



ARCONA CAPITAL



New tenant Carrefour in our Polish retail property in Inowroclaw

ARCONA PROPERTY FUND N.V. **SEMI-ANNUAL REPORT 2022**

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1 FOREWORD FROM THE MANAGEMENT

With two more asset sales completed during the reporting period in Kosice, Slovakia, three in progress (in Brno, Bratislava and Sofia) and two office acquisitions completed in Bucharest, Romania, Arcona Property Fund N.V. (the **Fund**) is making steady progress in rebalancing its real estate portfolio. At an operating level, with a modest loan-to-value ratio of 41.8% and an occupancy level of 92%, the Fund has been able to grow comparable net rental income by 12.3% (see also table 8) over the reporting period. Accordingly, funding is being put in place for a shareholder distribution and the start of the share buyback programme in H2 2022.

As a market backdrop, during the first six months of this year, inflation has surged across Europe, interest rates in certain core markets have surged and Russia has invaded Ukraine. This has created new challenges for the Fund just as the impact of the COVID-19 pandemic fades into the past. We will examine these market challenges in more detail later in this report but remain confident the Fund can both continue to absorb this volatility and potentially take advantage of the opportunities that may be created therefrom.

Highlights from H1 2022

January | Sale of Pražská 2 and 4

In January, the Fund sold two office properties in Košice, Slovakia, for a price of € 4.55 million. The sale of these assets is part of the strategy to sell non-core properties. The proceeds were used to pay back high yielding loans at Fund level.

March | Ukraine situation

In Ukraine, the Fund owns the Bela Logistic Park site located in the Odessa region and the Balabynska Village site in the city of Zaporizhzhia. Due to the Russian invasion of Ukraine, the Managing Board decided in March 2022 to write down the value of the two land plots to zero (previous assessed value € 3.39 million).

Q2 2022 | Sberbank CZ loses banking licence

Following the Russian invasion of Ukraine, Sberbank was the subject of a bank run in the Czech Republic. As a direct result, the Czech National Bank (**CNB**) announced it would initiate a process to withdraw the bank licence of Sberbank CZ. As Sberbank CZ is the debt financier of the Fund's Czech portfolio through its subsidiary Arcona Capital RE Bohemia s.r.o. (**ACREB**), this created immediate issues for the Fund. Approximately € 400,000 on ACREB accounts at Sberbank CZ are blocked and cannot be used to meet the regular instalment and interest payments. The local management and its legal advisor are monitoring developments and taken action where necessary to safeguard the interests of the Fund.

June 2022 | Second phase SPDI acquisition

During the reporting period the Fund acquired from Secure Property Development & Investment Plc (**SPDI**) a 24.35% interest in the Delenco office building in Bucharest. The property has an area of 10,375 m², of which 9,664 m² is office space and 711 m² retail space. The office building is free of debt financing.

On June 17, 2022 the Fund also completed the acquisition of the EOS office building in Bucharest from SPDI. The building has an appraised value of € 5,346,000, a lettable area of 3,386 m² and 90 parking spaces. Patria Bank has provided financing of € 3.3 million for the property, which runs to December 31, 2031.

KEY DATA PER 30-6-2022 AND 31-12-2021

	30-06-2022	31-12-2021
Number of assets	21	22
Fair value Investment Properties (in € 1,000) ¹	86.9	85.1
Total Assets (in € 1,000)	92,884	90,566
Shareholders' Equity (in € 1,000)	49,275	46,403
Total Liabilities (in € 1,000)	43,694	44,163
Bank Debts (in € 1,000)	33,236	30,894
Total Loan-to-value (LTV) (in %)	41.8	42.2
Share price ultimo (in €)	6.25	7.50
Occupancy (in %)	92.0	90.3
Semi-annual gross Income (in € 1,000)	4,115	-
Annual gross Income (in € 1,000)	-	9,176

The number of outstanding shares is 4,238,059, an increase of 479,376 shares issued for the acquisition of the 2nd phase of the SPDI portfolio.

The bank debt increased to € 33.2 million (31 December 2021: € 30.9 million) reflecting the Slovenská Sporiteľňa loan instalment from the Pražská 2 and 4 sale proceeds and the € 3.3 million Patria Bank loan in Romania on the EOS office building acquired in June. The total LTV decreased by 0.4% to 41.8% (31 December 2021: 42.2%).

The occupancy rate increased to 92.0% (31 December 2021: 90.3%). The sale of the two Pražská properties and the acquisition of the fully occupied EOS building contributed to this 1.7% occupancy increase.

The semi-annual gross income of € 4.115 million corresponds to an increase of 9.4% in comparison to comparable previous relevant period (see also table 6).

¹ Including Delenco stake

KEY FIGURES

BALANCE SHEET STATEMENT (in € 1,000)

	H1 2022	H1 2021	2021	2020	2019	2018
Investment properties	75,013	80,290	79,973	79,258	80,992	89,032
Other non-current assets	5,393	746	1,259	656	929	680
Current assets	12,478	11,060	9,334	14,508	25,577	2,945
Total assets	92,884	92,096	90,566	94,422	107,498	92,657
Shareholders' equity	49,275	43,135	46,403	42,954	48,000	40,911
Deferred tax liabilities	3,428	3,573	3,514	4,143	4,684	4,606
Other non-current liabilities	32,874	32,379	30,597	18,301	33,448	26,519
Current liabilities	7,307	13,009	10,052	29,024	21,366	20,621
Total equity and liabilities	92,884	92,096	90,566	94,422	107,498	92,657
Loan-to-Value (in %)	41.8	46.3	42.2	47.0	50.0	50.5
Solvency Equity-ratio (in %)	53.1	46.8	51.2	45.5	44.7	44.2

PROFIT AND LOSS STATEMENT (in € 1,000)

	H1 2022	H1 2021	2021	2020	2019	2018
Direct result before tax	413	377	1,076	-/- 277	1,422	1,482
Indirect result before tax	-/- 2,783	-/- 122	1,949	-/- 3,295	-/- 905	-/- 1,336
Total result before tax	-/- 2,370	255	3,025	-/- 3,572	517	146
Income tax expense	473	158	-/- 109	217	424	352
Total result after tax	-/- 2,843	97	3,134	-/- 3,789	93	-/- 197
Occupancy (in %)	92.0	86.9	90.3	83.6	84.3	86.9
Rentable area (in m ²) ²	58,003	81,664	66,701	92,174	103,561	104,216

ISSUED CAPITAL

	H1 2022	H1 2021	2021	2020	2019	2018
Ultimo outstanding shares	4,238,059	3,758,683	3,758,583	3,758,683	3,758,683	3,165,149
Weighted average number of shares outstanding	3,930,576	3,758,683	3,758,683	3,758,683	3,758,683	3,165,149
Basic earnings per share (€)	-/- 0.72	0.03	0.83	-/- 1.01	0.03	-/- 0.05
Adjusted earnings (€) ³	-/- 0.01	-/- 0.09	-/- 0.33	-/- 0.63	-/- 0.01	-

DATA PER SHARE

	H1 2022	H1 2021	2021	2020	2019	2018
(Interim-) dividend	-	-	n.a.	n.a.	0.10	0.10
NNNAV conform ⁴	12.00	11.91	12.76	11.84	13.14	13.65
Avg. monthly turnover (in €)	71,786	265,701	269,291	75,006	198,217	260,359
Highest price (in €)	7.50	6.45	7.60	6.29	5.91	7.95
Lowest price (in €)	5.96	3.40	3.40	3.70	7.48	6.79
Ultimo price (in €)	6.25	5.95	7.50	3.93	6.00	7.10

² Without Boyana apartment area

³ Earnings indicator was introduced in 2018

⁴ Determined based on market conform method

2 REPORT OF THE MANAGING BOARD

The Managing Board hereby presents the semi-annual report of 2022 of the Fund. The reporting period is from 1 January 2022 to 30 June 2022.

