € 1,000
Arcona Capital RE Bohemia s.r.o.	Sberbank	31-03-2024	3.62	8,459	8,452
Arcona Capital RE Slovakia s.r.o.	Slovenská Sporiteľňa	30-09-2024	2.45	6,588	6,585
Arcona Capital Real Estate Poland Sp. z o.o.	Hypo Noe	31-03-2026	2.95	8,060	7,948
Arcona Poland B.V. Project 5 Sp.k.	Hypo Noe	31-03-2026	2.95	5,660	5,590
Boyana Residence E.O.O.D.	Alpha Bank	30-06-2021	4.75	1,789	1,789
Arcona Capital Real Estate Bulgaria Ltd.	Alpha Bank	30-06-2021	4.75	531	531
				31,087	**30,895**

The Fund is still in negotiation with Alpha Bank in order to refinance / install the secured bank loan.

Boyana Residence E.O.O.D.
The Fund´s 100% subsidiary company in Bulgaria, Boyana Residence E.O.O.D., has a loan from Alpha Bank with an outstanding amount of ca. EUR 2.3 million. This loan was due on 30 June 2021. Boyana Residence has not yet refinanced this loan or agreed an extension of the term of the loan with Alpha Bank. At the end of 2021 the Boyana project was valued at EUR 6.89 million. Alpha Bank is charing a penalty interest of 2% so the weighted average interest rate is 6.75%.

The Fund´s current business plan is to separate the developable sites within the project from the already built elements, to negotiate a sale of these sites to local developers by mid 2022, to redeem the Alpha Bank loan in full with the proceeds, then subsequently to refurbish and sell the apartments. The Managing Board has been in regular contact with the bank to inform them about the steps being taken to fulfil this plan.

The bank could decide not to wait until the plots are sold and start executing a sale of the complete project, although they have no local representation in Bulgaria to effect such an action. If this happens there is a risk that the full current valuation of EUR 6.89 million would not be realized, which would have a negative impact on the Fund´s Net Asset Value per share. There is no wider risk for the Fund as the loan is directly to Boyana Residence E.O.O.D., with no recourse to, or guarantee from, the parent company

Name of company	31-12-2020 Name of credit institution	Date of maturity	Weighted average interest rate In %	Face value In € 1,000	Carrying amount In € 1,000
Arcona Capital RE Bohemia s.r.o.	Sberbank	31-03-2024	2.14	8,372	8,362
Arcona Capital RE Slovakia s.r.o.	Slovenská Sporiteľňa	30-09-2024	2.45	9,356	9,344
Arcona Capital Real Estate Poland Sp. z o.o.	BNP Paribas Polska Bank	30-11-2021	3.25	7,857	7,823
Arcona Poland B.V. Project 5 Sp.k.	DNB Nordbank	30-11-2020	3.51	5,538	5,538
Boyana Residence E.O.O.D.	Alpha Bank	30-06-2021	4.75	1,781	1,781
Arcona Capital Real Estate Bulgaria Ltd.	Alpha Bank	30-06-2021	4.75	530	530
				33,434	**33,378**

15.15.4 Securities provided, bank covenants and ratios secured bank loans

As at Statement of Financial Position's date the following securities were provided and bank covenants agreed with regard to the secured bank loans. The ratios, as well as the withdrawable facilities as at Statement of Financial Position's date are also mentioned.

	Sberbank	Slovenská Sporiteľňa	Hypo Noe	Alpha Bank
Carrying amounts securities provided:				
• Owned investment property (in € 1,000)	19,315	17,154	26,590	4,820
• Inventories (in € 1,000)	-	-	-	1,765
• Assets held for sale (in € 1,000)	-	4,550	-	-
• Trade and other receivables (in € 1,000)	44	400	464	-
• Cash and cash equivalents (in € 1,000)	317	270	715	14
Bank covenants:				
• Debt Service Coverage Ratio (**DSCR**) (minimum)	1.15	1.25	1.20	n.a.
• Debt Service Reserve Account (**DSRA**) (in € 1,000)	n.a.	190	300	n.a.
• Capital expenditure (**CAPEX**) (in € 1,000)	n.a.	70	n.a.	n.a.
• Equity / liabilities	n.a.	10.00%	n.a.	n.a.
• Loan to value	70.00%	45.00%	65.00%	n.a.
• Negative equity borrower	n.a.	n.a.	No[7]	n.a.
• Issued shares borrower pledged	Yes	No	Yes[8]	Yes
Ratios:				
DSCR	1.34	1.25	1.30	n.a.
Loan-to-value (**LTV**)	43.80%	30.48%	51.78%	27.16%
Withdrawable credit facilities:				
Maximum credit facilities	8,459	6,838	13,720	2,320
Outstanding amount	8,459	6,588	13,720	2,320
Withdrawable credit facilities	-	250	-	-

For further information on pledged issued shares of the borrower is referred to section 19.1.3 "Security".

As at Statement of Financial Position's date, the Fund's financing covenants remain in line with the commitments in its facility agreements.

[7] Each borrower (Arcona Capital Real Estate Poland Sp. z o.o. and Arcona Poland B.V. Project 5 Sp.k.) has to ensure that, at all times, its total assets increased by the aggregrate of the subordinated liabilities then outstanding are greater than its total liabilities. For the purpose of this calculation contingent and prospective liabilities will not be taken into account and liabilities under subordinated shareholdersloan will be treated as equity and not as liabilities.

[8] Solely the shares in Arcona Capital Real Estate Poland Sp. z o.o. are pledged. Therefore the shares in Arcona Poland B.V. Project 5 Sp.k. are not pledged.

15.15.5 Analysis of convertible bonds

Date of issue	Convertible as of	Date of maturity	Nominal interest rate	Interest rate used[9]	Conversion price	Face value	Carrying amount 31-12-2021	Carrying amount 31-12-2020
			In %	In %	In €	In € 1,000	In € 1,000	In € 1,000
17-10-2016	01-11-2016	31-10-2021	6.50	7.50	8.76	n.a.	n.a.	3,472

15.15.6 Statement of changes in convertible bonds

	2021	2020
	In € 1,000	In € 1,000
Balance as at 1 January	3,472	3,441
Redemptions	-/- 3,500	-
Accreted interest	28	31
Balance as at 31 December	**-**	**3,472**

15.15.7 Statement of changes in lease liabilities

	2021	2020
	In € 1,000	In € 1,000
Balance as at 1 January	1,410	1,600
Redemptions	-/- 186	-/- 178
Accreted interest	84	92
Exchange rate differences	-/- 11	-/- 104
Balance as at 31 December	**1,297**	**1,410**

15.15.8 Analysis of lease liabilities

Nature of lease liability	Related to property	31-12-2021	31-12-2020
		In € 1,000	In € 1,000
Lease liability by Arcona Capital Real Estate Trio Sp. z o.o. (Poland)			
Land lease	Grzymaly Siedleckiego	152	200
Land lease	Kardynala Wyszynskiego	354	394
Land lease	Legionow	791	816
		1,297	**1,410**

15.15.9 Maturity analysis contractual undiscounted cash flows of lease liabilities

	31-12-2021	31-12-2020
	In € 1,000	In € 1,000
Less than 1 year	174	175
1 year to 5 years	592	648
More than 5 years	1,473	1,605
	2,239	**2,428**

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

15.15.10 Statement of changes in other loans and borrowings

	2021 In € 1,000	2020 In € 1,000
Balance as at 1 January	5,071	7,538
Loans advanced	5,840	-
Redemptions	-/- 6,349	-/- 2,411
(Amortisation) flat fee and transaction costs	7	-/- 37
Accreted interest	27	-
Exchange rate differences	8	-/- 19
Balance as at 31 December	**4,604**	**5,071**

15.15.11 Analysis of other loans and borrowings

				31-12-2021		
Name of company	**Name of counterparty**	**Secured / unsecured**	**Date of maturity**	**Weighted average interest rate** In %	**Face value** In € 1,000	**Carrying amount** In € 1,000
Aisi Bela LLC	Almaz-Press-Ukraine LLC	Unsecured	-	0.00	67	67
Arcona Capital Real Estate Trio Sp. z o.o.	2 bond holders	Secured	29-03-2024	8.50[10]	2,200	2,037
Arcona Property Fund N.V.	Other third party (I)	Secured	31-01-2022	10.00	1,000	1,000
Arcona Property Fund N.V.	Other third party (II)	Unsecured	31-01-2022	11.00	250	250
Arcona Property Fund N.V.	Other third party (III)	Unsecured	31-03-2022	10.00	1,000	1,000
Arcona Property Fund N.V.	Other third party (IV)	Unsecured	15-01-2024	9.50	250	250
					4,767	**4,604**

On January 15, 2021 the Fund entered into a loan agreement with Mr R. Barker (brother of Mr Guy Barker) for an amount of € 250,000 with a term of 3 years and an interest rate of 9.5%. The proceeds of this loan were used to pay back part of the loan to Secure Property Development & Investment Plc (SPDI) in relation to the project Boyana which was due at the end of 2020. The loan to Boyana has an interest rate of 10% and has now been extended to June 2021. The new loan has been approved by the Supervisory Board and Mr R. Barker is not a shareholder in the Fund. See also 15.42.7.

[10] The weighted average interest rate used amounts 10.61%.

15.15.12 Securities provided of other loans and borrowings

As at Statement of Financial Position's date the following securities were provided with regard to the other loans and borrowings:

	2 bond holders	Other third party (I)
Financial covenants:		
• DSCR (minimum)	1.10	n.a.
• Loan to value	40.00%	n.a.
• Issued shares borrower pledged	Yes	n.a.

For the secured loan from "Other third party (I)" Arcona Capital Real Estate Trio Sp. z o.o. shall grant security by way of third party security for the obligations of the Fund under any Finance Document to the lender promptly upon request (in form and substance to the lender) over any receivables of Arcona Capital Real Estate Trio Sp. z o.o.

As at Statement of Financial Position's date, the Fund's financing covenants remain in line with the commitments in its facility agreements.

15.15.13 Statement of changes in other loans and borrowings

	2021 In € 1,000	2020 In € 1,000
Balance as at 1 January	5,071	7,538
Loans advanced	5,840	-
Redemptions	-/- 6,349	-/- 2,411
Accreted interest	27	-
(Amortisation) flat fee and transaction costs	7	-/- 37
Exchange rate differences	8	-/- 19
Balance as at 31 December	**4,604**	**5,071**

15.16 DERIVATIVE FINANCIAL INSTRUMENTS

15.16.1 Specification of derivative financial instruments

	31-12-2021 In € 1,000	31-12-2020 In € 1,000
Non-current part of derivative financial instruments	-	118
Current part of derivative financial instruments	-	134
	-	**252**

15.16.2 Specification of derivative financial instruments

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

15.17 TRADE AND OTHER PAYABLES

15.17.1 Analysis of trade and other payables

	31-12-2021 In € 1,000	31-12-2020 In € 1,000
Non-current part of trade and other payables	-	-
Current part of trade and other payables	2,590	2,658
	2,590	**2,658**

15.17.2 Specification of trade and other payables

	31-12-2021 In € 1,000	31-12-2020 In € 1,000
Trade payables	410	699
Accruals	643	694
Administrative expenses	1,099	1,014
Interest payables	182	148
(Penalty) interest payables Alpha Bank	251	97
Other trade and other payables	5	6
	2,590	**2,658**

15.17.3 Specification of administrative expenses

	31-12-2021 In € 1,000	31-12-2020 In € 1,000
Fund management fee	1,099	1,014
Performance-related remuneration	-	-
	1,099	**1,014**

15.18 DEFERRED INCOME AND TENANT DEPOSITS

15.18.1 Analysis of deferred income and tenant deposits

	31-12-2021 In € 1,000	31-12-2020 In € 1,000
Non-current part of deferred income and tenant deposits	410	314
Current part of deferred income and tenant deposits	153	150
	563	**464**

15.18.2 Specification of deferred income and tenant deposits

	31-12-2021 In € 1,000	31-12-2020 In € 1,000
Deposits received from tenants	551	462
Advance payments received from tenants	12	2
	563	**464**

15.19 DEFERRED TAX LIABILITIES

For the specification and analysis of the (un)recognised deferred tax liabilities is referred to sections:

- 15.5.1 “Specification of recognised deferred taxes”;
- 15.5.4 “Statement of changes in recognised deferred taxes”;
- 15.6.1 “Specification of unrecognised deferred taxes”;
- 15.6.4 “Statement of changes in unrecognised deferred taxes”.

15.20 CONTINGENT ASSETS

As at Statement of Financial Position’s date the Fund held no contingent assets which are not included in the Statement of Financial Position, except the unrecognised deferred tax assets as mentioned in section 15.6 “unrecognised deferred taxes”.

15.21 NON-CONTINGENT ASSETS

As at Statement of Financial Position’s date the Fund held no non-contingent assets other than already recognised in the Statement of Financial Position.

15.22 NON-CONTINGENT LIABILITIES

As at Statement of Financial Position’s date the Fund has the following non-contingent liabilities which are not included in the Statement of Financial Position:

A. Arcona Capital RE Slovakia s.r.o. has a non-contingent liability for the amount of € 274,000 with regard to repair and maintenance;

B. Boyana Residence E.O.O.D. has a non-contingent liability to fulfill the necessary maintenance and improvement works of the real estate mortgaged in favor of Alpha Bank to enhance the sales. The necessary investment is estimated at € 150,000.

As at Statement of Financial Position’s date the Fund was not subject to any further contractual obligations concerning for example investments, repairs, maintenance or other non-contingent liabilities that require settlement in a future financial period.

15.23 CONTINGENT LIABILITIES

As at Statement of Financial Position’s date the Fund has the following contingent liabilities which are not included in the Statement of Financial Position:

A. Arcona Capital RE Bohemia s.r.o. has a contingent liability for the amount of CZK 5,205,000 (€ 209,000) towards the buyer of the investment property Štefánikova with regard to rent received in advance by Arcona Capital RE Bohemia s.r.o. for usage of the parking places (free of payment) by the lessee of Štefánikova. Based on the agreement (2012) the buyer of Štefánikova will pay the taxes with regard to this rent;

B. The Fund has a contingent liability towards Secure Property Development & Investments Ltd (**SPDI**) for the acquisition of:

- Two development sites in the Kiev region of Ukraine, with a total value of approximately € 1.8 million;
- A modern 2,700 square metres office building in Nord-West Bucharest fully leased to Danone Romania until May 2026, valued at approximately € 5 million;

- A 24.35% share in a modern office building in Central Bucharest partly leased to the Romanian Telecoms Authority (ANCOM), valued at approximately € 4.9 million. On March 29, 2022, a 21.18% stake has been acquired by the Fund.
- The Fund will acquire the second phase assets by issuing ordinary shares at an value (NNNAV) of € 11.83 each and 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 5 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 approximately € 1 million.

Due to the conflict situation in Ukraine, it is not currently possible to complete the purchase of the two remaining properties (development plots) in and around Kiev, which was agreed in June 2021 at €1,970,000. This is because the purchase contract contains specific pre-completion conditions, the fulfilment of which require decisions and actions to be taken by Kiev City Council and other Ukrainian public authorities. The Sellers were unable to fulfil these conditions prior to the Russian invasion and in the current circumstances it is not considered likely that these public bodies will prioritise these decisions and actions in the course of 2022. If the conditions are eventually fulfilled, the purchase contract is subject to further provisions which should ensure that an acquisition of these properties in the future will only take place at prevailing market values.

Management is following the situation and is in contact with the seller and the lawyers involved by this deal. The situation described above is the expectation of the management on April 22, 2022.

C. The Fund has a contingent liability to issue ordinary shares against an exercise price as mentioned below as a result of the outstanding warrants. The conditions are as follows:

Holder	**Number of warrants**	**Date of issue**	**Expiration date**	**Required share price** In €	**Exercise price** In €
SPDI	67,063	01-11-2019	01-11-2024	8.10	0.00
SPDI	77,201	05-12-2019	01-11-2024	8.10	0.00

The exercise date of the outstanding warrants is the trading day immediately following the 10th trading day on which the shares have traded on a regulated market (or system comparable to a regulated market) and for which the volume-weighted average price of a share was € 8.10 or higher (the "required share price"), provided that this warrant may not be exercised within a 12 months period following the issue date, unless a prospectus approved by the Dutch Authority for the Financial Markets (Autoriteit Financiële Markten, the **AFM**) with respect to the warrants and / or the warrant shares is published by the Fund.

In case the conditions are met the warrant shares will be issued against an exercise price of € 0.00. The fair value of the warrants is nil. In case the conditions are met the warrant shares will be charged from the share premium or other freely distributable reserve to the issued capital.