2.1 SUMMARY OF EVENTS DURING THE FIRST HALF OF 2022

Table 1 – Total Return on share price and Net Asset Value during H1 2022

	Based on share price		Based on NNAV	
	In €	In %	In €	In %
Start period	7.50		12.76	
End period	6.25		12.00	
Return	-/- 1.25	-/- 16.7	-/- 0.76	-/- 6.0
Distribution to shareholders	-		-	
Total Return	-/- 1.25		-/- 0.76	

2.1.1 DEVELOPMENTS DURING THE FIRST HALF OF 2022

The following events took place during the reporting period:

4 January 2022 | Sale of Pražská 2 and Pražská 4

On January 4, 2022 the Fund announced it has sold the two office buildings Pražská 2 and Pražská 4 in Košice, Slovakia. The total gross sale price was € 4.55 million, 2% below the appraisal value of € 4.63 million at the end of 2021.

3 February 2022 | Completion repayment of short-term loans

On February 3, 2022 the Fund announced it has completed repayment of three short-term loans at Fund level in a total amount of € 2.25 million.

As a continuation of the disposal programme of non-core assets, the Fund has instructed Knight Frank to find a purchaser for its property in Šujanovo náměstí 3, Brno. This 4,655 m² office building dates from the 1970's and is located in a mixed-use area close to Brno city centre. The property has clear potential for conversion to residential use. The property is valued at CZK 78.3 million (€ 3.15 million) as at December 31, 2021, a substantial increase from CZK 66 million (€ 2.52 million) as at December 31, 2020.

24 February 2022 | Update on assets in Ukraine

On February 24, 2022 the Fund announced an update on its holdings in Ukraine (two developments plots). As at December 31, 2021 the sites had a combined book value of € 3.39 million, which amounts to 4.2% of the value of the property portfolio. In 2021 the Fund committed to acquire two more projects in Ukraine from SPDI for € 1.97 million.

Bela Logistic Park is located in the Odessa region and has a value of € 2.7 million or 3.3% of the value of the real estate portfolio. The plot is approximately 22 hectares and suitable for the development of logistics.

Balabynska Village is located in the city of Zaporizhzhia and has a value of € 690,000 or 0.9% of the value of the real estate portfolio. The plot has an area of approximately 26 hectares and is zoned for commercial use.

Projects to be taken over

For the second phase of the SPDI acquisition, the Fund entered into an obligation in June 2021 to acquire two plots of land in and around Kiev. The first plot is Roznhy, which is 42 hectares in size and located approximately 43 kilometres from the centre of Kiev. The plot has an appraised value of € 895,000. The second plot is Kiyanovksi Lane, which is 0.5 hectares in size. The plot is located in the centre of Kiev and has a value of € 1,074,000. The transfer of these plots still needs to take place.

14 March 2022 | Update on withdrawal of banking licence of Sberbank CZ

On March 14, 2022 the Fund announced an update on withdrawal of banking license of Sberbank CZ. Developments in Ukraine and Russia caused a bank run at Sberbank CZ. The CNB subsequently decided to start the process to revoke the banking licence of Sberbank CZ.

The Sberbank CZ loan at ACREB amounts to € 8.45 million as at December 31, 2021. The loan has a term until March 31, 2024 and the loan-to-value ratio is approximately 44%. In addition, ACREB holds a number of accounts at Sberbank CZ for daily payments.

The effect of the CNB's actions has been the freezing of all cash deposits on ACREB's accounts with Sberbank CZ. It is also no longer possible to transfer money in and out of accounts at Sberbank CZ. The loan is not in default.

ACREB has opened an account with Raiffeisen Bank to manage day-to-day business. This will enable payments to be made to suppliers and the subsidiary to continue its normal business operations. As a precautionary measure, an application has also been made to the State Bank Guarantee fund for release of € 100,000, being the maximum amount covered by the scheme for individual depositors.

21 March 2022 | Updates Net Asset Value

On March 21, 2022 the Fund announced it has updated its reported Net Asset Value (**NAV**) to reflect the latest valuation figures and the situation in Ukraine. The published NAV per share has risen from € 11.77 to € 11.83 on March 21, 2022, an increase of 0.5%.

The Managing Board resolved to write down the value of the two land plots held by the Fund in Ukraine (in Odessa and Zaporizhzhia) to zero (previous assessed value € 3.39 million). The effect of these two adjustments, one positive, one negative, is that the NAV of the Fund after deduction of outstanding borrowings and liabilities is € 44.54 million, being € 11.83 per share.

Neither the current situation on the ground in Ukraine nor future developments in the conflict can be accurately assessed at this time. It is however clear that there is no functioning market for real estate assets within the country. The Managing Board has therefore decided to adopt a prudent position and to write down the asset values of the Ukrainian holdings of the Fund to zero on a temporary basis. The situation will be reviewed regularly in consultation with the Fund's local advisors.

The Fund's subsidiary in the Czech Republic, ACREB has now received a pay-out of € 100,000 from the State Bank Guarantee Fund in respect of its engagement with Sberbank CZ.

30 March 2022 | Completion of acquisition of 24.35% interest in Delenco

On March 30, 2022 the Fund announced it has completed the acquisition of 21.18% in the Delenco office building, one of the two assets in Bucharest which the Fund will acquire from SPDI. On June 17, 2022 the Fund completed the acquisition of another 3.17% in the Delenco office building. The total stake is 24.35%.

The Fund financed the acquisition of the 21.18% by issuing 315,668 shares and 76,085 warrants. The shares are issued at the Net Asset Value of € 11.83 per share. The warrants can be converted into shares of the Fund if the share price reaches a price level of € 7.20 before March 29, 2027.

The Fund financed the acquisition of the 3.17% by issuing 47,020 shares and 11,333 warrants. The shares are issued at the Net Asset Value of € 11.88 per share. The warrants can be converted into shares of the Fund if the share price reaches a price level of € 7.20 before June 15, 2027.



Delenco office in Bucharest

The Delenco building has an area of 10,375 m², of which 9,664 m² is office space and 711 m² retail space. In addition, the building has 68 parking spaces. The appraised value of the 24.35% stake is € 3,810,000. Delenco has four tenants, of which ANCOM (Romanian telecom regulator) is the largest with 81% of the rental income. The lease with ANCOM runs until June 30, 2026. The annual rent for the entire building is € 1,716,000. The building is not financed with a bank loan.

4 April 2022 | Update on Sberbank CZ situation

On April 4, 2022 the Fund announced an update on the Sberbank CZ situation.

On March 31, 2022, the Fund's wholly owned subsidiary ACREB transferred, in accordance with the loan agreement, approximately € 200,000 in interest and principal repayments to Sberbank. The Managing Board and the Supervisory Board have decided to fulfil this obligation under the existing loan agreement in line with legal advice to avoid a formal default.

According to Sberbank CZ, the blocked funds of approximately € 400,000 on ACREB accounts at Sberbank CZ cannot be used to meet the regular instalment and interest payments. This restriction has been applied by the CNB for all clients of Sberbank CZ. By transferring the funds under the current loan agreement, ACREB takes a precautionary measure and strengthens its position towards Sberbank CZ.

The local management and its legal advisor are monitoring developments and will take further action where necessary to safeguard the interests of the Fund. The Managing Board understand that the CNB took a decision to initiate the process of the withdrawal of the bank licence from Sberbank CZ.

17 June 2022 | Completes acquisition of EOS building in Bucharest

On June 17, 2022 the Fund completed the acquisition of the EOS office building in Bucharest. The Fund financed the acquisition by issuing 116,688 shares and 28,125 warrants. The shares are issued at a Net Asset Value of € 11.88 per share. The warrants can be converted into shares of the Fund if the share price reaches a price level of € 7.20 before June 15, 2027.

The EOS building has an appraised value of € 5,346,000, a lettable area of 3,386 m² and 90 parking spaces. The office building is fully let to Danone Romania until May 31, 2026. Patria Bank has provided financing of € 3.3 million for the property, which runs to December 31, 2031.



EOS office in Bucharest

22 June 2022 | Trading update

On June 22, 2022 the Fund announced a trading update during the General Meeting of Shareholders.

Sales assets

The Fund has received several bids for the Šujanovo náměstí 3 office building in Brno, Czech Republic. Offers over CZK 100 million (approximately € 4.0 million) have been received, approximately 28% above the appraisal value at the end of 2021 (CZK 78.3 million). The timing of the sale depends on current developments at the financing bank Sberbank CZ.

For the Boyana Residence (Bulgaria) project, the Fund has agreed terms with local developers to sell them various plots. The proceeds from this sale should be more than sufficient to fully repay the loan from Alpha Bank of approximately € 2.6 million. The remaining part of the sales proceeds will be used to renovate the existing apartments, after which they will be sold.

The Záhradnicka office building in Bratislava with an appraised value of approximately € 4.0 million has been put up for sale. Bids are expected in the third quarter of 2022.

In the second half of 2022 the Fund will focus on completing these sales. The proceeds, after repayment of the bank loans, will be used to start the share repurchase programme.

Financing Sberbank CZ

Sberbank CZ has provided financing of approximately CZK 210 million (approximately € 8.45 million) to ACREB. On April 30, 2022, the CNB definitively withdrew the banking license of Sberbank CZ and appointed a trustee. Refinancing of this loan is only possible at substantially higher interest rate, so it is preferable to continue with the current bank loan.

Rental Poland

In Poland, the Fund has signed a new seven-year lease for 1,430 m² with Carrefour for the supermarket Inowroclaw II. The store opened at the beginning of August 2022 and Carrefour replaced the current tenant SPAR at better rental conditions.

Purchase of real estate from SPDI

On June 15, 2022 the Fund completed the purchase of the two office buildings in Bucharest from SPDI. The Fund still has an obligation towards SPDI to acquire two Ukrainian land plots with an appraised value of € 1.83 million. Due to the conflict in Ukraine, this acquisition has not yet been completed. The purchase agreement with SPDI has specific conditions that protect the position of the Fund.

22 June 2022 | Appointment of Mrs. A.N. Krol

On June 23, 2022, the Fund announced Mrs. A.N. Krol has been appointed as a member of the Supervisory Board for a period of four years.

Mr. H.H. Kloos has decided not to stand for re-election as chairman of the Supervisory Board.

Events after balance sheet date**3 August 2022 | Resignation of Mr H.H. Visscher**

On 3 August, 2022, the Fund announced that Mr. H. H. Visscher has accepted a position elsewhere and will resign as director as from 1 September 2022. The Board of Directors would like to thank Hilbert Visscher for his drive and commitment to the interests of investors and his contribution to important developments within Arcona Capital in recent years. The Managing Board wishes him success in his new endeavours.

18 August 2022 | Arcona Property Fund sells building Brno 36% above valuation

On 18 August, 2022, the Fund announced it has signed an agreement for the sale of its Šujanovo náměstí 3 (VUP) building in Brno, Czech Republic. The sale price of CZK 106.8 million (€ 4.32 million) is 36% above the appraised value of CZK 78.3 million at the end of 2021.

It is expected that the sale of the building will complete this Autumn. It is the management of Arcona Property Fund's intention to use a portion of the net sales proceeds of ca. € 1.7 million for the planned share repurchase programme. Further information on this will follow in due course.

There were no further material events after balance sheet date.

2.1.2 NET ASSET VALUE PER SHARE AND SHARE PRICE DEVELOPMENT

The following tables show the development of the Fund's Net Asset Value during the period 1 January 2022 to 30 June 2022.

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

	30-06-2022	31-12-2021
Shareholders' equity in accordance with NAV (in € 1,000)	51,946	49,204
Including: Fair value of financial instruments	444	293
Including: Fair value of debt	13	11
Including: Fair value of deferred tax	-/- 1,558	-/- 1,547
Shareholders' equity in accordance with NNAV (in € 1,000)	50,845	47,961
Number of ordinary shares in issue	4,238,059	3,758,683
Adjusted NNAV (in €)	12.00	12.76
Return on NAV YTD (in %)	-/- 6.0	7.8

The financial instruments with a € 444,000 fair value are the two Interest Rate Swaps (IRS) for the Czech and Polish portfolios. The (value of the) IRS related to the Czech Republic is currently being reviewed by the Managing Board, considering the situation with Sberbank CZ.

Table 3 – Development of the share price

Period		Opening price	Closing price	Volume
		Begin period	End period	Per month
		In €	In €	In pieces
2022	January	7.20	7.04	11,402
	February	6.97	6.80	16,055
	March	6.80	6.02	6,255
	April	6.25	6.05	8,456
	May	6.09	6.05	11,923
	June	6.25	6.25	11,957

The above table shows an average trading volume of 522 shares per day of trading during the first half of 2022. The stock price traded at € 6.25 at the end of the reporting period, which corresponds to a 47.9% discount on the triple net asset value per share.

2.1.3 REAL ESTATE PORTFOLIO DEVELOPMENT

Table 4 – Comparative statement of the real estate portfolio

	30-06-2022	31-12-2021	change
Fair value (in € 1,000) ⁵	82,680	85,093	-/- 2,413
Number of properties	21	22	-/- 1
Rentable area (in m ²)	58,003	66,701	-/- 8,698

The fair value decrease during the reporting period reflects the sale of the two Pražská properties and the acquisition of the EOS office building. The € 4.29 million value of the 24.35% interest in the Delenco office property in Bucharest is not included in this figure (see section 11.4 "Investments in associates"). The net rentable area change of -/- 8,698 m² corresponds to the 12,142 m² rentable area decrease from the sold properties and the 3,396 m² rentable area increase from the EOS building.

⁵ Without right-of-use assets and without investments in associates

Table 5 – The real estate portfolio per country

	# entities	fair value In € 1,000	occupancy rate ⁶ In %
Czech Republic	4	19,194	88.8
Slovakia	2	17,154	87.2
Poland	11	33,900	93.2
Bulgaria	1	6,890	n.a.
Ukraine	2	- ⁷	n.a.
Romania ⁸	1	5,346	100.0
Total portfolio	21	82,484	92.0

The occupancy rate of the portfolio of the Fund increased to 92.0% (31 December 2021: 90.3%). The increase reflects the sale of the lower occupied Pražska 2 and Pražska 4 properties in Košice and the acquisition of the fully occupied EOS office property in Romania.