The statement of changes in warrants is as follows:

	2021 In pieces	**2020** In pieces
Balance as at 1 January	144,264	144,264
Granted during the financial period	-	-
Forfeited during the financial period	-	-
Expired during the financial period	-	-
Balance as at 31 December	**144,264**	**144,264**
Exercisable as at 31 December	**-**	**-**

As at Statement of Financial Position’s date the Fund was not subject to any further contingent liabilities, including any obligations that result from security transactions related to (exchange) rate risk in connection with investments.

15.24 GROSS RENTAL INCOME

15.24.1 General

The Group leases out its investment property. The Group has classified these leases as operating leases, because the Group does not transfer substantially all of the risks and rewards incidental to the ownership of the assets. All gross rental income can be classified as operating lease income, with the exception of amortisation of lease incentives.

During the financial period, as well as during the previous financial period no contingent rental income was accounted for as income in the Income Statement. Leases for a determined time are normally indexed yearly with annual inflation stated by the relevant national Central Banks. New leases for a determined time are normally signed for a term of five years. All these lease contracts usually include at least a three-month deposit.

15.24.2 Analysis of gross rental income

	2021	**2020**
	In € 1,000	In € 1,000
Gross rental income collected / accrued	7,349	8,233
Amortisation of lease incentives	-/- 252	-/- 146
	7,097	**8,087**

15.24.3 Analysis of gross rental income collected / accrued

	2021	**2020**
	In € 1,000	In € 1,000
Fixed lease payments received	7,097	8,087
Variable lease payments received	-	-
	7,097	**8,087**

15.24.4 Weighted average percentage of the vacant space

Weighted to the fair value, the weighted average percentage of the vacant space as at Statement of Financial Position’s date is as follows:

	31-12-2021	**31-12-2020**
	In %	In %
Buildings (including underground)	8.6	11.6
Land plots	100.0	100.0
Investment property under development	100.0	100.0
Inventories	100.0	100.0
Buildings (including underground) held for sale	23.4	36.1

Weighted to the fair value, the weighted average percentage of the vacant space during the financial period is as follows:

	2021 In %	2020 In %
Buildings (including underground)	9.4	12.2
Land plots	100.0	100.0
Investment property under development	100.0	100.0
Inventories	100.0	100.0
Buildings (including underground) held for sale	33.6	41.8

15.24.5 Non-cancellable leases

The gross rental income receivable on account of non-cancellable leases related to owned investment property, investment property under development and inventories as at Statement of Financial Position's date is as follows (the future minimum gross rental income receivable in foreign currency has been translated at the average exchange rate used for the Consolidated Income Statement for the financial period):

	31-12-2021 In € 1,000	31-12-2020 In € 1,000
Less than 1 year	5,896	6,093
1 year to 2 years	4,461	4,536
2 years to 3 years	3,127	3,942
3 years to 4 years	1,489	2,815
4 years to 5 years	558	1,234
More than 5 years	1,256	2,434
	16,787	**21,054**

15.25 REBILLED AND NON-REBILLED SERVICE CHARGES AND PROPERTY OPERATING EXPENSES

15.25.1 General

As the Fund invoices service charges independently (or as principal) to the lessees on the basis of the leases entered into, such reimbursed service charges are shown separately in the Income Statement. The work associated with the service charges is carried out either by the Fund, or by third parties on a contract basis. Contracts for the performance of service work are normally entered into for a maximum period of six months. In addition, service charge expenses also include charges related to vacant units and / or other irrecoverable service charges due to contractual limits or insolvent tenants.

15.25.2 Analysis of property operating expenses

	2021 In € 1,000	2020 In € 1,000
Property management	531	567
Asset management	653	742
Maintenance expenses in respect of properties	708	666
Taxes on properties	357	513
Commission fees	87	81
Insurance premiums	42	42
Other property operating expenses	2	21
	2,380	**2,632**

15.25.3 Allocation of service charges and property operating expenses

The determination of costs from non-rented properties is based on properties that had an average vacancy of more than 10% during the financial period. The allocation of service charges and direct operating expenses to the properties, whether or not rent-generating, is as follows:

	2021 In € 1,000	2020 In € 1,000
For properties let	4,696	5,106
For properties not let	470	808
	5,166	**5,914**

15.25.4 Non-cancellable operating leases (not in scope of IFRS 16)

Non-cancellable operating leases of investment properties and inventories as at 31 December of the relevant financial period, which are not in scope of IFRS 16 are shown as follows (the future non-cancellable operating leases in foreign currency have been translated at the average exchange rate used for the Consolidated Income Statement for the financial period):

	31-12-2021 In € 1,000	31-12-2020 In € 1,000
Less than 1 year	-	-
1 to 5 years	-	-
More than 5 years	-	-
	-	**-**

15.26 VALUATION RESULTS OF PROPERTIES

15.26.1 Analysis of valuation results of properties

	2021 In € 1,000	2020 In € 1,000
Owned investment property	3,647	-/- 1,038
Right-of-use assets	-/- 97	-/- 90
Investment property under development	-/- 7	162
Owned investment property held for sale	-/- 707	-/- 976
	2,836	**-/- 1,942**

15.26.2 Specification of valuation results of properties

	2021 In € 1,000	2020 In € 1,000
Unrealised value adjustments booked in current year	5,347	-/- 2,443
Unrealised value adjustments booked in prior years	-/- 2,511	501
	2,836	**-/- 1,942**

15.27 RESULTS ON DISPOSALS OF PROPERTIES

15.27.1 Analysis of results on disposals of properties

	2021 In € 1,000	2020 In € 1,000
Owned investment property	-/- 25	-
Owned investment property held for sale	-/- 809	-/- 1,313
	-/- 834	**-/- 1,313**

15.27.2 Specification of results on disposals of properties - per building

	2021 In € 1,000	2020 In € 1,000
Land plot Kalinkowa, Grudziadz (Poland)	-/- 25	-
Vural, Košice (Slovakia)	-/- 914	-
Kosmalt, Košice (Slovakia)	105	-
Graniczna, Kalisz (Poland)	-	-/- 1,253
Krivá 18, Košice (Slovakia)	-	-/- 245
Krivá 23, Košice (Slovakia)	-	185
	-/- 834	**-/- 1,313**

15.27.3 Specification of results on disposals of properties

	2021 In € 1,000	2020 In € 1,000
Realised value adjustments	-/- 661	-/- 1,133
Transaction costs on sale of properties	-/- 162	-/- 176
Consultancy fees and legal fees	-/- 11	-/- 4
	-/- 173	-/- 180
Total	**-/- 834**	**-/- 1,313**

15.28 RESULTS ON DISPOSALS OF INVENTORIES

15.28.1 Analysis of results on disposals of inventories

	2021 In € 1,000	2020 In € 1,000
Apartment Block 2-A, Gardova Glava, Boyana (Bulgaria)	-	-/- 25
15 parking places, Gardova Glava, Boyana (Bulgaria)	-	2
	-	**-/- 23**

15.28.2 Analysis of results on disposals of inventories

	2021 In € 1,000	2020 In € 1,000
Realised value adjustments	-	11
Adjustment refund of Value Added Tax	-	-/- 114
Transaction costs	-	-/- 30
Consultancy fees and legal fees	-	-/- 4
	-	-/- 148
Charged costs of adjustment refund of Value Added Tax	-	114
	-	-/- 34
Total	**-**	**-/- 23**

15.29 NET RESULTS ON PROPERTIES

	2021 In € 1,000	2020 In € 1,000
Valuation gains	4,361	2,403
Valuation losses	-/- 2,239	-/- 5,484
	2,122	-/- 3,081
Costs on sale of properties	-/- 173	-/- 214
	1,949	**-/- 3,295**

15.30 FINANCIAL INCOME

	2021 In € 1,000	2020 In € 1,000
Realised currency results on net investments in group companies	530	45
Change in fair value of derivative financial instruments	508	-
Interest on trade receivables	25	-
Foreign exchange and currency gains	25	-
Penalty interest and fees	13	1
Other financial income	20	4
	1,121	**50**

15.31 OTHER OPERATING INCOME

	2021 In € 1,000	2020 In € 1,000
Penalties for early termination of rental contracts	5	14
Other operating income	19	15
	24	**29**

15.32 ADMINISTRATIVE EXPENSES

15.32.1 Specification administrative expenses

	2021 In € 1,000	2020 In € 1,000
Fund management fee	648	665
Performance-related remuneration	-	-
	648	**665**

15.32.2 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 management fee is calculated by percentages on the value of the Fund's total assets at month-end. In accordance with the Fund's prospectus, the Registration Document dated October 19, 2016 and the Security Note dated October 28, 2016 these percentages are:

- for assets below € 75 million: 1.50% per annum (0.125% per month);
- for assets as of € 75 million and above: 1.00% per annum (0.083% per month).

15.32.3 Specification fund management fee

	2021 In € 1,000	2020 In € 1,000
Management fee	1,301	1,407
Less: asset management fee:		
Arcona Capital Czech Republic s.r.o.	406	473
Arcona Capital Poland Sp. z o.o.	185	180
CEG South East Continent Unique Real Estate Management Limited	62	89
	653[11]	742
Fund management fee (Arcona Capital Fund Management B.V.)	**648**	**665**

15.32.4 Performance-related remuneration

The Managing Board is entitled to performance-related remuneration dependent on the Fund's total annual return. The total return is defined as the increase in Net Asset Value per ordinary and registered share over the relevant financial period increased by dividends distributed during that financial period. The sum of these components is expressed as a percentage of the Net Asset Value per ordinary and registered share at the start of the financial period. The total performance-related remuneration is calculated on the total average number of outstanding ordinary and registered shares in the relevant financial period multiplied by the Net Asset Value per ordinary share at the start of the relevant financial period.

The performance-related remuneration consists of three tiers:

1. in the case of a total return of up to 12% the performance-related remuneration is 0%;
2. in the case of a total return of 12% to 15% the performance-related remuneration is 20% of the total return less 12%;
3. in the case of a total return of more than 15% the performance-related remuneration is 30% of the total return less 15%. In addition, the remuneration indicated under 2 will be awarded.

[11] See also section 15.25.2 "Analysis of property operating expenses".

The performance-related remuneration will be charged annually in arrears and is budgeted and put aside on a three-monthly basis. This performance-related remuneration will not be due if the stock exchange price of the share plus the dividends distributed in the relevant financial period is lower than that of any preceding period for which the performance-related remuneration was deducted.

50% of the performance-related remuneration is payable in shares of the Fund, such shares to be issued at Net Asset Value as at year-end rather than the prevailing stock exchange price (unless the stock market price is above the Net Asset Value per share). The share component of the performance-related remuneration due for a financial period is payable after publication of the Annual Report after the end of the relevant financial period, the cash components are payable in three equal amounts on 30 April, 31 July and 31 October following the end of the relevant financial period.

For the financial period, the Managing Board is not entitled to performance-related remuneration.

15.33 OTHER OPERATING EXPENSES

15.33.1 Specification of other operating expenses

	2021	**2020**
	In € 1,000	In € 1,000
Costs of service providers	967	868
Other operating expenses	228	103
	1,195	971
Costs of funding and acquisitions	86	451
	1,281	**1,422**

15.33.2 Analysis of costs of service providers

	2021	**2020**
	In € 1,000	In € 1,000
Accounting expenses	262	289
Audit fees	236	207
Consultancy fees	207	154
Custody fees	52	57
Appraisal expenses	48	37
Supervisory Board fees	35	28
Supervisors' expenses	22	20
Insurance AIFMD	18	19
Bank costs	19	18
Marketing expenses	12	10
Listing, Paying and Fund Agent fees	11	6
Other costs of service providers	45	23
	967	**868**

For the items listed above the following explanation can be given:

- the "Accounting expenses" include the expenses in respect of bookkeeping, consolidation activities on a quarterly basis for results announcements and the determination of corresponding Net Asset Value (**NAV**), preparation of (Semi)-Annual Report and other activities to fulfill administrative requirements for the Fund and its subsidiaries;
- the "Audit fees" include the fees for the audit of the Consolidated Financial Statements and Parent Company Financial Statements, as well as audits of accounts of subsidiaries. The fees for the audit of the Consolidated Financial Statements, Parent Company Financial Statements and European Single Electronic Format (**ESEF**) reporting 2021 (Deloitte Netherlands) are estimated at € 68,000 (2020: € 60,000). During the financial period audit fees related to prior years have been booked in an amount of € 12,000 (2020: € 37,000). The audit fees of accounts of subsidiaries (Deloitte other countries) amount to € 156,000 (2020: € 110,000).

Except for:
- audit of the Consolidated Financial Statements and Parent Company Financial Statements,
- audits of accounts of subsidiaries, and
- audit of ESEF reporting and requirements

no services of Deloitte have been used.

- the “Consultancy fees”, including legal fees, relate mainly to consultancy fees for tax structuring;
- the “Custody fees” include the fees for operational activities by the AIFMD Depositary;
- the “Supervisors’ expenses” include expenses for supervision by the Dutch Authority for the Financial Markets (Autoriteit Financiële Markten, the **AFM**) and “De Nederlandsche Bank” (**DNB**);
- the “Other costs of service providers” include, among others, costs of press releases, required software ESEF, Euronext Fund Services (**EFS**) and Prague Stock Exchange (**PSE**).

15.33.3 Analysis of Supervisory Board fees

	2021 In € 1,000	**2020** In € 1,000
Mr. H.H. Kloos RBA	14	14
Mr. B. Vos M.Sc.	14	14
Mr. M.P. Beys	7	-
Mr. J.J. van Heijst M.Sc.	-[12]	-
	35	**28**

The Fund has provided no loans, advances or guarantees for the members of the Supervisory Board. The members of the Supervisory Board receive no options or remuneration in the form of the Fund’s shares.

15.33.4 Analysis of other operating expenses

	2021 In € 1,000	**2020** In € 1,000
Irrecoverable trade receivables	395	76
Change in provision for doubtful trade receivables	-/- 288	-/- 110
Non-refundable value added tax (**VAT**)	109	125
Wages and salaries statutory directors	12	12
	228	**103**

15.33.5 Analysis of costs of funding and acquisitions

	2021 In € 1,000	**2020** In € 1,000
Consultancy fees / legal fees	71	405
Due diligence	15	46
	86	**451**

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

[12] Mr. J.J. van Heijst M.Sc. has waived his Supervisory Board fee.

15.33.6 Transaction costs

In accordance with the EU-IFRS accounting principles the Fund includes the transaction costs incurred on purchase of properties, inventories and other equity investments in the purchase price of investments and recognises the transaction costs incurred on sale of properties, inventories and other equity investments under results on disposals of investments.

Based on article 123:1.c of the Decree on Conduct of Business Supervision of Financial Undertakings under the Act of Financial Supervision (in Dutch: Besluit Gedragstoezicht Financiële ondernemingen Wft) the analysis of identifiable and quantifiable transaction costs on purchase and sale of investments during the financial period is disclosed. The analysis is as follows:

	2021	**2020**
	In € 1,000	In € 1,000
Transaction costs on purchase of investments	-	-
Transaction costs on sale of investments	173	214
	173	**214**

15.33.7 Costs of lending financial instruments

During the financial period no financial instruments were borrowed or lent by either the Fund or her associated parties (so-called securities lending). No expenses were therefore incurred, or fees requested.

15.33.8 Remuneration for orders on behalf of the Fund

Neither the Managing Board, the directors of the Managing Board, the Fund, the Depositary of the Fund, nor parties affiliated with these parties, received any remuneration for performing assignments for the Fund, other than as described in section 15.32 “Administrative expenses” and 15.33 “Other operating expenses”.

15.33.9 Outsourcing expenses

The Managing Board of the Fund has in the ordinary course of business outsourced the accounting activities of the Fund to KroeseWevers Accountants B.V.

The related expenses are included in the section “Accounting expenses”, as indicated in section 15.33.2 “Analysis of costs of service providers”.

15.33.10 Comparison of actual costs with prospectus

	2021		**2020**	
	Actual	**Prospectus**	**Actual**	**Prospectus**
	In € 1,000	In € 1,000	In € 1,000	In € 1,000
Costs of service providers	967,000	900,000	868,000	900,000

For comparison of actual costs of service providers with budgeted costs of service providers as per the Fund’s prospectus, the Registration Document dated October 19, 2016 in conjunction with the Security Note dated October 28, 2016 has been used.

For the analysis of costs of service providers is referred to section 15.33.2 “Analysis of costs of service providers”.