The weighted average term (WALT) of the leases is 3.54 years (31 December 2021: 3.49 years), an increase mainly related to the long-leased EOS property in Romania and the extension of some leases in the Polish portfolio.

Table 6 – Term of lease as percentage of rental income⁹

	30-6-2022 In %
Less than 1 year	35.1
1 to 2 years	26.6
2 to 3 years	18.6
3 to 4 years	8.9
4 to 5 years	3.3
More than 5 years	7.5
Total	100.0

Above table shows the term distribution of the lease as percentage of the rental income.

⁶ Weighted occupancy rate

⁷ Ukraine assets have been provisioned to zero

⁸ Without the 24.35% ownership related to the Delenco office property in Bucharest, Romania

⁹ Indication based on information from 2021 annual report

Table 7 – Statement of changes in investment properties

	01-01-2022 until 30-06-2022 in € 1,000	01-01-2021 until 31-12-2-21 in € 1,000
Balance as at 1 January	75,877	75,674
Acquisitions	4,642	41
Purchases and additions	284	314
Exchange rate differences	87	1,069
Disposals	-	-/- 9
Fair value adjustments	34	3,508
Balance as at end period	80,924	80,597
Reclassification	-/- 7,257	-/- 4,720
Balance as at end period	73,667	75,877

The “Acquisitions” for the amount of € 4,642,000 during H1 2022 reflects the acquisition of the EOS office in Bucharest Romania. The “Purchases and additions” for the amount of € 284,000 during H1 2022 reflects capital expenditure into the properties. The “Reclassification (to “Assets held for sale”) for the amount of € 7,257,000 negative relates to the properties VUP and Záhradnicka, which have been reclassified to “Assets held for sale” (see also section 11.12.3 “Statement of changes in owned investment property held for sale”).

Table 8 – Comparative semi-annual statement of real estate income within the comparable¹⁰ portfolio

	01-01-2022 until 30-06-2022 in € 1,000	01-01-2021 Until 30-06-2021 in € 1,000	change in € 1,000	change In %
Gross rental income	2,903	2,801	102	3.6
Service cost income	1,167	918	249	27.1
Total income	4,070	3,719	351	9.4
Service costs	1,137	1,017	120	11.8
Operational costs	880	874	6	0.7
Net rental income	2,053	1,828	225	12.3

Total semi-annual total income increased by 9.4% to € 4.07 million (comparable portfolio H1 2021: € 3.72 million). The comparable service cost income year-on-year increased by € 249,000 (+27.1%) due to more recovered service cost charges in the Polish and Czech portfolio. Net rental income increased by 12.3% to € 2.05 million, due to an increase in gross rental income related to an increase of occupancy and despite higher operational costs in the Slovak and Polish portfolios.

¹⁰ Portfolio as at 30-6-2022, excluding the Kosmalt, Vural and Pražská properties

Table 9 – Comparative quarterly statement of real estate income in the reporting period

	01-04-2022 until 30-06-2022 in € 1,000	01-01-2022 until 31-03-2022 in € 1,000	change in € 1,000	change In %
Gross rental income	1,444	1,459	-/ 14.5	-/ 1.0
Service cost income	626	541	84.1	15.5
Total income	2,070	2,000	69.5	3.5
Service costs	-/ 559	-/ 578	18.2	-/ 3.2
Operational costs	-/ 475	-/ 405	-/ 70.3	17.4
Net rental income	1,035	1,018	17.5	1.7

Total quarterly total income of the second quarter was € 2.07 million, which is a 3.5% increase compared to the previous quarter. This improvement comes from more service costs coverage and the higher occupancy rate. Due to additional maintenance expenses in Q2, the quarterly net rental income increased by 1.7%.

2.2 FINANCIAL HIGHLIGHTS

2.2.1 BALANCE

Table 10 – Balance statement

	30-06-2022 in € 1,000	31-12-2021 in € 1,000
Investment property	75,013	79,973
Non-current assets	5,393	1,259
Current assets	12,478	9,334
Total assets	92,884	90,566
Shareholders' equity	49,275	46,403
Deferred tax liabilities	3,428	3,514
Long-term loans and borrowings	32,874	30,597
Total current liabilities	7,307	10,052
Total shareholders' equity and liabilities	92,884	90,566

“Investment property” decreased by € 4.96 million as a net effect of the reclassification of VUP Brno and Záhradnicka Bratislava to “Current Assets”, the two Pražská sales and the EOS acquisition.

“Shareholders' equity” increased by € 2.87 million reflecting the shares issued to SPDI for the acquisitions in Romania.

2.2.2 RESULT

The result for the first half of 2022 after tax (see Section 5) amounted to € -/- 2.84 million (H1 2021: € 0.97 million). A detailed summary with comparative figures of the direct and indirect result is provided in in Section 10.5 "Segment results".

Table 11 – Comparative statement of semi-annual results

	01-01-2022 until 30-06-2022	01-01-2021 until 30-06-2021	Change
	In € 1,000	In € 1,000	In € 1,000
Direct result before tax	413	377	36
Net rental and related income	2,043	1,991	52
Financial income	270	560	-/- 290
Fund level expenses	-/- 962	-/- 971	9
Financial expenses	-/- 938	-/- 1,203	265
Indirect result before tax	-/- 2,783	-/- 122	-/- 2,661
Result before tax	-/- 2,370	255	-/- 2,625
Tax	-/- 473	-/- 158	-/- 315
Result after tax	-/- 2,843	97	-/- 2,940

The "*direct result before tax*" of € 413,000 was € 36,000 higher (+9.5%) than the previous comparable period. This is the net result from:

- € 52,000 higher rental and related income corresponding to the higher occupancy level;
- € 290,000 lower financial income explained by currency results and change in fair value of interest rate swap derivatives (see 11.26 "Financial income");
- € 9,000 less fund level expenses reflecting lower operating expenses (see 11.28 "Other operating expenses");
- € 265,000 less financial expenses reflecting much lower debt service (see 11.29 "Financial expenses") for material loan instalments during the reporting period.

The "*Indirect result before tax*" of € -/- 2.78 million was lower than the previous period, related to sales and € -/- 3.3 million unrealized valuation adjustments (see also section 10.5.1 "Overview of segment result") booked in the current reporting period related to the Ukrainian assets (see section 11.23). Without the Ukrainian devaluation the result before tax would be € 925,000, € 670,000 higher (+265%) than the previous period a year ago.

The "*Result after tax*" was € -/- 2.84 million, which is explained by the full discount on the valuation of the Ukrainian land plots. Without the Ukrainian devaluation the result would approximately be € 452,000, € 355,000 higher (+366%) than the previous period a year ago.

2.2.3 CASH FLOW

The net cash flow of the Fund after operating, investment and financing activities was € 0.46 million (H1 2021: € 1.96 million). The table below provides a summary of the cash flow.

Table 12 – Consolidated cash flow statement

	01-01-2022 until 30-06-2022 in € 1,000	01-01-2021 until 30-06-2021 in € 1,000
Cash flow from operating activities	-/- 981	205
Cash flow from investing activities	4,330	4,709
Cash flow from financing activities	-/- 2,887	-/- 2,959
Net increase / decrease (-/-) in cash and cash equivalents	462	1,955

The “*Cash flow from operating activities*” is the net cashflow from operating activities minus the interest and income tax payments. The cash flow from income tax paid was € -/- 931,000 in the reporting period.