15.34 PERSONNEL COSTS

The Fund does not employ any personnel, with the exception of statutory directors of the Fund’s subsidiaries. The statutory directors receive a wage, which is specified in “Other operating expenses” (see section 15.33.4 “Analysis of other operating expenses”).

15.35 FINANCIAL EXPENSES

	2021 In € 1,000	2020 In € 1,000
Interest expense on secured bank loans	1,091	1,197
Interest expense on other loans and borrowings	563	733
Interest expense on convertible bonds	217	259
Interest expense on derivative financial instruments	94	106
Interest expense on lease liabilities	84	92
Change in fair value of derivative financial instruments	-	189
Foreign exchange and currency losses	-	53
Penalty interest on secured bank loans	42	22
Withholding tax on loans due to shareholders and other group companies	24	20
Valuation losses on other equity investments	-	1
Other financial expenses	35	-
	2,150	**2,672**

15.36 ONGOING CHARGES FIGURE

Based on article 123:1.l of the Decree on Conduct of Business Supervision of Financial Undertakings under the Act of Financial Supervision (in Dutch: "Besluit Gedragstoezicht Financiële ondernemingen Wft") the Ongoing Charges Figure (**OCF**) is disclosed. The OCF is calculated by dividing the total expenses (including "Operating expenses") during the financial year by the average "Group equity" of the Fund during the financial year. The total expenses include the expenses charged to the profit for the period as well as to "Group equity". They also include the "Operating expenses" of the properties. No net service charges are included in the total expenses, since these are entirely covered by the service income from service fees and the fees part of the gross rental income. The expenses which are related to the issuance and the redemption of own ordinary shares, as far as these are covered by surcharges and reductions received, are not taken into consideration. Regular interest charges for loans contracted, as well as costs of investment transactions, are also not included in the calculation of the OCF.

The average "Group equity" is determined by the average of all calculated and published Net Asset Values (**NAV**'s)[13].

	2021 In %	2020 In %	2019 In %	2018 In %	2017 In %
OCF	9.50	9.96	11.13	10.85	13.02

In 2021 the OCF decreased as a result of a decrease of the total expenses (including "Other operating expenses") by approximately 9%, in conjunction with the decrease of the average "Group equity" by approximately 4%.

The total expenses also include non-regular costs, such as "Costs of funding and acquisition" (see section 15.33.5 "Analysis of costs of funding and acquisitions"). Without these non-regular costs, the OCF would be as follows:

	2021 In %	2020 In %	2019 In %	2018 In %	2017 In %
OCF (without non-regular costs)	9.31	9.00	10.01	10.72	11.71

[13] As of March 31, 2018 this is NNNAV instead of NAV.

15.37 INCOME TAX EXPENSE

15.37.1 Tax position

The taxable profits of the Fund are subject to corporate income tax (**CIT**).

15.37.2 Income tax expense recognised in the Consolidated Income Statement

	2021 In € 1,000	**2020** In € 1,000
Current income tax expense		
Current year	996	555
Adjustments related to prior years	19	1
	1,015	556
Deferred income tax expense		
Origination and reversal of taxable temporary differences	150	-/- 639
Recognition of previously unrecognised (derecognition of previously recognised) tax losses	-/- 110	87
Recognition of previously unrecognised (derecognition of previously recognised) other taxable temporary differences	-/- 1,159	306
Change in tax rate	-/- 1	-/- 83
Adjustments related to prior years	-/- 4	-/- 10
	-/- 1,124	-/- 339
Total	**-/- 109**	**217**

15.37.3 Reconciliation of effective tax rate

	2021 In %	**2021** In € 1,000	**2020** In %	**2020** In € 1,000
Profit before income tax		**3,025**		**-/- 3,572**
Tax using the Parent Company's domestic tax rate	25.0	757	25.0	-/- 893
Effect of tax rates in foreign jurisdictions	-/- 12.6	-/- 381	-/- 11.6	416
Change in tax rate	0.0	-/- 1	2.3	-/- 83
Tax effect of:				
Non-deductible expenses	9.2	278	-/- 5.7	202
Tax exempt revenues	-/- 6.5	-/- 196	2.8	-/- 101
Tax on phantom results	10.7	324	1.9	-/- 69
Current year losses for which no deferred tax asset is recognised	12.0	364	-/- 10.1	361
Recognition of previously unrecognised tax losses	-/- 3.6	-/- 110	-/- 2.4	87
Recognition of previously unrecognised (derecognition of previously recognised) other taxable temporary differences	-/- 38.3	-/- 1,159	-/- 8.6	306
Adjustments related to prior years	0.5	15	0.3	-/- 9
	-/- 3.6	**-/- 109**	**-/- 6.1**	**217**

15.37.4 Deferred income tax recognised directly in group equity

	2021 In € 1,000	**2020** In € 1,000
Related to receivables from shareholders and other group companies	43	-/- 19

15.37.5 Applicable local corporate income tax rates

	2023 In %	2022 In %	2021 In %	2020 In %	2019 In %
The Netherlands					
- first bracket	15.00	15.00	15.00	16.50	19.00
- Second bracket as of € 200,000	n.a.	n.a.	n.a.	25.00	25.00
- Second bracket as of € 245,000	n.a.	n.a.	25.00	n.a.	n.a.
- Second bracket as of € 395,000	25.80	25.80	n.a.	n.a.	n.a.
Czech Republic	19.00	19.00	19.00	19.00	19.00
Slovakia	21.00	21.00	21.00	21.00	21.00
- Regular	21.00	21.00	21.00	21.00	21.00
- Micro-taxpayers[14]	15.00	15.00	15.00	n.a.	n.a.
Poland					
- Regular	19.00	19.00	19.00	19.00	19.00
- Small taxpayers[15]	9.00	9.00	9.00	9.00	9.00
Ukraine	18.00	18.00	18.00	18.00	18.00
Bulgaria	10.00	10.00	10.00	10.00	10.00

15.38 EARNINGS PER SHARE[16]

15.38.1 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.

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

	2021 In € 1,000	2020 In € 1,000
Profit for the financial period	3,134	-/- 3,789

[14] As of January 1, 2021 a reduced corporate income tax rate was introduced in Slovakia for so-called "micro-taxpayers". Micro-taxpayers are corporate taxpayers and entrepreneurs and self-employed individuals that achieve taxable income (revenues) up to € 49,790 for the relevant tax period.
[15] As of January 1, 2019 a reduced corporate income tax rate was introduced in Poland for so-called "small taxpayers". Small taxpayers are, for example, entities whose revenues, including value added tax (**VAT**), in a given tax year did not exceed in the preceding tax year the PLN equivalent of € 1,200,000 (as of January 1, 2020: € 2,000,000). The reduced corporate income tax rate will not be available for entities created or involved in certain restructuring activities.
[16] The calculation of the "Earnings per share" includes all types of profit-sharing shares (e.g. ordinary and registered shares).

15.38.3 Weighted average number of outstanding shares (basic)

	2021 In pieces	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**

15.38.4 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.

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

	2021 In € 1,000	2020 In € 1,000
Profit for the period	3,134	-/- 3,789
Interest expense on convertible bonds (net of tax)	-	-
	3,134	**-/- 3,789**

15.38.6 Weighted average number of shares outstanding (diluted)

	2021 In pieces	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**

15.39 RISK MANAGEMENT

15.39.1 General

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 is however to sell the assets in Ukraine and Bulgaria in the next three years.

The Fund's investment activities result in exposure to various risks, as also defined in the prospectus.

The Managing Board of the Fund determines the tactical investment mix. The Managing Board regularly monitors the deviation between the previously determined tactical investment mix and the actual investment mix.

The risks are summarized in the table below:

Risk category	Risk	Policy	Notes	Risk appetite	Impact	Likelihood
Strategy	Market	mitigation	15.39.2	High	Medium	High
	Concentration	Avoidance/control	15.39.6	Low	Medium	Medium
	Economic	Acceptance	15.39.8	High	High	High
Operational	Fraud	Avoidance	15.39.15	Low	Medium	Low
	Internal control	Mitigation	15.39.15	Low	Medium	Low
	Counterparty	Mitigation	15.39.9	Low	Medium	Low
	Integrity	Avoidance	15.39.19	Low	Medium	Low
Financial position	Currency	Mitigation/avoidance	15.39.3	Medium	Low	High
	Interest rate	Mitigation	15.39.4	Low	Medium	High
	Price	Acceptance	15.39.5	High	High	High
	Borrowed money	Avoidance	15.39.7	Low	High	Medium
	Credit	Mitigation	15.39.9	Low	Medium	Low
	Rent	Mitigation	15.39.10	Medium	Medium	High
	Debtor	Mitigation	15.39.11	Medium	Low	High
	Vacancy	Mitigation	15.39.12	Medium	Medium	High
	Liquidity	Avoidance	15.39.14	Low	High	Medium
Financial reporting	Outsourcing	Avoidance	15.39.17	Low	Low	Low
Legal and compliance risk	Regulations	Mitigation	15.39.13	Low	Medium	Medium
	Tax	Mitigation/acceptance	15.39.16	Low	Medium	High
	Legal	Mitigation	15.39.18	Low	High	High

The nature and scope of properties as at Statement of Financial Position's date and the risk policy with regard to the above-mentioned risks and other risks are discussed below.

15.39.2 Market risk

Market risk is the risk of losses in positions arising from movements in market prices. Property values are affected by many factors, including the outlook for economic growth, inflation rate, and developments on the capital markets and the rental income at the time of sale of the property.

The greater the fluctuation in the development of these factors, the greater the risk. The Fund cannot influence macro-economic factors that determine property value. However, through good investment property management the Fund will try to mitigate the risk and will seek to maximise the attraction of the properties in its portfolio to prospective tenants and purchasers. The Fund invests in countries which have different legal systems to Western Europe. In some areas there is much less public information available than would be the case in Western Europe.

Control of the market risk is determined largely by the Managing Board’s investment policy, which is aimed at achieving investment results by purchasing investments that are assumed to have been undervalued and are expected to benefit from the further development of the Czech, Slovak, Polish, Ukrainian and Bulgarian economy. The market risk is managed on a day-to-day basis.

The Fund’s policy is *mitigation*. The risk appetite is high. The impact is considered medium, the likelihood is high. See also section 15.2.10 “Sensitivity analysis” of the buildings (including underground).

15.39.3 Currency risk

The currency risk can be defined as the risk that the fair value of investments and the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Fund may invest in properties in countries where the Euro has not (yet) been implemented. There is a currency risk that the exchange rate fluctuates. The Fund has the option to mitigate the risk by using financial instruments to hedge the currency risk. The Fund also seeks to mitigate/avoid the risk by concluding rental contracts in Euro.

The Fund invests in some property in currencies other than the functional currency (the Euro) used in these Consolidated Financial Statements. At present, the currencies involved are:

- Czech Koruna (CZK);
- Polish Zloty (PLN);
- US Dollar (USD);
- Ukrainian Hryvnia (UAH); and
- Bulgarian Lev (BGN).

Consequently, the Fund is exposed to the risk that the exchange rate of the functional currency in relation to the foreign currency may develop in such a way that this has a negative impact on the value of the investment portfolio in foreign currency.

Taking into account the high costs involved and management’s expectation that the: EUR / CZK exchange rate, EUR / PLN exchange rate, EUR / USD exchange rate and EUR / UAH exchange rate will continue to show relative stability over the long term, the Managing Board has opted not to hedge the currency risk by means of financial derivative financial instruments, such as forward contracts.

The EUR / BGN exchange rate has been pegged for many years. The Managing Board does not expect that this will change the following years.

The EUR / UAH exchange rate is more vulnerable to fluctuations, as the UAH is, compared to the other currencies, less liquid.

As at Statement of Financial Position's date the Fund had the following exposure with regard to financial assets. The percentages are based on the carrying amount of financial assets.

	31-12-2021	31-12-2020
	In %	In %
Euro (EUR)	47.3	61.1
Polish Zloty (PLN)	32.2	21.2
Czech Koruna (CZK)	20.4	17.2
US Dollar (USD)	0.0	0.4
Ukrainian Hryvnia (UAH)	0.1	0.1
Bulgarian Lev (BGN)	0.0	0.0
	100.0	**100.0**

The following table sets out the Fund's total exposure to currency risk and the net exposure to currencies of the monetary assets and liabilities. The amounts are based on the carrying amount of monetary assets and liabilities.

	31-12-2021		
	Monetary assets	**Monetary liabilities**	**Net exposure**
	In € 1,000	In € 1,000	In € 1,000
Euro (EUR)	1,633	29,322	-/- 27,689
Czech Koruna (CZK)	670	8,581	-/- 7,911
Polish Zloty (PLN)	947	1,661	-/- 714
Bulgarian Lev (BGN)	-	193	-/- 193
Ukrainian Hryvnia (UAH)	1	75	-/- 74
US Dollar (USD)	-	-	-
	3,251	**39,832**	**-/- 36,581**

	31-12-2020		
	Monetary assets	**Monetary liabilities**	**Net exposure**
	In € 1,000	In € 1,000	In € 1,000
Euro (EUR)	1,573	35,625	-/- 34,052
Czech Koruna (CZK)	472	8,750	-/- 8,278
Polish Zloty (PLN)	366	1,923	-/- 1,557
Bulgarian Lev (BGN)	-	201	-/- 201
Ukrainian Hryvnia (UAH)	-	61	-/- 61
US Dollar (USD)	14	2	12
	2,425	**46,562**	**-/- 44,137**

If the Euro had weakened by 5% in relation to one of the other currencies, with all variables held constant, net assets attributable to holders of redeemable shares per the Consolidated Income Statement would have decreased by the amounts shown below:

	31-12-2021 In € 1,000	31-12-2020 In € 1,000
Czech Koruna (CZK)	396	414
Polish Zloty (PLN)	36	78
Bulgarian Lev (BGN)	10	10
Ukrainian Hryvnia (UAH)	4	3
US Dollar (USD)	-	-/- 1

A 5% strengthening of the Euro against the above currencies would have resulted in an equal but opposite effect on the above Financial Statement amounts, on the basis that all other variables remain constant.

The Fund’s policy is mitigation / avoidance. The risk appetite is medium, the impact is low and the likelihood high.

15.39.4 Interest rate risk

General
The interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund’s investment policy allows loans to be taken up. For reasons of control of liquidity, the Fund holds limited cash and cash equivalents. The Fund has the possibility of investing these funds in short-term deposits.

The Fund manages its interest rate risk with the objective of reducing the cash flow interest rate risk by the use of derivative financial instruments. As at Statement of Financial Position’s date the Fund has contracted into the following derivative financial instruments for the loan attracted in the Czech Republic (*Interest rate swap II)* and Poland (*Interest rate swap I* and *Interest rate cap I*). The derivatives in Poland ended in April 2021 as a result of the refinancing of the loan of BNP Paribas Bank Polska by the loan of Hypo Noe.

	31-12-2021					
	Nominal amount In € 1,000	Average fixed interest rate In %	Termination date	Assets In € 1,000	Liabilities In € 1,000	Line item in the SFP where the hedging instrument is included
Interest rate swap II	5,990	1.995	29-03-2024	293	-	Derivative financial instruments

	31-12-2020					
	Nominal amount In € 1,000	Average fixed interest rate In %	Termination date	Assets In € 1,000	Liabilities In € 1,000	Line item in the SFP where the hedging instrument is included
Interest rate swap I	5,911	0.22	30-11-2021	-	43	Derivative financial instruments
Interest rate swap II	5,904	1.995	29-03-2024	-	209	Derivative financial instruments
Interest rate cap I	1,680	4.50	30-11-2021	-	-	n.a.

Exposure to interest rate risk

The following table details the Fund's exposure to interest rate risks. It includes the Fund's financial assets and financial liabilities, categorised by the earlier of contractual re-pricing or maturity date measured by the carrying amount of the financial assets and financial liabilities.

	31-12-2021						
	Less than 1 month	**1 month to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**More than 5 years**	**Non-interest bearing**	**Total**
	In € 1,000	In € 1,000	In € 1,000	In € 1,000	In € 1,000	In € 1,000	In € 1,000
Derivative financial instruments	-	293	-	-	-	-	293
Tax assets	-	-	-	-	-	87	87
Trade and other receivables	490	-	-	-	-	709	1,199
Prepayments and deferred expenses	-	-	-	-	-	350	350
Cash and cash equivalents	1,741	-	-	-	-	3	1,744
Financial assets	**2,231**	**293**	**-**	**-**	**-**	**1,149**	**3,673**
Loans and borrowings	4,577	22,955	8,035	507	876	67	37,017
Effect of interest rate swaps	-	-/- 5,990	-	-	-	-	-/- 5,990
Tax liabilities	-	-	-	-	-	700	700
Trade and other payables	-	-	-	-	-	2,590	2,590
Deferred income and tenant deposits	-	-	-	-	-	563	563
Financial liabilities	**4,577**	**16,965**	**8,035**	**507**	**876**	**3,920**	**34,880**
Total interest sensitivity gap	**-/- 2,346**	**-/- 16,672**	**-/- 8,035**	**-/- 507**	**-/- 876**		**-/- 28,436**

	31-12-2020						
	Less than 1 month	**1 month to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**More than 5 years**	**Non-interest bearing**	**Total**
	In € 1,000	In € 1,000	In € 1,000	In € 1,000	In € 1,000	In € 1,000	In € 1,000
Tax assets	-	-	-	-	-	189	189
Trade and other receivables	-	-	-	-	-	822	822
Prepayments and deferred expenses	-	-	-	-	-	775	775
Cash and cash equivalents	1,520	-	-	-	-	2	1,522
Financial assets	**1,520**	**-**	**-**	**-**	**-**	**1,788**	**3,308**
Loans and borrowings	9,689	26,314	6,126	287	947	59	43,422
Effect of interest rate swaps	-/- 5,911	-/- 5,904	-	-	-	-	-/- 11,815
Derivative financial instruments	43	209	-	-	-	-	252
Tax liabilities	-	-	-	-	-	620	620
Trade and other payables	-	-	-	-	-	2,658	2,658
Deferred income and tenant deposits	-	-	-	-	-	464	464
Financial liabilities	**3,821**	**20,619**	**6,126**	**287**	**947**	**3,801**	**35,601**
Total interest sensitivity gap	**-/- 2,301**	**-/- 20,619**	**-/- 6,126**	**-/- 287**	**-/- 947**		**-/- 30,280**

Fair value sensitivity analysis for fixed-rate instruments
An increase of 100 basis points in interest rates as at Statement of Financial Position's date would have decreased group equity and profit for the period by € 284,000 (2020: € 303,000).
A decrease of 100 basis points in interest rates as at Statement of Financial Position's date would have increased group equity and profit for the period by € 284,000 (2020: € 303,000).

This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

Cash flow value sensitivity analysis for variable-rate instruments
A reasonably possible change of 100 basis points (**bp**) in interest rates as at Statement of Financial Position's date would have increased and / or decreased "Profit for the period" by the amounts shown below.

This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	31-12-2021		31-12-2020	
	100 bp increase	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
	In € 1,000	In € 1,000	In € 1,000	In € 1,000
Variable rate instruments	-/- 144	69	-/- 156	24
Interest rate swaps	49	-/- 49	101	-/- 101
Cash flow sensitivity (net)	**-/- 95**	**20**	**-/- 55**	**-/- 77**

Weighted average interest rate of loans and borrowings
The main part of the financial liabilities represents "Loans and borrowings". As at Statement of Financial Position's date the weighted average interest rate of "Loans and borrowings" is as follows:

	31-12-2021	31-12-2020
	In %	In %
Weighted average interest rate of loans and borrowings	4.15	4.34

The Fund's policy is *mitigation.* The risk appetite is low. The impact of interest rate risk is medium, the likelihood of the risk is high.

15.39.5 Price risk

The price risk can be defined as the risk that the value of the investments will fluctuate as a result of changes in market prices (other than those arising from currency risk or interest rate risk), caused by factors specific to the individual investment or the issuing institution or factors applicable to the market as a whole.

Rental risk includes the risk of loss of rental income due to vacancies, the lettability of space and movements in market rents.

Property value risk includes the risk of loss of property value due to changing economic circumstances, economic decline and / or oversupply of comparable real estate.

Since the Fund's properties are stated at fair value, with both realised and unrealised value adjustments being recognised directly in the Income Statement, a change in market conditions impacts directly on the Fund's investment result. The price risk is managed by the Fund by constructing a portfolio such that optimum diversification across sectors and markets is achieved.

The Fund's risk policy towards price risk is *Acceptance.* The risk appetite is high. The impact of this risk is high, the likelihood is also high.

For the sensitivity analysis of the buildings (including underground) is referred to section 15.2.10 "Sensitivity analysis".

15.39.6 Concentration risk

The concentration risk is the risk that can occur if the Fund has a large concentration of investments in certain regions or types of properties or if the Fund depends on a limited number of large tenants. To reduce this risk, investments of the Fund are spread across different types of properties in several regions in Central Europe and the portfolio has a large number of small and medium-sized tenants. The Fund has decreased its concentration in Kosice, Slovakia by selling during 2021 two of the six properties it owns.

The Fund's policy towards this risk is *Avoidance / control.* The risk appetite is low. The impact of this risk is medium, the likelihood is medium.

15.39.7 Risk associated with investing with borrowed money

The risk associated with investing with borrowed money lies in the fact that shareholders might lose their investment because the lender has a priority call on the proceeds of realisation. The investments are indeed used as a security for the (bank) loans. However, this risk is limited to the equity within the borrower subsidiary as there is no cross collateralisation and no parent entity guarantee. If the "Loan-to-Value" (**LTV**) ratio is too high according to the bank covenants it is possible that the Fund needs to sell property to improve LTV. The Fund manages this risk by keeping the LTV below 60% and preferably around 50%. For the LTV is referred to section 15.15.4 "Securities provided, bank covenants and ratios secured bank loans".

The Fund's policy towards this risk is *Avoidance.* The risk appetite is low. The impact of this risk is high, the likelihood is medium.

15.39.8 Economic risk

Economic risk is derived from direct financial factors (developments in interest rates and inflation) and market developments (changes in for example GDP growth and employment). The former tend to affect capital values, the latter occupancy rates and rental levels. Economic risk is managed by the Fund through focussing the Fund's investments on flexible assets in economically stable regional centres, and managing these assets through local professional teams closely attuned to developments in local market conditions.

The Fund's policy towards this risk is *Acceptance.* The risk appetite is high. The impact of economic risk is high, the likelihood is also high.

15.39.9 Counterpart risk (credit risk)

The credit risk can be defined as the risk of a counterparty being unable to fulfil its obligation to the Fund associated with monetary assets. The Fund has a credit policy, and the counterpart risk is monitored and controlled on a continuous basis. The risk is presumed to be low, given the short settlement period of most of such monetary assets. The Fund does business with various parties; the most important are banks, tenants and the local administrators of the properties. The Fund will mitigate this risk by regular contact with these counterparties. If credits rise above certain risk limits, measures will be taken to reduce the risk for the Fund.

The carrying amount of monetary assets best represents the maximum credit risk exposure as at Statement of Financial Position's date. As this date, the Fund's monetary assets exposed to credit risk amounted to the following, related to the Fund's net assets attributable to the holders of redeemable ordinary and registered shares:

	31-12-2021	**31-12-2021**	**31-12-2020**	**31-12-2020**
	In € 1,000	In %	In € 1,000	In %
Derivative financial instruments	293	0.6	-	0.0
Tax assets[17]	15	0.0	81	0.2
Trade and other receivables	1,199	2.6	822	1.9
Cash and cash equivalents	1,744	3.8	1,522	3.5
	3,251	**7.0**	**2,425**	**5.6**

[17] Exclusive of corporate income tax (**CIT**).

Other than the above-mentioned items, there were no significant concentrations of credit risk to counterparties as at Statement of Financial Position's date. No individual financial investment exceeded 10% of the net assets attributable to the holders of redeemable ordinary and registered shares either as at Statement of Financial Position's date.

The following table sets out the ageing analysis of the Fund's monetary assets. The amounts are based on the carrying amount of monetary assets.

	31-12-2021					
	Current (not past due) In € 1,000	**Up to 1 month past due** In € 1,000	**1 to 3 months past due** In € 1,000	**3 months to 1 year past due** In € 1,000	**More than 1 year past due** In € 1,000	**Total** In € 1,000
Gross monetary assets						
Derivative financial instruments	293	-	-	-	-	293
Tax assets[18]	15	-	-	-	-	15
Trade and other receivables	851	121	151	120	397	1,640
Cash and cash equivalents	1,744	-	-	-	-	1,744
	2,903	**121**	**151**	**120**	**397**	**3,692**
Impairment of monetary assets						
Derivative financial instruments	-	-	-	-	-	-
Tax assets[18]	-	-	-	-	-	-
Trade and other receivables	8	4	11	21	397	441
Cash and cash equivalents	-	-	-	-	-	-
	8	**4**	**11**	**21**	**397**	**441**
Net monetary assets						
Derivative financial instruments	293	-	-	-	-	293
Tax assets[18]	15	-	-	-	-	15
Trade and other receivables	843	117	140	99	-	1,199
Cash and cash equivalents	1,744	-	-	-	-	1,744
	2,895	**117**	**140**	**99**	**-**	**3,251**

	31-12-2020					
	Current (not past due) In € 1,000	**Until 1 month past due** In € 1,000	**1 until 3 months past due** In € 1,000	**3 months until 1 year past due** In € 1,000	**More than 1 year past due** In € 1,000	**Total** In € 1,000
Gross monetary assets						
Tax assets[18]	18	63	-	-	-	81
Trade and other receivables	295	169	110	136	837	1,547
Cash and cash equivalents	1,522	-	-	-	-	1,522
	1,835	**232**	**110**	**136**	**837**	**3,150**
Impairment of monetary assets						
Tax assets[18]	-	-	-	-	-	-
Trade and other receivables	2	3	5	43	672	725
Cash and cash equivalents	-	-	-	-	-	-
	2	**3**	**5**	**43**	**672**	**725**
Net monetary assets						
Tax assets[18]	18	63	-	-	-	81
Trade and other receivables	293	166	105	93	165	822
Cash and cash equivalents	1,522	-	-	-	-	1,522
	1,833	**229**	**105**	**93**	**165**	**2,425**

[18] Exclusive of corporate income tax (**CIT**).

The impairment with regard to “Trade and other receivables” relates entirely to “Trade receivables”. For further details with regard to this amount is referred to section 15.8 “Trade and other receivables” in the “Notes to the Consolidated Financial Statements”. The following table sets out the pledges of the Fund’s financial assets.

	31-12-2021		
	Guarantee deposits from tenants In € 1,000	**Other pledge** In € 1,000	**Total** In € 1,000
Trade and other receivables	175	-	175
Prepayments and deferred expenses	57	-	57
	232	**-**	**232**

	31-12-2020		
	Guarantee deposits from tenants In € 1,000	**Other pledge** In € 1,000	**Total** In € 1,000
Trade and other receivables	147	-	147
Prepayments and deferred expenses	80	-	80
	227	**-**	**227**

The Fund’s policy towards this risk is *Mitigation.* The risk appetite is low. The impact is medium, the likelihood is low.

15.39.10 Rent risk

Rent levels may be subject to downward pressure in periods of economic weakness. In the market, vacancy rates can increase and rents will drop. This can also occur at other points of the economic cycle when new development creates supply that temporarily exceeds demand. Rental risk can be best mitigated by professional, active local asset management with the ability to deploy cash resources to modernise assets and fund tenant incentives. It is also mitigated by ensuring diversification in lease contract expiry dates, to avoid a number of contracts expiring contemporaneously into a weak market.

The Fund’s policy towards the risk is *Mitigation.* The risk appetite is medium. The impact of the rent risk is medium, the likelihood is high.

15.39.11 Debtor risk

Debtor risk is the risk that arises from the possibility that a specific counterparty is unable to meet its obligations to the Fund. The policy of the Fund is to reduce the default risk by applying a capital adequacy ratio to (potential) tenants and by ensuring a diverse tenant base across industries (e.g. Food Retail, Financial Services, Communications, Healthcare, Technology, Government, Transportation & Logistics) so that an exposure to certain sectors is limited.

The Fund’s policy towards this risk is *Mitigation*. The risk appetite is medium. The impact of this risk is, due to tenant base low, the likelihood is high.

15.39.12 Vacancy risk

The occupancy of properties may decrease by lease termination or bankruptcy of tenants. This risk is mitigated and most effectively managed by the Fund by active local asset management and by a regular programme of capital investment at asset level. For information about non-cancellable leases is referred to section 15.24.5 “Non-cancellable leases”.

The Fund’s policy towards this risk is *Mitigation.* The risk appetite is medium. The impact of this risk is medium, the likelihood is high.

15.39.13 Risks with regard to regulations

Political decisions to change the law on, for example, soil pollution, zoning, rent control and taxation can affect the yield of the Fund. This risk is mitigated by the undertaking of detailed analysis of potentially relevant risks (due diligence) before an acquisition. The Fund also follows new developments and adjusts its policy if necessary based on changes in laws and regulations.

The Fund's policy is *Mitigation*. The risk appetite is low. The impact of this risk is medium, the likelihood also is medium.

15.39.14 Liquidity risk

The liquidity risk can be defined as the risk of the Fund being unable to fulfil its obligation to counterparties associated with monetary liabilities.

The Fund invests in real estate, a characteristic of which is its relative illiquidity; typically, the sale of real estate takes time and this could potentially affect the liquidity position of the Fund. The Fund will continuously monitor and manage liquidity to meet its obligations.

The following table shows the contractual, undiscounted cash flows of the Fund's monetary liabilities. The "Loans and borrowings" include the payable interest. The payable interest is calculated by using the weighted average interest rate of "Loans and borrowings" as at Statement of Financial Position's date.

	31-12-2021						
	Less than 1 month	**1 month to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**More than 5 years**	**No stated maturity**	**Total**
	In € 1,000	In € 1,000	In € 1,000	In € 1,000	In € 1,000	In € 1,000	In € 1,000
Non-derivative liabilities							
Tax liabilities[19]	225	-	-	-	-	-	225
Loans & borrowings	4,113	1,761	1,988	31,337	1,258	-	40,457
Trade and other payables	2,471	119	-	-	-	-	2,590
	6,809	1,880	1,988	31,337	1,258	-	43,272
Derivative liabilities							
Interest rate swaps	-	-	-	-	-	-	-
Monetary liabilities	**6,809**	**1,880**	**1,988**	**31,337**	**1,258**	**-**	**43,272**

	31-12-2020						
	Less than 1 month	**1 month to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**More than 5 years**	**No stated maturity**	**Total**
	In € 1,000	In € 1,000	In € 1,000	In € 1,000	In € 1,000	In € 1,000	In € 1,000
Non-derivative liabilities							
Tax liabilities[19]	230	-	-	-	-	-	230
Loans & borrowings	7,040	3,018	16,671	18,061	1,366	-	46,156
Trade and other payables	2,522	58	78	-	-	-	2,658
	9,792	3,076	16,749	18,061	1,366	-	49,044
Derivative liabilities							
Interest rate swaps	4	32	98	118	-	-	252
Monetary liabilities	**9,796**	**3,108**	**16,847**	**18,179**	**1,366**	**-**	**49,296**

[19] Exclusive of Corporate Income Tax (**CIT**).

Weighted remaining maturity of loans and borrowings
The main part of the financial liabilities represents “Loans and borrowings”. As at Statement of Financial Position’s date the weighted remaining maturity of “Loans and borrowings” is as follows:

	31-12-2021	**31-12-2020**
	In years	In years
Weighted remaining maturity of loans and borrowings	3.38	2.35

Withdrawable credit facilities
As at Statement of Financial Position’s date the withdrawable credit facilities of the Fund are as follows:

	31-12-2021	**31-12-2020**
	In € 1,000	In € 1,000
Withdrawable credit facilities	250	250

The Fund’s policy towards this risk is *Avoidance.* The risk appetite is low. The Fund works with budgets where the debt service obligation towards banks is carefully monitored. The impact of this risk can be high, the likelihood medium.

15.39.15 Operational risk
Operational risk is the risk of losses coming from failed internal processes, people or systems or from external operational events. Examples of operational risk incidents are: fraud, claims, losses, errors, violation of laws and system failure. During the financial period no material operational risks materialised.

The risk appetite is low. The Fund’s policy towards operational risks is *Avoidance / Mitigation.* The Fund for example does not tolerate fraud, executes an extensive supplier due diligence / know your customer analysis for service contracts and for transactions and requires Supervisory Board approval for the purchase or sale of property. The impact of these risks is medium, the likelihood is low.

15.39.16 Tax risk
Tax risk is the risk associated with possible changes in tax laws or changing interpretations and effects of government policy and regulation.

The Fund’s policy towards this risk is *Mitigation / Acceptance.* The Fund tries to mitigate this risk by using local specialists on regulation and taxation. The risk appetite is low. The impact of this risk is medium, the likelihood is high.