The “*Cash flow from investing activities*” is the net cash flow from proceeds of sales of properties and capital investments into the properties in the portfolio. The sale proceeds from Pražska 2 and 4 sales in Košice contributed € 4.55 million. The rest is attributed to capital expenditure on the portfolio.

The “*Cash flow from financing activities*” records the net cash inflow from new borrowings and the repayments of loans and borrowings (see chapter 8 ‘Consolidated statement of cash flow’).

Table 13 – Statement of recognised income and expense

	H1 2022 in € 1,000	H1 2021 in € 1,000
Foreign currency exchange differences on net investment in group companies	-/- 47	107
Income tax on foreign currency exchange differences on net investments in group companies	-/- 4	-/- 23
	-/- 51	84
Net gain/ (loss) recognised directly in shareholders’ equity	-/- 51	84
Result for the period	-/- 2,843	97
Total comprehensive income for the period	-/- 2,894	181

2.2.4 BANK LOANS

Table 14 – Overview of interest-bearing loans and borrowings

	30-06-2022	31-12-2021
	in € 1,000	in € 1,000
Secured bank loans	29,370	26,902
Lease liabilities	1,046	1,134
Subtotal	30,416	28,036
Other long-term liabilities	2,076	2,151
Total long-term interest-bearing loans and borrowings	32,492	30,187
Short-term part of secured bank loans ¹¹	3,866	3,993
Short-term part of other long-term liabilities	754	2,453
Short-term part of lease liabilities	170	163
Total short-term interest-bearing loans and borrowings	4,790	6,609
Total interest-bearing loans and borrowings	37,282	36,796

Over the past six months the total LTV-ratio of the portfolio has decreased from 42.2% to 41.8%. The Managing Board intends to maintain the total LTV-ratio of the portfolio in the range 40% – 50%, although an LTV-ratio of up to 60% is possible. The long-term component from total interest-bearing loans and borrowings increased to 87.1% (31 December 2021: 82.0%).

See section 11.15 (“Loans and borrowings”) for more information on the secured bank loans.

2.2.5 FOREIGN CURRENCY

Table 15 – Overview of foreign currency exchange rates

	30-06-2022	31-12-2021	30-06-2021
Czech Koruna (EUR / CZK)	24.739	24.858	25.488
<i>change (in %)</i>	0.5	5.3	2.9
Polish Zloty (EUR / PLN)	4.6904	4.5969	4.52010
<i>change (in %)</i>	-/- 2.0	-/- 0.8	0.9
Bulgarian Lev (EUR / BGN)	1.9558	1.9558	1.9558
<i>change (in %)</i>	0.0	0.0	0.0
Ukrainian Hryvnia (EUR / UAH)	30.7776	30.9226	32.3018
<i>change (in %)</i>	0.5	11.0	7.0
US Dollar (EUR / USD)	1.0387	1.1326	1.1884
<i>change (in %)</i>	8.3	7.7	3.2

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

¹¹ See 11.13.1 “Analysis of loans and borrowings”.

2.3 DIVIDEND AND SHARE BUYBACK

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.

In October 2021 the shareholders approved a proposal of the Management Board to commence a share buyback programme, utilising the net proceeds of asset sales once short-term debt repayment obligations had been cleared.

Reflecting the positive operational performance of the Fund in 2021 and H1 2022, and the results of the ongoing asset sale programme, Management now intends both to pay an interim dividend and to commence share buybacks during Q4 2022. Consultations are currently ongoing with the Fund's financial advisors as to the necessary steps to be followed and, subject to approval by the Supervisory Board, the market will then be informed about timing, process, and volumes.

2.4 FUND OUTLOOK

The general outlook for the real estate market across Central Europe is strongly influenced by actual and anticipated increases in interest rates, coupled with geopolitical concerns stemming from the conflict in the Ukraine. This is creating nervousness and hesitancy, which we consider likely to persist at least until the year-end. However, occupational demand remains strong and inflation is driving significant increases in rental receipts.

In the second half of 2022 and early 2023, the Fund will continue the disposal programme for non-core assets in Slovakia and Bulgaria, with the aim of reducing exposure to peripheral markets and non-income-producing landholdings. In parallel, the Fund will test the appetite of the market for certain smaller holdings from its Polish portfolio, with the target to generate up to € 10 million net proceeds from asset sales over the period. Operational performance should continue to be robust, although energy cost pressure may start to impact net margins in the course of Q4.

2.5 RISK MANAGEMENT

Risk Management is considered an important managing board responsibility. In this semi-annual report there were no material changes to the risk management framework specified in paragraph 15.42 "Risk management" of the Consolidated Financial Statements 2021.

Internal control framework

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

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

Risk monitoring

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

For a description of the main risks and uncertainties, we refer to the paragraph 15.42 “Risk management” of the Consolidated Financial Statements 2021 and the notes to the consolidated financial statements.

2.6 DECLARATION OF THE MANAGING BOARD

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

Amsterdam, 31 August 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*

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT 30 JUNE 2022**

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3 PERFORMANCE INDICATORS

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

3.1.1 Earnings

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

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

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

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

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

3.1.2 Calculation of (diluted) earnings

	Notes	01-01-2022 to 30-06-2022 In € 1,000	01-01-2021 to 30-06-2021 In € 1,000
Earnings per IFRS Consolidated Income Statement	5	-/- 2,843	97
<i>Exclude:</i>			
1. Valuation results of:			
a. owned investment property	11.21.1	-/- 78	-/- 50
b. investment property under development	11.21.1	2,625	97
2. Results on disposals of:			
a. owned investment properties		-	-
b. realised currency results on net investments in group companies	11.25	-	-/- 373
3. Tax on results on disposals of properties and other equity investments		-	-
4. Changes in fair value of financial instruments of:			
a. derivatives	11.25	-/- 151	-/- 170
b. convertible bonds		-	17
5. Acquisition costs on share deals		-	-
6. Taxes in respect of adjustments		147	-/- 8
Earnings		-/- 300	-/- 390
Weighted average number of shares entitled to profit	11.31.3	3,930,576	3,758,683
Earnings per share (in €)		-/- 0.08	-/- 0.10
Weighted average number of profit-sharing shares (fully diluted)	11.31.6	3,930,576	3,758,683
Diluted earnings per share (in €)		-/- 0.08	-/- 0.10

3.1.3 Explanation of adjustments calculation of (diluted) earnings

1. Valuation results

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

3. Tax on results on disposals of properties and other 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 also includes any current income tax relating directly to the above adjustments to the extent that they are considered material.