15.39.17 Outsourcing risk
Risk of outsourcing activities brings with it the risk that the counterparty does not fulfil its contractual obligations or makes mistakes. The Fund periodically assesses the compliance of the agreements and takes action as it deems necessary, e.g. when mistakes occur.

The Fund’s policy towards this risk is *Avoidance*. The risk appetite, impact and likelihood are low.

15.39.18 Legal risk
Legal risk is the risk associated with possible changes in legislation or changing interpretations. In normal times legislative changes are proposed by governments and made subject to comment by interested parties before finally being passed into law. This enables drafting errors and unintended consequences to be identified and removed and market participants to prepare themselves carefully for the impact of such changes. The COVID-19 pandemic has led to a wave of emergency legislation from governments across the region in which the Fund invests. This legislation has not been subject to the usual consultation and review processes. As a result, there is a significantly increased risk that such legislation will impact negatively on the interests of the Fund and its subsidiaries. In particular, there is a risk that cancellation or deferment of lease obligations,

ostensibly to help retail tenants affected by the pandemic, will lead to a long-term diminution of value in some of the Fund´s properties. The Managing Board will carefully assess all such legislation and seek to mitigate its negative effects to the fullest extent possible by active asset management and by specific legal action.

The Fund's policy is therefore *Mitigation*. The risk appetite is low. The impact can be high, the likelihood is high.

15.39.19 Integrity risk

Within organizations there is a risk that people harm organizations by committing fraud or theft. The Managing Board therefore evaluates the reliability and integrity of its staff. All staff in key positions employed the Managing Board will be screened by "Pre-Employment Screening of Dutch Securities Institute" (**DSI**).

The Fund's policy towards the integrity risk is *Avoidance*. The risk appetite is low. The impact of the risk is medium, the likelihood low.

15.39.20 Offsetting financial assets and financial liabilities

As at Statement of Financial Position's date the Fund has set-off the following financial assets and / or financial liabilities:

	31-12-2021		
	Gross amounts before set-off	**Gross amounts set-off**	**Net amounts presented in SFP**
	In € 1,000	In € 1,000	In € 1,000
Trade and other receivables	792	-/- 83	709
Trade and other payables	2,673	-/- 83	2,590

	31-12-2020		
	Gross amounts before set-off	**Gross amounts set-off**	**Net amounts presented in SFP**
	In € 1,000	In € 1,000	In € 1,000
Trade and other receivables	905	-/- 83	822
Trade and other payables	2,741	-/- 83	2,658

Above set-off relates to a receivable towards SDPI for the amount of € 83,000, with regard to penalty interest of Alpha Bank. The receivable for the amount of € 83,000 has been set-off against the liability towards Alpha Bank with regard to accrued penalty interest.
The penalty interest may be waived by Alpha Bank, but this is uncertain. If Alpha Bank will charge the penalty interest SPDI will bear the burden.

The Fund does not intend to set-off other financial assets and / or financial liabilities and / or does not has the legally enforceable right to do so in the normal course of business.

15.40 DISCLOSURES LEASES

15.40.1 Impacts as at Statement of Financial Position's date

The following table present the impacts of the application of IFRS 16 as at Statement of Financial Position's date:

	31-12-2021 In € 1,000	31-12-2020 In € 1,000
Right-of-use assets	1,397	1,494
Total assets	**1,397**	**1,494**
Non-current lease liabilities	1,134	1,234
Current lease liabilities	163	176
Total liabilities	**1,297**	**1,410**

For the specification and statement of changes in right-of-use assets is referred to sections:

- 15.2.6 "Specification of right-of-use assets"; and
- 15.2.7 "Statement of changes in right-of-use assets".

For the statement of changes, analysis and maturity analysis of undiscounted cash flows of lease liabilities is referred to sections:

- 15.15.7 "Statement of changes in lease liabilities";
- 15.15.8 "Analysis of lease liabilities; and
- 15.15.9 "Maturity analysis contractual undiscounted cash flows of lease liabilities".

15.40.2 Amounts recognised in Consolidated Income Statement

The following table present the impacts of the application of IFRS 16 in the Consolidated Income Statement:

	31-12-2021 In € 1,000	31-12-2020 In € 1,000
Valuation losses of right-of-use assets	97	90
Interest expense on lease liabilities	84	92
Foreign exchange and currency translation gains of lease liabilities	11	104
Expenses relating to short-term leases	-	-
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	-	-
	170	**286**

15.40.3 Amounts recognised in Cash Flow Statement

The following table present the impacts of the application of IFRS 16 in the Cash Flow Statement:

	31-12-2021 In € 1,000	31-12-2020 In € 1,000
Payment of lease liabilities	186	178

15.40.4 Analysis of lease payments

	31-12-2021 In € 1,000	31-12-2020 In € 1,000
Fixed lease payments	186	178
Variable lease payments	-	-
	186	**178**

15.41 DISCLOSURES CASH FLOW STATEMENT

15.41.1 Changes in cash flows arising from investing activities

The following table shows the changes in cash flows arising from investing activities, including:

- changes arising from cash flows;
- non-cash changes.

Investing activities	2021 Cash changes In € 1,000	2021 Non-cash changes In € 1,000	2021 Total In € 1,000
Acquisitions of / additions to owned investment property	-/- 346	-/- 9	-/- 355
Acquisitions of / additions to assets held for sale	-/- 172	-	-/- 172
Proceeds from the sale of owned investment property	-	9	9
Proceeds from the sale of assets held for sale	8,860	-	8,860
Fair value adjustments of owned investment property	-	-/- 3,508	-/- 3,508
Fair value adjustments right-of-use assets	-	97	97
Fair value adjustments of investment property under development	-	7	7
Fair value adjustments of assets held for sale	-	1,343	1,343
Impairment of inventories	-	53	53
Effect of changes in exchange rate of owned investment property	-	-/- 1,069	-/- 1,069
Effect of changes in exchange rate of property under development	-	-/- 297	-/- 297
Reclassification (to “Assets held for sale”)	-	4,720	4,720
Reclassification (from “Owned investment property”)	-	-/- 4,720	-/- 4,720
	8,342	**-/- 3,374**	**4,968**

Investing activities	2020 Cash changes In € 1,000	2020 Non-cash changes In € 1,000	2020 Total In € 1,000
Acquisitions of / additions to owned investment property	-/- 719	-	-/- 719
Acquisitions of / additions to assets held for sale	-/- 10	-	-/- 10
Proceeds from the sale of inventories	-	988	988
Proceeds from the sale of assets held for sale	6,825	-	6,825
Proceeds from the sale of other equity investments	3	-	3
Fair value adjustments of owned investment property	-	989	989
Fair value adjustments right-of-use assets	-	90	90
Fair value adjustments of investment property under development	-	-/- 162	-/- 162
Fair value adjustments of assets held for sale	-	2,109	2,109
Fair value adjustments of other equity investments	-	1	1
Impairment of inventories	-	17	17
Effect of changes in exchange rate of owned investment property	-	762	762
Effect of changes in exchange rate of property under development	-	729	729
	6,099	**5,523**	**11,622**

15.41.2 Changes in cash flows arising from financing activities

The following table shows the changes in cash flows arising from financing activities, including:

- changes arising from cash flows;
- non-cash changes.

Financing activities	2021		
	Cash changes	Non-cash changes	Total
	In € 1,000	In € 1,000	In € 1,000
Proceeds from secured bank loans	14,009	-	14,009
Proceeds from other loans and borrowings	2,340	3,500	5,840
Repayments of secured bank loans	-/- 16,810	-	-/- 16,810
Repayments of convertible bonds	-	-/- 3,500	-/- 3,500
Repayments of other loans and borrowings	-/- 6,349	-	-/- 6,349
Repayments of lease liabilities	-/- 186	-	-/- 186
(Amortisation) flat fee and transaction costs secured bank loans	-/- 241	105	-/- 136
(Amortisation) flat fee and transaction costs other loans and borrowings	-/- 90	97	7
Accreted interest of convertible bonds	-	28	28
Accreted interest of lease liabilities	-	84	84
Accreted interest of other loans and borrowings	-	27	27
Effect of changes in exchange rate of secured bank loans	-	454	454
Effect of changes in exchange rate of lease liabilities	-	-/- 11	-/- 11
Effect of changes in exchange rate of other loans and borrowings	-	8	8
	-/- 7,327	**792**	**-/- 6,535**

Financing activities	2020		
	Cash changes	Non-cash changes	Total
	In € 1,000	In € 1,000	In € 1,000
Proceeds from secured bank loans	377	530	907
Repayments of secured bank loans	-/- 4,561	-/- 799	-/- 5,360
Repayments of other loans and borrowings	-/- 2,300	-/- 111	-/- 2,411
Repayments of lease liabilities	-/- 178	-	-/- 178
(Amortisation) flat fee and transaction costs secured bank loans	-	56	56
(Amortisation) flat fee and transaction costs other loans and borrowings	-	-/- 37	-/- 37
Accreted interest of convertible bonds	-	31	31
Accreted interest of lease liabilities	-	92	92
Effect of changes in exchange rate of secured bank loans	-	-/- 273	-/- 273
Effect of changes in exchange rate of lease liabilities	-	-/- 104	-/- 104
Effect of changes in exchange rate of other loans and borrowings	-	-/- 19	-/- 19
	-/- 6,662	**-/- 634**	**-/- 7,296**

15.42 RELATED PARTIES

15.42.1 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.

15.42.2 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 € 406,000 (2020: € 473,000);
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 € 185,000 (2020: € 180,000).

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

For the personal interests of members of the Managing and Supervisory Board is referred to section 20.3 “Personal interests”.

For the remuneration for the Managing Board is referred to section 15.32 “Administrative expenses”.

For the remuneration for the Supervisory Board and the remuneration for the statutory directors is referred to section 15.33.3 “Analysis of Supervisory Board fees” and section 5.33.4 “Analysis of other operating expenses”.

15.42.3 Specification major investors

As at Statement of Financial Position’s date the Fund identified the following major investors:

	Type of share	Direct real voting rights	Indirect real voting rights	Direct potential voting rights	Total
		In %	In %	In %	In %
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.

15.42.4 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	2021 Amount of transaction In € 1,000	31-12-2021 Outstanding amount (face value) In € 1,000
H.M. van Heijst	Conversion convertible bonds into loan provided	2,000	1,000
H.M. van Heijst	Payable interest loan provided	23	15
H.M. van Heijst	Payable interest convertible bonds	108	-

Name of major investor	Kind of transaction	2020 Amount of transaction In € 1,000	31-12-2020 Outstanding amount (face value) In € 1,000
H.M. van Heijst	Providing convertible bonds	-	2,000
H.M. van Heijst	Payable interest convertible bonds	130	22

15.42.5 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	2021 Amount of transaction In € 1,000	31-12-2021 Outstanding amount In € 1,000
Arcona Capital Czech Republic s.r.o.	Asset management fee	-	406	-
Arcona Capital Poland Sp. z o.o.	Asset management fee	-	185	-
			591	-
Arcona Capital Czech Republic s.r.o.	Advisory services	-	37	-
Several	Rental income	268 m^2	52	-
Statutory directors	Wages and salaries	-	12	4

Name of other related party	Kind of transaction	Other information	2020 Amount of transaction In € 1,000	31-12-2020 Outstanding amount In € 1,000
Arcona Capital Czech Republic s.r.o.	Asset management fee	-	473	-
Arcona Capital Poland Sp. z o.o.	Asset management fee	-	180	-
			653	-
Arcona Capital Czech Republic s.r.o.	Advisory services	-	39	-
Several	Rental income	268 m^2	50	-
Statutory directors	Wages and salaries	-	12	2

15.42.6 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.

15.42.7 Agreements with related parties

During the financial period the Fund entered into or maintained the following transactions with related parties affiliated with the Managing Board of the Fund:

Name of related party	Kind of transaction	2021 Amount of transaction In € 1,000	31-12-2021 Outstanding amount (face value) In € 1,000
R.J. Barker	Providing unsecured loan	250	250
R.J. Barker	Payable interest unsecured loan provided	21	6

Name of related party	Kind of transaction	2020 Amount of transaction In € 1,000	31-12-2020 Outstanding amount (face value) In € 1,000
R.J. Barker	Providing unsecured loan	-	-
R.J. Barker	Payable interest unsecured loan provided	-	-

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

15.42.8 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.

15.43 EVENTS AFTER STATEMENT OF FINANCIAL POSITION'S DATE

The following material events after Statement of Financial Position's date have occurred:

A. On January 4, 2022 the Fund announced it has sold two office buildings Pražská 2 and Pražská 4, located in Košice (Slovakia) for € 4.55 million;

B. On February 3, 2022 the Fund announced it has completed repayment of three short-term loans provided by third parties for a total amount of € 2.25 million;

C. On February 3, 2022 the Fund announced it has instructed Knight Frank to find a purchaser for its office building Šujanovo náměsti 3, located in Brno (Czech Republic);

D. On February 24, 2022 the Fund informed the market that it has two development sites in the Ukraine with a value of € 3.4 million and an obligation to buy a further two plots in and around Kiev with a value of € 1.97 million.

E. On March 14, 2022 the Fund informed the market that the CNB started the process to revoke the banking licence of Sberbank CZ. Sberbank CZ finances the 100% subsidiary company of the Fund, ACREB.

F. On March 21, 2022 the Fund updated the market about the situation in the Ukraine and the impact on the assets which the Fund owns there. The NAV of the Fund has been adjusted to € 11.83.

G. On March 29, the Fund acquired a 21.18% interest in the Delenco office building in Bucharest. The Fund paid for this by issuing 315,668 shares at an intrinsic value of € 11.83 and the issuance of 76,085 warrants. The warrants can be converted into shares of the Fund if the share price reaches a price level of € 7.20 before 29 March 2027.

For more information see also section 13.3.

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

PARENT COMPANY FINANCIAL STATEMENTS 2021

16 PARENT COMPANY BALANCE SHEET

After proposal result appropriation	*Notes*	31-12-2021 In € 1,000	31-12-2020 In € 1,000
Investments			
Investments in group companies	*19.1*	35,146	35,434
Receivables from group companies	*19.2*	17,327	16,334
		52,473	**51,768**
Receivables			
Other receivables	*19.3*	1,131	1,235
Deferred expenses	*19.4*	3	3
		1,134	**1,238**
Other assets			
Cash at bank	*19.7*	205	165
Total assets		**53,812**	**53,171**
Shareholders' equity	*19.8*		
Issued capital	*19.9*	18,794	18,794
Share premium	*19.10*	19,310	19,310
Revaluation reserve	*19.8.1*	8,725	6,691
Reserve currency translation differences	*19.8.1*	1,262	947
Reserve investments in group companies	*19.8.1*	7,989	7,137
Equity component convertible bonds	*19.8.1*	-	144
Retained earnings	*19.8.1*	-/- 9,677	-/- 10,069
		46,403	**42,954**
Provisions			
Investments in group companies	*19.11.2*	12	1
Long-term liabilities			
Private loans	*19.13*	250	-
Debts to group companies	*19.14*	2,153	613
		2,403	613
Current liabilities			
Convertible bonds		-	3,472
Private loans	*19.13*	2,250	4,373
Debts to group companies	*19.14*	1,384	305
Tax liabilities	*19.15*	7	9
Other liabilities	*19.16*	55	133
Accruals	*19.17*	1,298	1,311
Total current liabilities		**4,994**	**9,603**
Total shareholders' equity and liabilities		**53,812**	**53,171**

17 PARENT COMPANY PROFIT AND LOSS ACCOUNT

	Notes	2021 In € 1,000	2020 In € 1,000
Income from investments			
Interest	*19.20*	761	925
Realised valuation results of investments			
Investments in group companies	*19.21.1*	527	46
Receivables from group companies	*19.21.2*	3	-/- 1
		530	45
Unrealised valuation results of investments			
Investments in group companies	*19.22*	3,726	-/- 2,246
Other operating income	*19.23*	-	2
Total operating income		**5,017**	**-/- 1,274**
Administrative expenses	*19.24*	648	665
Other operating expenses	*19.25*	524	834
Interest expenses	*19.27*	754	997
Total expenses		**1,926**	**2,496**
Result before income tax		**3,091**	**-/- 3,770**
Income tax expense	*19.28*	-/- 43	19
Result after income tax		**3,134**	**-/- 3,789**

18 ACCOUNTING PRINCIPLES PARENT COMPANY FINANCIAL STATEMENTS

18.1 GENERAL

The Parent Company Financial Statements for the financial period are part of the Consolidated Financial Statements for the financial period.