3.1.4 Calculation of (diluted) adjusted earnings

	Notes	01-01-2022 to 30-06-2022 In € 1,000	01-01-2021 to 30-06-2021 In € 1,000
Earnings	3.1.2	-/- 300	-/- 390
<i>Exclude:</i>			
1. Valuation results of "Owned investment properties held for sale"	11.21.1	-/- 692	136
2. Valuation results of "Right-of-use assets"	11.21.1	51	48
3. Results on disposals "Owned investment properties held for sale"	11.22	848	-/- 109
4. Results on disposals of "Inventories"	11.23	29	-
5. Penalties for early termination of rental contracts	11.26	-/- 72	-/- 3
6. Costs of funding and acquisitions	11.28.3	182	26
7. Interest expense on lease liabilities	11.29	39	43
8. Foreign exchange and currency results	11.25	-/- 27	-/- 6
<i>Include:</i>			
9. Operating leases	11.15.4	-/- 86	-/- 90
Subtotal adjustments (before taxes)		272	45
10. Taxes in respect of above adjustments		-/- 19	-/- 6
Total adjustments		253	39
Adjusted earnings		-/- 47	-/- 351
Weighted average number of shares entitled to profit	11.31.3	3,930,576	3,758,683
Adjusted earnings per share (in €)		-/- 0.01	-/- 0.09
Weighted average number of profit-sharing shares (fully diluted)	11.31.6	3,930,576	3,758,683
Diluted adjusted earnings per share (in €)		-/- 0.01	-/- 0.09

3.1.5 Explanation of adjustments calculation of (diluted) adjusted earnings

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

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

3.1.6 Net Asset Value

Net Asset Value (NAV) is a key performance measure used for real estate investment funds.

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”.

3.1.7 Calculation of NAV

	Notes	30-06-2022 In € 1,000	31-12-2021 In € 1,000
Group equity in accordance with IFRS	4	49,275	46,403
<i>Exclude:</i>			
1. Fair value of financial instruments	11.5	-/- 444	-/- 293
2. Deferred tax		3,115	3,094
Group equity in accordance with NAV		51,946	49,204
Total number of shares in issue entitled to profit		4,238,059	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)		4,238,059	3,758,683
NAV per profit-sharing share (in €)		12.26	13.09

3.1.8 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").

3.1.9 Triple Net Asset Value

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

3.1.10 Calculation of NNNAV

	Notes	30-06-2022 In € 1,000	31-12-2021 In € 1,000
Group equity in accordance with NAV	3.1.7	51,946	49,204
<i>Include:</i>			
1. Fair value of financial instruments	11.5	444	293
2. Fair value of debt		13	11
3. Fair value of deferred tax		-/- 1,558	-/- 1,547
Group equity in accordance with NNNAV		50,845	47,961
Total number of shares in issue entitled to profit		4,238,059	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)		4,238,059	3,758,683
NNNAV per profit-sharing share (in €)		12.00	12.76

3.1.11 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 is referred to section 13.37.3 “Deferred tax” in the Accounting Principles Consolidated Financial Statements 2021.

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

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

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

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

3.1.12 Calculation of NNNAV before distributions to shareholders

	Notes	30-06-2022 In € 1,000	31-12-2021 In € 1,000
Group equity in accordance with NNNAV	3.1.10	50,845	47,961
<i>Exclude:</i>			
1. Cumulative distributions to shareholders		3,120	3,120
Group equity in accordance with NNNAV before distributions to shareholders		53,965	51,081
Total number of shares in issue entitled to profit		4,238,059	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)		4,238,059	3,758,683
NNNAV per profit-sharing share before distributions to shareholders (in €)		12.73	13.59

4 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30-06-2022 In € 1,000	31-12-2021 In € 1,000
Assets			
Investment property	11.2	75,013	77,274
Investment property under development	11.3	-	2,699
Investments in associates	11.4	4,293	-
Derivative financial instruments	11.5	225	141
Deferred tax assets	11.6	355	605
Trade and other receivables	11.8	520	490
Prepayments and deferred expenses		-	23
Total non-current assets		80,406	81,232
Derivative financial instruments	11.5	219	152
Tax assets	11.7	240	87
Trade and other receivables	11.8	544	709
Prepayments and deferred expenses	11.9	267	327
Cash and cash equivalents	11.10	2,195	1,744
Inventories	11.11	1,765	1,765
Assets held for sale	11.12	7,248	4,550
Total current assets		12,478	9,334
Total assets		92,884	90,566
Group equity (attributable to Parent Company shareholders)	11.13	49,275	46,403
Liabilities			
Loans and borrowings	11.15	32,491	30,187
Deferred income and tenant deposits	11.17	383	410
Deferred tax liabilities	11.18	3,428	3,514
Total non-current liabilities		36,302	34,111
Tax liabilities	11.14	392	700
Loans and borrowings	11.15	4,790	6,609
Trade and other payables	11.16	1,962	2,590
Deferred income and tenant deposits	11.17	163	153
Total current liabilities		7,307	10,052
Total liabilities		43,694	44,163
Total group equity and liabilities		92,884	90,566

5 CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	01-01-2022 to 30-06-2022 In € 1,000	01-01-2021 to 30-06-2021 In € 1,000
Gross rental income	11.19	2,948	3,658
Service charge income		1,167	955
Service charge expenses		-/- 1,157	-/- 1,416
Property operating expenses	11.20	-/- 915	-/- 1,206
Net rental and related income		2,043	1,991
Valuation results of properties	11.21	-/- 1,906	-/- 231
Results on disposals of properties	11.22	-/- 848	109
Results on disposals of inventories	11.23	-/- 29	-
Net results on properties	11.24	-/- 2,783	-/- 122
Financial income	11.25	181	551
Other operating income	11.26	89	9
Other income		270	560
Total income		-/- 470	2,429
Administrative expenses	11.27	353	322
Other operating expenses	11.28	609	649
Total operating expenses		962	971
Net operating result before financial expenses		-/- 1,432	1,458
Financial expenses	11.29	938	1,203
Profit before income tax		-/- 2,370	255
Income tax expense	11.30	473	158
Profit for the period		-/- 2,843	97
Attributable to:			
Parent Company shareholders		-/- 2,843	97
Profit for the period		-/- 2,843	97
Basic earnings per share (€)	11.31.1	-/- 0.72	0.03
Diluted earnings per share (€)	11.31.4	-/- 0.72	0.03

6 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	01-01-2022 to 30-06-2022 In € 1,000	01-01-2021 to 30-06-2021 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		-/- 47	107
Income tax on foreign exchange and currency translation differences on net investments in group companies		-/- 4	-/- 23
Total foreign exchange differences		-/- 51	84
Net gain / loss (-/-) recognised directly in group equity		-/- 51	84
Profit for the period	5	-/- 2,843	97
Total comprehensive income for the period		-/- 2,894	181
Attributable to:			
Parent Company shareholders		-/- 2,894	181
Total comprehensive income for the period		-/- 2,894	181

7 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, 2022	18,794	19,310	8,725	1,262	-	-/- 1,688	46,403
Total comprehensive income	-	-	560	-/- 51	-	-/- 3,403	-/- 2,894
Own shares issued	2,396	3,370	-	-	-	-	5,766
Balance as at June 30, 2022	21,190	22,680	9,285	1,211	-	-/- 5,091	49,275
Balance as at January 1, 2021	18,794	19,310	6,691	947	144	-/- 2,932	42,954
Total comprehensive income	-	-	-/- 35	84	-	132	181
Balance as at June 30, 2021	18,794	19,310	6,656	1,031	144	-/- 2,800	43,135