18.2 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The Parent Company Financial Statements have been prepared in accordance with the provisions of Part 9 of Book 2 of the Dutch Civil Code (Titel 9, Boek 2 van het Burgerlijk Wetboek). For the purpose of determining the principles of valuation of assets and liabilities and the determination of results for its Parent Company Financial Statements, the Fund makes use of the option offered in Book 2, article 2:362 (8) of the Dutch Civil Code. This means that the principles of valuation of assets and liabilities and determination of results (hereinafter referred to as the “principles of valuation”) of the Fund’s Parent Company Financial Statements are identical to those that have been applied for the Consolidated Financial Statements. In this context investment in group companies, on which significant influence is exercised, are valued at Net Asset Value. The Consolidated Financial Statements have been prepared in accordance with the standards adopted by the International Accounting Standards Board (“**IASB**”) and accepted by the European Union (hereinafter referred to as “EU-IFRS”). Reference is made to sections 13.5 “Basis of preparation of the consolidated financial statements” to 13.38 “Income tax expense” inclusive for a description of these principles.

18.3 BASIS OF PREPARATION OF THE PARENT COMPANY FINANCIAL STATEMENTS

18.3.1 Investments in group companies

Investments in group companies in which the Fund either exercises voting control or effective management responsibility are valued at Net Asset Value. The initial recognition in the accounts and valuations at balance sheet dates is made at Net Asset Value. The value is adjusted with the share of the Fund in the results of the group company, based on the principles for determining results as applied in the Consolidated Financial Statements and with the share in the other movements in equity of the group company with effect from the date on which control commences.

The Net Asset Value of the foreign group companies is translated into Euros at the exchange rate as at the balance sheet date. The results of foreign group companies are translated into Euros at the exchange rates at the dates of the transactions. For practical reasons, the average monthly exchange rate for the financial period are used to approximate the exchange rates at the dates of the transactions, as long as the exchange rates have not fluctuated significantly.

18.3.2 Receivables from group companies

Receivables from group companies are initially measured at fair value and subsequently measured at amortised cost. As at balance sheet date the receivables from group companies are translated into Euros at the exchange rate as at the balance sheet date. The recognition and determination of impairments takes place in a forward-looking manner based on the expected credit loss model (**ECL**). The ECL model applies to the “Receivables from group companies”. Due to the fact that “Investments in group companies” are considered as a combination of assets and liabilities, this means in general that expected credit losses on “Receivables from group companies” are eliminated. The elimination is recognised in the carrying amount of the “Receivables from group companies”.

18.3.3 Share premium
The “Share premium” comprises the amount paid in by the shareholders on ordinary and registered shares of the Fund over and above the nominal value. The uplift received on issuance of own ordinary and registered shares or the reduction applied on redemption of own ordinary and registered shares is recognised directly in the “Share premium”.

18.3.4 Revaluation reserve
The legal “Revaluation reserve” comprises the cumulative unrealised positive net changes in the fair value of the properties held by the investments in group companies (“Owned investment property”, “Investment property under development” as well as properties classified as “Assets held for sale”), less the related deferred tax liabilities. The deferred tax liabilities are deducted in accordance with the principles of valuation for deferred taxes.
In case of sale of property the cumulative unrealised positive net change in the fair value of the property sold, as well as the related deferred tax liabilities, are no longer stated in the “Revaluation reserve” but recognised under “Retained earnings”.

18.3.5 Reserve currency translation differences
Results arising from translation of net investments in group companies outside the Euro-zone into the Fund’s functional currency (Euro) are recognised directly in the shareholders’ equity in “Reserve currency translation differences”. In the event of reduction or sale of the net investment in group companies the cumulative exchange differences related to that group company are (proportionally) transferred to the “Retained earnings”.

18.3.6 Reserve investments in group companies
The Fund maintains a legal reserve (“Reserve investments in group companies”) for the amount of its share in the positive result in its group companies and of its share in direct increases in equity since the initial recognition of the group company was made. Negative cumulative results in a group company since its first valuation are not taken into account.

The “Reserve investments in group companies” will be reduced by:
- distributions to which the Fund, until the moment of adoption of its own Financial Statement, has acquired an entitlement;
- direct decreases in equity of the group company;
- distributions which the Fund may effect without restrictions.

The distributions as mentioned in this section do not include distributions made in the form of shares.

18.3.7 Equity component convertible bonds
This legal reserve contains the equity component of issued convertible bonds. The equity component is calculated at date of issue. The equity component of a compound financial instrument is not remeasured. The equity component is calculated as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

The equity component will be transferred to the “Retained earnings” at the date of redemption or conversion of the convertible bond.

18.3.8 Result from investments in group companies
The share of the results from investments in group companies comprises the Fund’s share in the results of the group companies, including the revaluation results of the assets held by the group companies. The result from investments in group companies has been determined on the basis of the principles of valuation adopted by the Fund. Results from transactions between the Fund and the group companies, as well as between the group companies themselves, are recognised insofar as they are realised.
If the group companies have been acquired in the course of the financial period, the Fund accounts for the results from investments in group companies with effect from the date on which control commenced.

18.4 SIZE AND COMPOSITION OF THE EQUITY AND RESULTS IN THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS

As the Fund makes use of the option provided in Book 2, article 2:362 (8) of the Dutch Civil Code, the size of the “Group equity” (in the Consolidated Statement of Financial Position) and the shareholders‘ equity (in the Parent Company Balance Sheet) is identical.

The composition of the equity (in the Consolidated Statement of Financial Position) and the shareholders‘ equity (in the Parent Company Balance Sheet) is not identical.

Since the Fund makes use of the option provided in Book 2, article 2:362 (8) of the Dutch Civil Code, the “Profit for the period” in the Consolidated Income Statement and “Profit for the period” in the Parent Company Profit and Loss Account is identical.

19 NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

19.1 INVESTMENTS IN GROUP COMPANIES

19.1.1 Analysis of investments in group companies

	31-12-2021 In € 1,000	31-12-2020 In € 1,000
Arcona Capital RE Bohemia s.r.o.	7,208	5,180
Arcona Capital RE Slovakia s.r.o.	13,612	19,160
Arcona Capital Real Estate Poland Sp. z o.o.	2,786	1,252
Arcona Capital Real Estate Trio Sp. z o.o.	6,565	5,303
Arcona Real Estate B.V.	885	368
Aisi Bela LLC	3,332	3,084
Boyana Residence E.O.O.D.	758	1,087
Arcona Capital Real Estate Bulgaria Ltd.	-	-
Arcona Black Sea Real Estate B.V.	-	n.a.
	35,146	**35,434**

The companies indicated above are included in the Consolidated Financial Statements. For further analysis of the investments in group companies is referred to section 15.1.1 “Consolidated subsidiaries”.

As of 21 March 2022 the investment in Aisi Bela LLC has been written down to zero. This in connection with the event after the balance sheet date regarding the change in value of the land plots in Ukraine as explained under 13.3.

19.1.2 Statement of changes in investments in group companies

	2021 In € 1,000	2020 In € 1,000
Balance as at 1 January	35,434	40,318
Acquisitions	-	1
Share in result of group companies	3,726	-/- 2,246
Distributions	-/- 4,744	-/- 1,518
Exchange rate differences	719	-/- 1,122
Reclassifications (to “Provision investments in group companies”)	11	1
Balance as at 31 December	**35,146**	**35,434**

The “Distributions for the amount of € 4,744,000 negative relates to:

- distributions from capital contribution Arcona Capital RE Slovakia s.r.o. for the amount of € 4,744,000.

19.1.3 Security

As at balance sheet date the following securities were provided:

- the issued shares of Arcona Capital RE Bohemia s.r.o. are pledged to Sberbank;
- the issued shares of Arcona Capital Real Estate Poland Sp. z o.o. are pledged to Hypo Noe;
- the issued shares of Arcona Capital Real Estate Trio Sp. z o.o. are pledged to the holders of secured series A bearer bonds;
- the issued shares of Boyana Residence E.O.O.D. are pledged to Alpha Bank.

For further information on the pledges to credit institutions and bank covenants is referred to section 15.15.4 “Securities provided, bank covenants and ratios secured bank loans”.

19.2 RECEIVABLES FROM GROUP COMPANIES

19.2.1 Analysis of receivables from group companies

	31-12-2021 In € 1,000	31-12-2020 In € 1,000
Loans to group companies	17,327	16,334

19.2.2 Analysis of loans to companies

	31-12-2021 In € 1,000	31-12-2020 In € 1,000
Arcona Capital RE Bohemia s.r.o.	3,093	2,901
Arcona Capital Real Estate Poland Sp. z o.o.	7,500	7,428
Arcona Real Estate B.V.	3,104	2,904
Boyana Residence E.O.O.D.	3,583	3,066
Aisi Bela LLC	47	35
	17,327	**16,334**

As at balance sheet date the weighted average interest rate on all "Receivables from group companies" is 4.57% per annum (December 31, 2020: 5.81% per annum).

As of 21 March 2022 the loan to Aisi Bela LLC has been written down to zero. This in connection with the event after the balance sheet date regarding the change in value of the land plots in Ukraine as explained under 13.3.

19.2.3 Statement of changes in loans to group companies

	2021 In € 1,000	2020 In € 1,000
Balance as at 1 January	16,334	17,886
Loans advanced	1,300	2,268
Redemption on loans advanced	-/- 476	-/- 3,711
Exchange rate differences	169	-/- 109
Balance as at 31 December	**17,327**	**16,334**

19.3 OTHER RECEIVABLES

This covers other receivables with a payment term within one year.

19.3.1 Analysis of other receivables

	31-12-2021 In € 1,000	31-12-2020 In € 1,000
Interest on loans to group companies	135	143
Dividend from investments in group companies	799	895
Receivables SPDI	83	83
Receivables Secure Management srl	114	114
	1,131	**1,235**

For further information with regard to “Receivables SPDI” for the amount of € 83,000 is referred to section 15.39.20 “Offsetting financial assets and financial liabilities”.

For further information with regard to “Receivables Secure Management srl” for the amount of € 114,000 is referred to section 15.8.2 “Specification of trade and other receivables”.

19.3.2 Specification of interest on loans to group companies

	2021	2020
	In € 1,000	In € 1,000
Arcona Capital RE Bohemia s.r.o.	132	142
Aisi Bela LLC	3	1
	135	**143**

19.3.3 Specification of dividend from investments in group companies

	2021	2020
	In € 1,000	In € 1,000
Arcona Capital Real Estate Trio Sp. z o.o.	799	895

19.4 DEFERRED EXPENSES

This covers deferred expenses with a maturity within one year.

19.4.1 Analysis of deferred expenses

	31-12-2021	31-12-2020
	In € 1,000	In € 1,000
Prepayments	3	3

19.5 RECOGNISED DEFERRED TAXES

19.5.1 Specification of recognised deferred taxes

	2021		
	Recognised deferred tax assets In € 1,000	Recognised deferred tax liabilities In € 1,000	Total deferred taxes In € 1,000
Receivables from group companies	-	71	-/- 71
Tax losses (carried forward)	71	-	71
Deferred taxes before set-off	71	71	-
Set-off deferred taxes	-/- 71	-/- 71	-
	-	**-**	**-**

	2020		
	Recognised deferred tax assets In € 1,000	Recognised deferred tax liabilities In € 1,000	Total deferred taxes In € 1,000
Receivables from group companies	-	28	-/- 28
Tax losses (carried forward)	28	-	28
Deferred taxes before set-off	28	28	-
Set-off deferred taxes	-/- 28	-/- 28	-
	-	**-**	**-**

19.5.2 Analysis of recognised deferred taxes

	2021	2020
	In € 1,000	In € 1,000
Will expire	-	28
Will never expire	-	-/- 28
	-	**-**

19.5.3 Analysis of recognised deferred tax assets concerning tax losses (carried forward)

	2021	2020
	In € 1,000	In € 1,000
Expires in 2022	-	28
Subtotal will expire	-	28
Will never expire	71	-
Balance as at 31 December	**71**	**28**

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

19.6 UNRECOGNISED DEFERRED TAXES

19.6.1 Specification of unrecognised deferred taxes

	31-12-2021		
	Unrecognised deferred tax assets	**Unrecognised deferred tax liabilities**	**Total**
	In € 1,000	In € 1,000	In € 1,000
Tax losses (carried forward)	1,634	-	1,634
Receivables from group companies	1	-	1
	1,635	**-**	**1,635**

	31-12-2020		
	Unrecognised deferred tax assets	**Unrecognised deferred tax liabilities**	**Total**
	In € 1,000	In € 1,000	In € 1,000
Tax losses (carried forward)	1,359	-	1,359
Receivables from group companies	1	-	1
	1,360	**-**	**1,360**

19.6.2 Analysis of unrecognised deferred taxes

	2021	**2020**
	In € 1,000	In € 1,000
Will expire	-	1,359
Will never expire	1,635	1
	1,635	**1,360**

19.6.3 Analysis of unrecognised deferred tax assets concerning tax losses (carried forward)

	2021	**2020**
	In € 1,000	In € 1,000
Expires in 2022	-	67
Expires in 2023	-	59
Expires in 2024	-	37
Expires in 2025	-	579
Expires in 2026	-	461
Expires in 2027	-	156
Subtotal will expire	-	1,359
Will never expire	1,634	-
Balance as at 31 December	**1,634**	**1,359**

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

19.6.4 Statement of changes in unrecognised deferred taxes

	2021 In € 1,000	2020 In € 1,000
Balance as at 1 January	1,360	863
Adjustments related to prior years	13	112
Additions / withdrawals	211	237
Change in tax rate	51	148
Balance as at 31 December	**1,635**	**1,360**

19.7 CASH AT BANK

Cash at bank is entirely at the free disposal of the Fund.

19.8 SHAREHOLDERS' EQUITY

19.8.1 Statement of changes in shareholders' equity

	Issued capital In € 1,000	Share premium In € 1,000	Revaluation reserve In € 1,000	Reserve currency translation differences In € 1,000	Reserve investments in group companies In € 1,000	Equity component convertible bonds In € 1,000	Retained earnings In € 1,000	Share-holders' equity In € 1,000
Balance as at January 1, 2021	18,794	19,310	6,691	947	7,137	144	-/- 10,069	42,954
Result after income tax	-	-		-	-	-	3,134	3,134
Change in revaluation reserve	-	-	2,034	-	-	-	-/- 2,034	-
Change in reserve currency translation differences	-	-	-	315	-	-	-	315
Change in reserve investments in group companies	-	-	-	-	852	-	-/- 852	-
Change in equity component convertible bonds	-	-	-	-	-	-/- 144	144	-
Balance as at December 31, 2021	**18,794**	**19,310**	**8,725**	**1,262**	**7,989**	**-**	**-/- 9,677**	**46,403**
Balance as at January 1, 2020	18,794	19,310	7,059	2,204	6,778	144	-/- 6,289	48,000
Result after income tax	-	-	-	-	-	-	-/- 3,789	-/- 3,789
Change in revaluation reserve	-	-	-/- 368	-	-	-	368	-
Change in reserve currency translation differences	-	-	-	-/- 1,257	-.	-	-	-/- 1,257
Change in reserve investments in group companies	-	-	-	-	359	-	-/- 359	-
Balance as at December 31, 2020	**18,794**	**19,310**	**6,691**	**947**	**7,137**	**144**	**-/- 10,069**	**42,954**

19.9 ISSUED CAPITAL

19.9.1 Analysis of issued capital

	31-12-2021	31-12-2021	31-12-2020	31-12-2020
	In pieces	In € 1,000	In pieces	In € 1,000
Ordinary shares (at € 5.00 each)	3,165,148	15,826	3,138,158	15,691
Registered shares (at € 5.00 each)	593,534	2,968	620,525	3,103
Priority shares (at € 5.00 each)	1	-	1	-
Issued capital	**3,758,684**	**18,794**	**3,758,684**	**18,794**

19.9.2 Ordinary shares

The holders of ordinary shares are entitled to dividends, the distribution of which has been resolved by the General Meeting of Shareholders. The holders of ordinary shares are entitled to exercise one vote per ordinary share at the General Meeting of Shareholders.

	2021	2021	2020	2020
	In pieces	In € 1,000	In pieces	In € 1,000
Balance in issue as at 1 January	3,138,158	15,691	3,138,158	15,691
Conversion registered shares	26,991	135	-	-
Balance in issue as at 31 December fully paid	**3,165,149**	**15,826**	**3,138,158**	**15,691**

As at November 8, 2021 26,991 registered shares have been converted into 26,991 ordinary shares. The conversion has no (negative) consequences for the existing shareholders of the Fund.

19.9.3 Registered shares

The registered shares are currently restricted from trading on Euronext Fund Services (EFS) in Amsterdam and the Prague Stock Exchange (PSE).