8 CONSOLIDATED STATEMENT OF CASH FLOW

	<i>Notes</i>	01-01-2022 to 30-06-2022 In € 1,000	01-01-2021 to 30-06-2021 In € 1,000
Cash flow from operating activities			
Profit for the period	5	-/- 2,843	97
<i>Adjustments for:</i>			
Net results on properties ¹		2,706	75
Financial income	11.25	-/- 181	-/- 551
Financial expenses	11.29	938	1,203
Income tax expense	11.30	473	158
<i>Changes in:</i>			
Derivative financial instruments		-	-/- 198
Tax assets		-/- 14	80
Trade and other receivables		220	40
Prepayments and deferred expenses		18	144
Tax liabilities		150	79
Trade and other payables		-/- 743	-/- 112
Deferred income and tenant deposits		-/- 16	167
Cash generated from operating activities		708	1,182
Interest received		3	2
Interest paid		-/- 761	-/- 885
Income tax paid / income tax received		-/- 931	-/- 94
Net cash from / used in (-/-) operating activities		-/- 981	205
Cash flow from investing activities			
Acquisition of subsidiaries, net of cash acquired		50	-
Proceeds from the sale of assets held for sale		4,550	4,860
Acquisitions of / additions to owned investment properties		-/- 217	-/- 151
Acquisitions of / additions to assets held for sale		-/- 53	-
Net cash from / used in (-/-) investing activities		4,330	4,709
Cash flow from financing activities			
Proceeds from secured bank loans		-	13,759
Proceeds from other long-term liabilities		500	2,300
Repayments of secured bank loans		-/- 1,001	-/- 15,129
Repayments of other long-term liabilities		-/- 2,300	-/- 3,799
Payments of lease liabilities		-/- 86	-/- 90
Net cash from / used in (-/-) financing activities		-/- 2,887	-/- 2,959
Net increase / decrease (-/-) in cash and cash equivalents		462	1,955
Cash and cash equivalents as at 1 January	11.10	1,744	1,522
Effect of exchange and currency translation result on cash held		-/- 11	13
Cash and cash equivalents as at 30 June	11.10	2,195	3,490

¹ Transaction costs and change in lease incentives excluded.

9 ACCOUNTING PRINCIPLES CONSOLIDATED FINANCIAL STATEMENTS

9.1 REPORTING ENTITY

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

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

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

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

9.2 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

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

9.3 STATEMENT OF COMPLIANCE AND FUTURE RELATED ASSUMPTIONS

The Fund has applied the significant accounting principles as set out in the Consolidated Financial Statement 2021 sections 13.2 to 13.38. The Managing Board authorised the Consolidated Financial Statements for issue on August 31, 2022.

As at June 30, 2022, group equity of the Fund is positive. As stated in the liquidity forecast up to mid-2023, 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.

Invasion of Ukraine by Russia

On February 24, 2021, 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 Kyiv 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 was € 689,000. At the time of publishing this report, according to various media reports, both sites remained under Ukrainian control.

Future developments in 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 9.4 item 5.

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 2022 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, 2022. In addition, ACREB has several 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 March 17, 2022, ACREB received € 100,000 on this account from the State Guarantee 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%.

The Managing Board has conducted 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 until June 30, 2023 as a going concern. Therefore, these Consolidated Financial Statements are based on assumptions of going concern.

9.4 SIGNIFICANT EVENTS AND TRANSACTIONS

During the financial period, the following noteworthy events and transactions have occurred:

1. Sale of Pražská 2 and Pražská 4
On January 4, 2022, the Fund announced it has sold the two office buildings Pražská 2 and Pražská 4 in Košice, Slovakia. The total gross sale price was € 4.55 million, 2% below the appraisal value of € 4.63 million at the end of 2021.
2. Completion repayment of short-term loans
On February 3, 2022 the Fund announced it has completed repayment of three short-term loans at Fund level in a total amount of € 2.25 million.

As a continuation of the disposal programme of non-core assets, the Fund has instructed Knight Frank to find a purchaser for its property in Šujanovo náměstí 3, Brno. This 4,655 m² office building

dates from the 1970's and is located in a mixed-use area close to Brno city centre. The property has clear potential for conversion to residential use. The property is valued at CZK 78.3 million (€ 3.15 million) as at December 31, 2021, a substantial increase from CZK 66 million (€ 2.52 million) as at December 31, 2020.

3. Update on assets in Ukraine

On February 24, 2022 the Fund announced an update on its holdings in Ukraine (two developments plots). As at December 31, 2021 the sites had a combined book value of € 3.39 million, which amounts to 4.2% of the value of the property portfolio. In 2021 the Fund committed to acquire two more projects in Ukraine from SPDI for € 1.97 million.

Bela Logistic Park is located in the Odessa region and has a value of € 2.7 million or 3.3% of the value of the real estate portfolio. The plot is approximately 22 hectares and suitable for the development of logistics.

Balabynska Village is located in the city of Zaporizhzhia and has a value of € 690,000 or 0.9% of the value of the real estate portfolio. The plot has an area of approximately 26 hectares and is zoned for commercial use.

Projects to be taken over

For the second phase of the SPDI acquisition, the Fund entered into an obligation in June 2021 to acquire two plots of land in and around Kyiv. The first plot is Roznhy, which is 42 hectares in size and located approximately 43 kilometres from the centre of Kiev. The plot has an appraised value of € 895,000. The second plot is Kiyanovksi Lane, which is 0.5 hectares in size. The plot is located in the centre of Kyiv and has a value of € 1,074,000. The transfer of these plots still needs to take place.

4. Update on withdrawal of banking license of Sberbank CZ

On March 14, 2022 the Fund announced an update on withdrawal of banking license of Sberbank CZ. Developments in Ukraine and Russia caused a bank run at Sberbank CZ. The CNB subsequently decided to start the process to revoke the banking licence of Sberbank CZ.

The Sberbank CZ loan at ACREB amounts to € 8.45 million as at December 31, 2021. The loan has a term until March 31, 2024 and the loan-to-value ratio is approximately 44%. In addition, ACREB holds a number of accounts at Sberbank CZ for daily payments.

The effect of the CNB's actions has been the freezing of all cash deposits on ACREB's accounts with Sberbank CZ. It is also no longer possible to transfer money in and out of accounts at Sberbank CZ. The loan is not in default.

ACREB has opened an account with Raiffeisen Bank to manage day-to-day business. This will enable payments to be made to suppliers and the subsidiary to continue its normal business operations. As a precautionary measure, an application has also been made to the State Bank Guarantee fund for release of € 100,000, being the maximum amount covered by the scheme for individual depositors.

5. Update Net Asset Value

On March 21, 2022 the Fund announced it has updated its reported Net Asset Value (NAV) to reflect the latest valuation figures and the situation in Ukraine. The published NAV per share has risen from € 11.77 to € 11.83 on March 21, 2022, an increase of 0.5%.

The Managing Board resolved to write down the value of the two land plots held by the Fund in Ukraine (in Odessa and Zaporizhzhia) to zero (previous assessed value € 3.39 million). The effect of these two adjustments, one positive, one negative, is that the NAV of the Fund after deduction of outstanding borrowings and liabilities is € 44.54 million, being € 11.83 per share.

Neither the current situation on the ground in Ukraine nor future developments in the conflict can be accurately assessed at this time. It is however clear that there is no functioning market for real estate assets within the country. The Managing Board has therefore decided to adopt a prudent position and to write down the asset values of the Ukrainian holdings of the Fund to zero on a temporary basis. The situation will be reviewed regularly in consultation with the Fund's local advisors.

The Fund's subsidiary in the Czech Republic, ACREB has now received a pay-out of € 100,000 from the State Bank Guarantee Fund in respect of its engagement with Sberbank CZ.

6. Completion acquisition of 24,35% interest in Delenco

On March 30, 2022 the Fund announced it has completed the acquisition of 21.18% in the Delenco office building, one of the two assets in Bucharest which the Fund will acquire from SPDI. On June 17, 2022 the Fund completed the acquisition of another 3.17% in the Delenco office building. The total stake is 24.35%.