	2021	2021	2020	2020
	In pieces	In € 1,000	In pieces	In € 1,000
Balance in issue as at 1 January	620,525	3,103	620,525	3,103
Conversion into ordinary shares	-/- 26,991	-/- 135	-	-
Balance in issue as at 31 December fully paid	**593,534**	**2,968**	**620,525**	**3,103**

19.9.4 Priority shares

From the profit earned in a financial period, primarily and as far as possible a dividend is distributed on the priority shares amounting to seven per cent (7%) on an annual basis, calculated over the nominal value of the priority shares. No further distributions are made on the priority shares.

	2021	2021	2020	2020
	In pieces	In € 1,000	In pieces	In € 1,000
Balance in issue as at 1 January	1	-	1	-
Issued during the financial period	-	-	-	-
Redeemed during the financial period	-	-	-	-
Balance in issue as at 31 December fully paid	**1**	**-**	**1**	**-**

19.9.5 Analysis of authorised share capital

	31-12-2021 In pieces	31-12-2021 In € 1,000	31-12-2020 In pieces	31-12-2020 In € 1,000
Ordinary shares (at € 5.00 each)	4,999,999	25,000	4,999,999	25,000
Priority shares (at € 5.00 each)	1	-	1	-
Authorised share capital	**5,000,000**	**25,000**	**5,000,000**	**25,000**

19.10 SHARE PREMIUM

For the statement of changes in share premium is referred to section 19.8.1 "Statement of changes in shareholders' equity".

The paid-up share premium for tax purposes as at December 31, 2021 was € 22,430,000 (December 31, 2020: € 22,430,000).

19.11 PROVISIONS

19.11.1 Analysis of provisions

	2021 In € 1,000	2020 In € 1,000
Investments in group companies	12	1

19.11.2 Specification of provisions investments in group companies

	2021 In € 1,000	2020 In € 1,000
Arcona Capital Real Estate Bulgaria Ltd.	10	1
Arcona Black Sea Real Estate BV	2	n.a.
	12	**1**

19.11.3 Statement of changes in provisions investments in group companies

	2021 In € 1,000	2020 In € 1,000
Balance as at 1 January	1	-
Additions	11	1
Balance as at 31 December	**12**	**1**

19.12 DEFERRED TAX LIABILITIES

For the specification and analysis of the (un)recognised deferred tax liabilities is referred to section 19.5 "Recognised deferred taxes and section 19.6 "Unrecognised deferred taxes".

19.13 PRIVATE LOANS

19.13.1 Analysis of private loans

	31-12-2021 In € 1,000	31-12-2020 In € 1,000
Secured vendor loan Real Estate Central Europe AS	-	1,873
(Un)secured loans other third parties	2,500	2,500
	2,500	**4,373**

19.13.2 Statement of changes in private loans

	2021 In € 1,000	2020 In € 1,000
Balance as at 1 January	4,373	6,710
Loans advanced	3,750	-
Redemptions	-/- 5,660	-/- 2,300
(Amortisation) flat fee and transaction costs	37	-/- 37
Balance as at 31 December	**2,500**	**4,373**

For the conditions and securities provided of the private loans is referred to section 15.15.10 “Analysis of other loans and borrowings” and section 15.15.11 “Securities provided of other loans and borrowings”.

19.13.3 Maturity analysis of private loans

	31-12-2021 In € 1,000	31-12-2020 In € 1,000
Less than 1 year	2,250	4,373
1 to 5 years	250	-
More than 5 years	-	-
	2,500	**4,373**

19.14 DEBTS TO GROUP COMPANIES

19.14.1 Analysis of debts to group companies

	31-12-2021 In € 1,000	31-12-2020 In € 1,000
Loans due to group companies	3,359	601
Interest on loans due to group companies	178	12
Other debts due to group companies	-	305
	3,537	**918**

19.14.2 Maturity analysis of debts due to group companies

	2021			
	Loans due to group companies	Interest on loans due to group companies	Other debts due to group companies	Total
	In € 1,000	In € 1,000	In € 1,000	In € 1,000
Less than 1 year	1,346	38	-	1,384
1 to 5 years	2,013	140	-	2,153
More than 5 years	-	-	-	-
	3,359	**178**	**-**	**3,537**

	2020			
	Loans due to group companies	Interest on loans due to group companies	Other debts due to group companies	Total
	In € 1,000	In € 1,000	In € 1,000	In € 1,000
Less than 1 year	-	-	305	305
1 to 5 years	601	12	-	613
More than 5 years	-	-	-	-
	601	**12**	**305**	**918**

19.14.3 Specification of loans due to group companies

	2021	2020
	In € 1,000	In € 1,000
Arcona Capital Real Estate Trio Sp. z o.o.	2,013	-
Arcona Capital RE Slovakia s.r.o.	745	-
Arcona Capital Real Estate Bulgaria Ltd.	601	601
	3,359	**601**

As at balance sheet date the weighted average interest rate on all “Loans due to group companies” is 7.10% per annum (December 31, 2020: 4.75%).

19.14.4 Statement of changes in loans due to group companies

	2021	2020
	In € 1,000	In € 1,000
Balance as at 1 January	601	-
Loans advanced	2,758	601
Balance as at 31 December	**3,359**	**601**

19.14.5 Specification of interest on loans due to group companies

	2021	2020
	In € 1,000	In € 1,000
Arcona Capital RE Slovakia s.r.o.	1	-
Arcona Capital Real Estate Trio Sp. z o.o.	140	-
Arcona Capital Real Estate Bulgaria Ltd.	37	12
	178	**12**

19.14.6 Specification of other debts due to group companies

	2021 In € 1,000	2020 In € 1,000
Current account Boyana Residence E.O.O.D.	-	305

During the financial period the amount of € 305,000 has been set-off with the loan to Boyana Residence E.O.O.D.

19.15 TAX LIABILITIES

	31-12-2021 In € 1,000	31-12-2020 In € 1,000
Value Added Tax (**VAT**)	7	9

19.16 OTHER LIABILITIES

This covers other liabilities with a payment term within one year.

19.16.1 Analysis of other liabilities

	31-12-2021 In € 1,000	31-12-2020 In € 1,000
Trade payables	55	133

19.17 ACCRUALS

This covers accruals with a payment term within one year.

19.17.1 Analysis of accruals

	31-12-2021 In € 1,000	31-12-2020 In € 1,000
Administrative expenses	1,099	1,014
Other operating expenses	145	213
Interest payables	54	84
	1,298	**1,311**

19.18 NON-CONTINGENT LIABILITIES

As at balance sheet date the Fund was not subject to any contractual obligation concerning for example investments or other non-contingent liabilities that require settlement in a future financial period.

19.19 CONTINGENT LIABILITIES

As at balance sheet date the Fund has the following contingent liabilities:

A. The Fund has a contingent liability to issue ordinary shares arising from the outstanding warrants. For further information is referred to section 15.24 “Contingent liabilities”.

B. The Fund has a contingent liability towards Secure Property Development & Investments Ltd (**SPDI**) for the acquisition of:

- Two development sites in the Kiev region of Ukraine, with a total value of approximately € 1.8 million;
- A modern 2,700 square metres office building in Nord-West Bucharest fully leased to Danone Romania until May 2026, valued at approximately € 5 million;
- A 24.35% share in a modern office building in Central Bucharest partly leased to the Romanian Telecoms Authority (ANCOM), valued at approximately € 4.9 million. On March 29, 2022 21.18% has been acquired by the Fund.
- The Fund will acquire the second phase assets by issuing ordinary shares at an value (NNNAV) of € 11.83 each and 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 5 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 approximately € 1 million.

Due to the conflict situation in Ukraine, it is not currently possible to complete the purchase of the two remaining properties (development plots) in and around Kiev, which was agreed in June 2021 at €1,970,000. This is because the purchase contract contains specific pre-completion conditions, the fulfilment of which require decisions and actions to be taken by Kiev City Council and other Ukrainian public authorities. The Sellers were unable to fulfil these conditions prior to the Russian invasion and in the current circumstances it is not considered likely that these public bodies will prioritise these decisions and actions in the course of 2022. If the conditions are eventually fulfilled, the purchase contract is subject to further provisions which should ensure that an acquisition of these properties in the future will only take place at prevailing market values.

Management is following the situation and is in contact with the seller and the lawyers involved by this deal. The situation described above is the expectation of the management on April 22, 2022.

As at balance sheet date the Fund was not subject to any other contingent liabilities, including any obligations that result from security transactions related to (exchange) rate risk in connection with investments.

19.20 INCOME FROM INVESTMENTS

The income from investments concerns the interest from receivables from group companies. The specification is as follows:

	2021 In € 1,000	2020 In € 1,000
Arcona Capital RE Bohemia s.r.o.	138	188
Arcona Capital RE Slovakia s.r.o.	-	80
Arcona Capital Real Estate Poland Sp. z o.o.	432	433
Arcona Real Estate B.V.	189	175
Boyana Residence E.O.O.D.	-	48
Aisi Bela LLC	2	1
	761	**925**

19.21 REALISED VALUATION RESULTS OF INVESTMENTS

19.21.1 Realised valuation results of investments in group companies

	2021 In € 1,000	2020 In € 1,000
Realised currency results Arcona Capital RE Slovakia s.r.o.	527	46

The "Realised currency results Arcona Capital RE Slovakia s.r.o." for the amount of € 527,000 concerns realised currency results as a result of distributions from capital contribution Arcona Capital RE Slovakia s.r.o. for the amount of € 4,744,000.

19.21.2 Realised valuation results of receivables from group companies

	2021 In € 1,000	2020 In € 1,000
Realised currency results Arcona Capital RE Bohemia s.r.o.	3	-/- 1

The "Realised currency results Arcona Capital RE Bohemia s.r.o." for the amount of € 3,000 concerns realised currency results as a result of redemptions on loan to Arcona Capital RE Bohemia s.r.o.

19.22 UNREALISED VALUATION RESULTS OF INVESTMENTS IN GROUP COMPANIES

The unrealised valuation results of investments in group companies contain the share in the results from investments in group companies. The specification is as follows:

	2021 In € 1,000	2020 In € 1,000
Arcona Capital RE Bohemia s.r.o.	1,686	-/- 104
Arcona Capital RE Slovakia s.r.o.	-/- 804	584
Arcona Capital Real Estate Poland Sp. z o.o.	1,534	-/- 1,823
Arcona Capital Real Estate Trio Sp. z o.o.	1,262	339
Arcona Real Estate B.V.	517	-/- 423
Aisi Bela LLC	-/- 129	151
Boyana Residence E.O.O.D.	-/- 329	-/- 968
Arcona Capital Real Estate Bulgaria Ltd.	-/- 9	-/- 2
Arcona Black Sea Real Estate B.V.	-/- 2	-
	3,726	**-/- 2,246**

19.23 OTHER OPERATING INCOME

	2021 In € 1,000	2020 In € 1,000
Interest receivables SPDI	-	2

19.24 ADMINISTRATIVE EXPENSES

For the remuneration of the Managing Board is referred to section 15.32 “Administrative expenses”.

19.25 OTHER OPERATING EXPENSES

19.25.1 Specification of other operating expenses

	2021 In € 1,000	2020 In € 1,000
Costs of service providers	438	412
Costs of funding and acquisition	86	422
	524	**834**

19.25.2 Analysis of costs of service providers

	2021 In € 1,000	2020 In € 1,000
Accounting expenses	122	129
Audit fees	97	113
Consultancy fees	40	17
Custody fees	52	57
Supervisory Board fees	35	28
Supervisors’ expenses	22	20
Insurance AIFMD	18	19
Marketing expenses	12	10
Listing, Paying and Fund Agent fees	11	6
Other costs of service providers	29	13
	438	**412**

19.25.3 Audit fees

The “Audit fees” for the amount of € 97,000 include the fees for the audit of the Consolidated Financial Statements and Parent Company Statements and European Single Electronic Format (**ESEF**) reporting 2021, as well as an estimated amount of € 17,000 (2020: € 15,000) for the audit of the figures of the Bulgarian and Ukrainian subsidiaries. During the financial period audit fees for prior years have been booked in an amount of € 12,000 (2020: € 37,000).

19.25.4 Analysis of Supervisory Board fees

For the analysis of the Supervisory Board fees is referred to section 15.33.3 “Analysis of Supervisory Board fees”.

19.25.5 Analysis of costs of funding and acquisition

For the analysis of the cost of funding and acquisition is referred to section 15.33.5 “Analysis of funding and acquisition”.

19.25.6 Supervisors’ expenses

The “Supervisors’ expenses” include expenses for supervision by the Dutch Authority for the Financial Markets (Autoriteit Financiële Markten, the **AFM**) and “De Nederlandsche Bank” (**DNB**).

19.25.7 Other costs of service providers

The “Other costs of service providers” include, among others, costs of press releases, required software European Single Electronic Format (**ESEF**), Euronext Fund Services (**EFS**) and Prague Stock Exchange (**PSE**).

19.25.8 Costs of funding and acquisitions

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

19.26 PERSONNEL COSTS

The Fund does not employ any personnel (2020: nil).

19.27 INTEREST EXPENSES

	2021 In € 1,000	2020 In € 1,000
Interest expenses on private loans	361	691
Interest expenses on convertible bonds	217	259
Interest expense on loans due to group companies	170	12
Interest expense on secured bank loan Alpha Bank to be taken over	-	17
Foreign exchange and currency losses	2	17
Other interest expenses	4	1
	754	**997**

19.28 INCOME TAX EXPENSE

The results of the Parent Company are subject to corporate income tax (**CIT**).

19.28.1 Income tax expense recognised in the Parent Company profit and loss account

	2021 In € 1,000	2020 In € 1,000
Current income tax expense		
Current year	-	-
Adjustments related to prior years	-	-
	-	-
Deferred income tax expense		
Origination and reversal of taxable temporary differences	8	-
Recognition of previously unrecognised tax losses	-/- 49	26
Recognition of previously unrecognised (derecognition of previously recognised) other taxable temporary differences	-	-
Change in tax rate	-/- 2	-/- 7
Adjustments related to prior years	-	-
	-/- 43	19
Total	**-/- 43**	**19**

19.28.2 Deferred income tax recognised directly in shareholders' equity

	2021 In € 1,000	2020 In € 1,000
Related to receivables from group companies	43	-/- 19

19.29 RELATED PARTIES

For the definition of related parties is referred to section 15.45 "Related parties".

In addition to section 15.45 "Related parties" the Fund entered into or maintained the following transactions with group companies, part of "Other related parties":

A. Dividends received from group companies, as described in section 19.1.2 "Statement of changes in investments in group companies";

B. Loans advanced and redemption on loans to group companies, as described in section 19.2.3 “Statement of changes in loans to group companies”;
C. Loans advanced on loans due to group companies, as described in section 19.14.4 “Statement of changes loans due to group companies”;
D. Set-off other debts due to group companies with loans to group companies, as described in section 19.14.6 “Specifications of other debts due to group companies”.

19.30 PROPOSAL FOR THE PARENT COMPANY RESULT APPROPRIATION

The Parent Company´s result for the financial period amounts to € 3,134,000. Recognising the mandatory:
- net addition of € 2,034,000 to the “Revaluation reserve”; and
- net addition of € 852,000 to the “Reserve investments in group companies”;

the remaining profit for the financial period was € 248,000. It is proposed to the General Meeting of Shareholders to add the whole of the remaining profit for the financial period to the “Retained earnings”.

This proposal has already been recognised in the Parent Company balance sheet.

19.31 DETERMINING OF PARENT COMPANY RESULT FOR THE PREVIOUS FINANCIAL PERIOD

During the General Meeting of Shareholders (**GM**) of the Fund on June 16, 2021, the GM approved the result appropriation proposal of the Managing Board as stated in the Annual Report of the previous year.

19.32 EVENTS AFTER BALANCE SHEET DATE

The following material events have occurred after balance sheet date:

A. On January 4, 2022 the Fund announced it has sold two office buildings Pražská 2 and Pražská 4, located in Košice (Slovakia) for € 4.55 million;

B. On February 3, 2022 the Fund announced it has completed repayment of three short-term loans provided by third parties for a total amount of € 2.25 million;

C. On February 3, 2022 the Fund announced it has instructed Knight Frank to find a purchaser for its office building Šujanovo náměsti 3, located in Brno (Czech Republic);

D. On February 24, 2022 the Fund informed the market that it has two development sites in the Ukraine with a value of € 3.4 million and an obligation to buy a further two plots in and around Kiev with a value of € 1.97 million.

E. On March 14, 2022 the Fund informed the market that the CNB started the process to revoke the banking licence of Sberbank CZ. Sberbank CZ finances the 100% subsidiary company of the Fund, ACREB.

F. On March 21, 2022 the Fund updated the market about the situation in the Ukraine and the impact on the assets which the Fund owns there. The NAV of the Fund has been adjusted to € 11.83.

G. On March 29, the Fund acquired a 21.18% interest in the Delenco office building in Bucharest. The Fund paid for this by issuing 315,668 shares at an intrinsic value of € 11.83 and the issuance of 76,085 warrants. The warrants can be converted into shares of the Fund if the share price reaches a price level of € 7.20 before 29 March 2027.

For more information see also section 13.3.

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

Amsterdam, April 28, 2022

The Managing Board:

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

G.St.J. Barker LLB	P.H.J. Mars M.Sc.	H.H. Visscher
Managing director	*Managing director*	*Managing director*

The Supervisory Board:

H.H. Kloos RBA	B. Vos M.Sc.	Dr. J.J. van Heijst	M.P. Beys
Chairman			

20 OTHER INFORMATION

20.1 GENERAL PROVISIONS OF THE ARTICLES OF ASSOCIATION CONCERNING RESULT APPROPRIATION

In accordance with Article 28 of the Articles of Association dated September 21, 2016, profits are determined and distributed as follows:

28.1 From the profit earned in a financial period in so far as possible a dividend is first distributed on the priority share, the amount of which dividend is equal to seven per cent (7%) on an annual basis, calculated on the nominal value of the priority share. No further distributions are made on the priority share.

28.2 The priority shareholder determines annually what part of the profit remaining after application of article 28.1 above is added to the reserves.

28.3 It is the prerogative of the general meeting of shareholders to allocate the profit remaining after application of articles 28.1 and 28.2 above.

28.4 Distribution of profit occurs after adoption of the Financial Statements evidencing that this is permitted.

28.5 The priority shareholder may resolve to make interim distributions on ordinary shares and / or distributions on ordinary shares charged to a Parent Company reserve.

28.6 Distributions on shares may only take place up to a maximum of the amount of the distributable shareholders' equity.

28.7 Unless the body that decides on distribution determines another time, distributions on shares are payable immediately after declaration.

28.8 In calculating the amount of any distribution on shares the shares held by the Parent Company in its own capital are not included.

20.2 DECREE ON THE DUTCH ACT ON FINANCIAL SUPERVISION

Arcona Capital Fund Management B.V. has a permit from the AFM under the Dutch Act on Financial Supervision (Wet op het financieel toezicht, the **Wft**) to act as the management company of the Fund.

20.3 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. (member of the Supervisory Board) who holds 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.;
- Mr. J.J. van Heijst M.Sc. (member of the Supervisory Board) who holds 12,855 ordinary shares in private possession. Mr. J.J. van Heijst M.Sc. is working for the Stichting Value Partners Family office who owns 545,597 ordinary shares.
- Mr. M.P. Beys (member of the Supervisory Board) holds no ordinary shares in private possession. Mr. M.P. Beys is also the Chairman of the Board of Directors of SPDI. SPDI owns 593,534 registered shares.

20.4 SPECIAL CONTROLLING RIGHTS

Special rights in respect of control of the Parent Company have been granted to the holders of priority shares. The priority shares are bearer shares. As provided by the Articles of Association the priority shares entitle the Foundation:

- to determine the number of members of the Managing Board and Supervisory Board;
- to make binding nominations for appointment of the members of the Managing Board and the members of the Supervisory Board;
- to make the proposal to the General Meeting of Shareholders to suspense or dismiss a Managing Board member and / or a Supervisory Board member;
- to make the proposal to the Supervisory Board for the remuneration of the members of the Supervisory Board;
- to determine which part of the profits remaining after priority dividend (see also section 20.1) shall be reserved;
- to make interim distributions on ordinary shares and / or distributions on ordinary shares charged to a Parent Company reserve;
- to make the proposal to the General Meeting of Shareholders to amend the Articles of Association of the Parent Company;
- to make the proposal to the General Meeting of Shareholders for statutory merger or statutory demerger of the Parent Company;
- to make the proposal to the General Meeting of Shareholders for dissolution of the Parent Company.

The General Meeting of Shareholders needs the approval of the Foundation for decisions of the Managing Board concerning the reduction of the issued share capital.

20.5 INDEPENDENT AUDITOR'S REPORT

Deloitte.

Deloitte Accountants B.V.
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INDEPENDENT AUDITOR'S REPORT

To the shareholders and the Supervisory Board of Arcona Property Fund N.V.

Report on the audit of the financial statements 2021 included in THE ANNUAL ACCOUNTS

Our opinion

We have audited the financial statements 2021 of Arcona Property Fund N.V., based in Amsterdam. The financial statements comprise the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Arcona Property Fund N.V. as at December 31, 2021, and of its result and its cash flows for 2021 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

- The accompanying company financial statements give a true and fair view of the financial position of Arcona Property Fund N.V. as at December 31, 2021, and of its result for 2021 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. The consolidated statement of financial position as at December 31, 2021.

2. The following statements for 2021: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows.

3. The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. The company balance sheet as at December 31, 2021.

2. The company profit and loss account for 2021.

3. The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Arcona Property Fund N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 850,000. The materiality is based on 1% of Investment Property (under development). We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of EUR 42,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Arcona Property Fund N.V.Is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Arcona Property Fund N.V.

Our group audit mainly focused on significant group entities based in Czech Republic, Slovakia, Poland, Ukraine and Bulgaria, covering 100% of total revenues and 100% of total investment properties.

In establishing the overall group audit strategy and plan, we determined the type of work that needed to be performed at the components by the group engagement team and by component auditors from other Deloitte network firms. Where the work was performed by components auditors, we determined the level of involvement we needed to have in the audit work at those components so as to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the group financial statements as a whole. For each component we determined whether we require an audit of their complete financial information or whether other procedures would be sufficient.

For the group entities in Czech Republic, Slovakia and Poland we determined that a full audit of the financial information was required. For the components in the Ukraine and Bulgaria we performed an audit of specific account balances.

The group engagement team directed the planning, reviewed the work performed by component auditors and assessed and discussed the results and findings with the component auditors. Due to the COVID-19-pandemic, we were not able to execute the tentatively planned visits to group entities.

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Consequently, we revised our strategy for the direction and supervision of the component auditors. The group engagement team held multiple virtual meetings with all the individual component auditors, and management of the relevant group entities, and participated at a minimum in the component auditor closing calls. For all component auditors, remote file reviews were conducted to evaluate the work undertaken and to assess their findings.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Audit approach fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the entity and its environment and the components of the system of internal control, including the risk assessment process and management's process for responding to the risks of fraud and monitoring the system of internal control and how the Supervisory Board exercises oversight, as well as the outcomes.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as among others the code of conduct, whistle blower procedures and incident registration. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness, of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption in close co-operation with our forensic specialists. We evaluated whether these factors indicate that a risk of material misstatement due fraud is present.

We identified the following fraud risks and performed the following specific procedures:

Management override of controls

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or noncompliance.

We considered available information and made enquiries of relevant executives and the Supervisory Board.

We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

We evaluated whether the selection and application of accounting policies by the group, particularly those related to subjective measurements and complex transactions, may be indicative of fraudulent financial reporting.

We evaluated whether the judgments and decisions made by management in making the accounting estimates included in the financial statements indicate a possible bias that may represent a risk of material misstatement due to fraud. Management insights, estimates and assumptions that might have a major impact on the financial statements are disclosed in note 13.10 of the financial statements. We performed a retrospective review of management judgments and assumptions related to significant accounting estimates reflected in prior year financial statements.

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For significant transactions such as disposals of investment property we evaluated whether the business rationale of the transactions suggests that they may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets.

Audit approach compliance with laws and regulations

We assessed the laws and regulations relevant to the Company through discussion with the Managing Board, reading minutes.

We involved our forensic specialists in this evaluation.

As a result of our risk assessment procedures, and while realizing that the effects from non-compliance could considerably vary, we considered the following laws and regulations: adherence to (corporate) tax law and financial reporting regulations, the requirements under the International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and Part 9 of Book 2 of the Dutch Civil Code with a direct effect on the financial statements as an integrated part of our audit procedures, to the extent material for the related financial statements.

We obtained sufficient appropriate audit evidence regarding provisions of those laws and regulations generally recognized to have a direct effect on the financial statements.

Apart from these, Arcona Property Fund N.V. is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts and/or disclosures in the financial statements, for instance, through imposing fines or litigation.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed. As compared to prior year we have identified one additional key audit matter with respect to the Ukraine-Russia situation.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investment properties

Key audit matter:

As at December 31, 2021 the Company held as portfolio of investment property with a fair value of EUR 81.8 million (December 31, 2020: EUR 87.0 million) and investment property under construction of EUR 2.6 million (December 31, 2020: EUR 2.4 million).

The portfolio consists of EUR 25.9 million retail, EUR 50.3 million office and EUR 8.2 million of land plots (under development).

At the end of each reporting period, the management board determines the fair value of its investment property portfolio in accordance with the requirements of IAS 40 and IFRS 13. The Company uses external valuation reports issued by external independent professionally qualified appraisers to determine the fair value of its investment property.

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As the valuation of investment property is inherently judgmental in nature, due to the use of assumptions that are highly sensitive, any change in assumptions may have a significant effect on the outcome given the relative size of the investment property balance.

The most significant assumptions and parameters involved, given the sensitivity and impact on the outcome, are the capitalization rate and market rent levels and the market-derived discount rate.

The uncertainties over the current economic environment caused by COVID-19 had an impact on the valuation of the Company's properties. Accordingly, the external appraisers and management have stated that it has been necessary to make more judgements than are usually required and the external appraiser has reported the valuation of the property portfolio at December 31, 2021 on the basis of a 'material valuation uncertainty'.

Due to the magnitude and related estimation uncertainty, valuation of investment property is considered a key audit matter.

How the key audit matter was addressed in the audit:

Our audit procedures included, among others, the following:

- We have gained understanding of the valuation process and tested the design and implementation of the Company's relevant controls with respect to the data used in the valuation of the property portfolio.

- We evaluated the competence of the Company's external appraiser, which included consideration of their qualifications and expertise.

- We have further evaluated and challenged the assumptions made in respect to the creditworthiness of significant tenants, lease incentives and vacancy periods in the valuation calculations.

In relation to the significant assumptions used in the valuation of investment property we have:

- Determined that the valuation methods as applied by the management board, as included in the valuation reports, are appropriate;

- We have evaluated and challenged the significant assumptions used (such as capitalization rate, market rental income, market-derived discount rate) against relevant market data. We have involved our internal real estate valuation experts in these assessments.

- We assessed and challenged the judgements made by the external appraiser in light of the valuation uncertainties they highlight in their report in respect of the limited transactional evidence that can be used to form their opinion of fair value in certain classes of assets. We have involved our internal real estate valuation experts in these assessments.

- We assessed the sensitivity analysis on the key input data and assumptions (a.o. gross rental income and net yield) to understand the impact of reasonable changes in assumptions on the valuation and other key performance indicators (i.e. loan covenants).

- We have assessed the appropriateness of the disclosures notes 13.10 and 15.2/15.3 to the consolidated financial statements, relating to the assumptions used in the valuations and sensitivity analysis in the notes to the consolidated financial statements.

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Observation:

We found that, with the (significant) assumptions used in the valuation reports, the valuation of the investment property is valued within a reasonable range.

Russia-Ukraine situation

Key audit matter:

On February 24, 2022, Russian troop invaded Ukraine. As disclosed in note 13.3 to the financial statements, the Fund owns two land plots (under development) in Ukraine. As at December 31, 2021, the two land plots have a fair value of EUR 3.4 million (December 31, 2020: EUR 3.1 million). The land plots are located in the regions Odessa and Zaporozhzhia.

As disclosed in note 15.23/19.19 to the financial statements, the Fund also is in the process of acquiring two additional land plots in Ukraine in the Kiev area. For the acquisition of these land plots a share purchase agreement has been agreed upon between the Company and the seller, dated on June 3, 2021.

Due to the conflict situation in Ukraine, it is not currently possible to complete the purchase of the two remaining properties (development plots) in and around Kiev, which was agreed upon at an acquisition price of EUR 1.97 million. The purchase contract for these two properties is subject to specific conditions and provisions which together protect the Fund´s position in the current circumstances.

The uncertainties over the current economic environment in Ukraine, caused by the outbreak of the war, might have a negative impact on the valuation of the Company's land plots and the land plots in the process of acquisition after balance sheet date. As most active markets are currently closed in Ukraine, there is limited to no market information available to support the current valuation of the assets based in Ukraine. Hence there is a high level uncertainty involved in assessing the impact of the event after balance sheet date, as described in notes 13.3 and 15.23/19.19 to the financial statements.

Due to the possible magnitude and related uncertainty, the impact of the Russia-Ukraine situation is considered to be a key audit matter.

How the key audit matter was addressed in the audit:

Our audit procedures included, among others, the following:

- We obtained an understanding of the process for identification of significant events after the balance sheet date.

- We evaluated the 2022/2023 liquidity and covenant forecast as approved by the Management Board, the financial forecast preparation process, the reasonability of the 2022 forecasts at the level of individual entities as well as at corporate level and performed an assessment of the historical accuracy of management's estimates through retrospective review. Our assessment also included an evaluation of available liquidity for the next twelve months, covenant sensitivity analyses and stress-testing. We also evaluated the impact of the Russia-Ukraine situation on the ability of the Company to continue as a going concern.

- We evaluated management's assessment of what impact the Ukraine-Russia situation could possibly have on the valuation of the owned lans plots, subsequent to balance sheet date.

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- We evaluated management's assessment of the terms set out in the share purchase agreement related to the acquisition of the two assets in and around Kiev.

- We have had inquiries with the Management Board and discussed the reasonability of the assumptions taken by the Management Board in assessing the impact of the Russia-Ukraine situation on the Company. These assumptions include for example the assessment of certain contractual requirements to be met.

- We assessed the adequacy of the disclosures included in notes 13.3, 15.23/19.19 and 15.43/19.32 to the financial statements based on the applicable financial reporting standards.

Observation:

We did not identify any material reportable matters in management's assessment of the impact of the Russia-Ukraine situation on the company. We understand management's assumptions which are subject to specific conditions and provisions agreed upon in the share purchase agreement. These assumptions are reflected in the disclosure notes to the financial statements.

Report on the other information included in the annual accounts

In addition to the financial statements and our auditor's report thereon, the annual accounts contain other information.

The other information consists of:

- Report of the Managing Board.
- Other Information as required by Part 9 of Book 2 of the Dutch Civil Code.
- Arcona Property Fund N.V Key figures.
- Foreword from the Managing Board.
- Arcona Property Fund in brief.
- Pre-advice of the Supervisory Board.
- The real estate portfolio.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements.
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the Management Board's Report in accordance with Part 9 of Book 2 of the Dutch Civil Code, and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements and ESEF

Engagement

We were engaged by the Supervisory Board as auditor of Arcona Property Fund N.V. on May 18, 2017, as of the audit for the year 2017 and have operated as statutory auditor ever since that financial year.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

European Single Electronic reporting Format (ESEF)

Arcona Property Fund N.V.Has prepared its annual report in ESEF. The requirements for this are set out in the Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (hereinafter: the RTS on ESEF).

In our opinion, the annual report, prepared in XHTML-format, including the partially marked-up consolidated financial statements, as included in the reporting package by Arcona Property Fund N.V.complies in all material respects with the RTS on ESEF.

Management is responsible for preparing the annual report including the financial statements in accordance with the RTS on ESEF, whereby management combines the various components into a single reporting package.

Our responsibility is to obtain reasonable assurance for our opinion whether the annual report in this reporting package complies with the RTS on ESEF.

Our procedures, taking into account Alert 43 of the NBA (Koninklijke Nederlandse Beroepsorganisatie van Accountants, the Dutch Institute of Chartered Accountants), included amongst others:

- Obtaining an understanding of the company's financial reporting process, including the preparation of the reporting package.

- Obtaining the reporting package and performing validations to determine whether the reporting package containing the Inline XBRL-instance and the XBRL-extension taxonomy files has been prepared in accordance with the technical specifications as included in the RTS on ESEF.

- Examining the information related to the consolidated financial statements in the reporting package to determine whether all required mark-ups have been applied and whether these are in accordance with the RTS on ESEF.

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Description of responsibilities regarding the financial statements

Responsibilities of management and the Supervisory Board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.

- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, April 28, 2022

Deloitte Accountants B.V.

Signed on the original: J. Holland