The Fund financed the acquisition of the 21.18% by issuing 315,668 shares and 76,085 warrants. The shares are issued at the Net Asset Value of € 11.83 per share. The warrants can be converted into shares of the Fund if the share price reaches a price level of € 7.20 before March 29, 2027.

The Fund financed the acquisition of the 3.17% by issuing 47,020 shares and 11,333 warrants. The shares are issued at the Net Asset Value of € 11.88 per share. The warrants can be converted into shares of the Fund if the share price reaches a price level of € 7.20 before June 15, 2027.

The Delenco building has an area of 10,375 m², of which 9,664 m² is office space and 711 m² retail space. In addition, the building has 68 parking spaces. The appraised value of the 24.35% stake is € 3,810,000. Delenco has four tenants, of which ANCOM (Romanian telecom regulator) is the largest with 81% of the rental income. The lease with ANCOM runs until June 30, 2026. The annual rent for the entire building is € 1,716,000. The building is not financed with a bank loan.

7. Completion acquisition of EOS office building

On June 17, 2022 the Fund completed the acquisition of the EOS office building in Bucharest. The Fund financed the acquisition by issuing 116,688 shares and 28,125 warrants. The shares are issued at a Net Asset Value of € 11.88 per share. The warrants can be converted into shares of the Fund if the share price reaches a price level of € 7.20 before June 15, 2027.

The EOS building has an appraised value of € 5,346,000, a lettable area of 3,386 m² and 90 parking spaces. The office building is fully let to Danone Romania until May 31, 2026. Patria Bank has provided financing of € 3.3 million for the property, which runs to December 31, 2031.

8. Update on Sberbank CZ situation

On April 4, 2022 the Fund announced an update on the Sberbank CZ situation.

On March 31, 2022, the Fund's wholly owned subsidiary ACREB transferred, in accordance with the loan agreement, approximately € 200,000 in interest and principal repayments to Sberbank. The Managing Board and the Supervisory Board have decided to fulfil this obligation under the existing loan agreement in line with legal advice to avoid a formal default.

According to Sberbank CZ, the blocked funds of approximately € 400,000 on ACREB accounts at Sberbank CZ cannot be used to meet the regular instalment and interest payments. This restriction has been applied by the CNB for all clients of Sberbank CZ. By transferring the funds under the current loan agreement, ACREB takes a precautionary measure and strengthens its position towards Sberbank CZ.

The local management and its legal advisor are monitoring developments and will take further action where necessary to safeguard the interests of the Fund. The Managing Board understands that the CNB took a decision to initiate the process of the withdrawal of the bank licence from Sberbank CZ.

9. Trading update

On June 22, 2022 the Fund announced a trading update during the General Meeting of Shareholders.

Sales assets

The Fund has received several bids for the Šujanovo náměstí 3 office building in Brno, Czech Republic. Offers over CZK 100 million (approximately € 4.0 million) have been received, approximately 28% above the appraisal value at the end of 2021 (CZK 78.3 million). The timing of the sale depends on current developments at the financing bank Sberbank CZ.

For the Boyana Residence (Bulgaria) project, the Fund has agreed terms with local developers to sell them various plots. The proceeds from this sale should be more than sufficient to fully repay the loan from Alpha Bank of approximately € 2.6 million. The remaining part of the sales proceeds will be used to renovate the existing apartments, after which they will be sold.

The Záhradnicka office building in Bratislava with an appraised value of approximately € 4.0 million has been put up for sale. Bids are expected early in the third quarter of 2022.

In the second half of 2022 the Fund will focus on completing these sales. The proceeds, after repayment of the bank loans, will be used to start the share repurchase programme.

Financing Sberbank CZ

Sberbank CZ has provided financing of approximately CZK 210 million (approximately € 8.45 million) to ACREB. On April 30, 2022, the CNB definitively withdrew the banking license of Sberbank CZ and appointed a trustee. Refinancing of this loan is only possible at substantially higher interest rate, so it is preferable to continue with the current bank loan.

Rental Poland

In Poland, the Fund has signed a new seven-year lease for 1,430 m² with Carrefour for the supermarket Inowroclaw II. The store opened at the beginning of August 2022 and Carrefour replaced the current tenant SPAR at better rental conditions.

Purchase of real estate from SPDI

On June 15, 2022 the Fund completed the purchase of the two office buildings in Bucharest from SPDI. The Fund still has an obligation towards SPDI to acquire two Ukrainian land plots with an appraised value of € 1.83 million. Due to the conflict in Ukraine, this acquisition has not yet been completed. The purchase agreement with SPDI has specific conditions that protect the position of the Fund.

10. Appointment of Mrs. A.N. Krol

On June 23, 2022, the Fund announced Mrs. A.N. Krol has been appointed as a member of the Supervisory Board for a period of four years.

Mr. H.H. Kloos has decided not to stand for re-election as chairman of the Supervisory Board.

The following noteworthy events after balance sheet date have occurred:

11. Resignation of Mr H.H. Visscher

On 3 August, 2022, the Fund announced that Mr. H. H. Visscher has accepted a position elsewhere and will resign as director as from 1 September 2022. The Board of Directors would like to thank Hilbert Visscher for his drive and commitment to the interests of investors and his contribution to important developments within Arcona Capital in recent years. The management wishes him every success in his new challenge.

12. Arcona Property Fund sells building Brno 36% above valuation

On 18 August, 2022, the Fund announced it has signed an agreement for the sale of its Šujanovo náměstí 3 (VUP) building in Brno, Czech Republic. The sale price of CZK 106.8 million (EUR 4.32 million) is 36% above the appraised value of CZK 78.3 million at the end of 2021.

It is expected that the sale of the building will complete this Autumn. It is the management of Arcona Property Fund's intention to use a portion of the net sales proceeds of ca. EUR 1.7 million for the planned share repurchase programme. Further information on this will follow in due course.

9.5 COMPARISON ACCOUNTING PRINCIPLES WITH PREVIOUS YEAR

Contrary to the processing in the financial statements 2021, the letting fees have been classified as an addition to investment property with effect from January 1, 2022, instead of amortisation over the term of the lease. The comparative figures have not been adjusted accordingly.

9.6 BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

9.6.1 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 are equal to those applied in the Consolidated Financial Statements 2021 (sections 13.2 to 13.38) and should be read in conjunction with the Consolidated Financial Statement 2021. Therefore they do not include all of the information required for a complete set of Financial Statements prepared in accordance with IFRS Standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Consolidated Financial Statements and performance since the Consolidated Financial Statements 2021.

The accounting principles have been consistently applied to the results, other gains and losses, assets, liabilities and cash flows of entities included in the Consolidated Interim Financial Statements and are consistent with those used in the prior period, with the exception of the application of new and amended IFRS's as mentioned in section 9.6.3 "New and amended IFRS Standards and interpretations that are effective for the current period".

Investments in associates (newly and therefore not mentioned in the accounting principles of the Consolidated Financial Statements 2021) are initially and subsequently recognized at fair value, with transaction costs recognized in the income statement.

9.6.2 Judgements, assumptions and estimation uncertainties

9.6.2.1 General

Preparation of the Consolidated Interim Financial Statements in accordance with EU-IFRS requires the Managing Board to make judgements, estimates and assumptions that affect the application of policies and the reported value of assets and liabilities, income and expenses. The estimates and associated assumptions have been based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results of these estimates and assumptions form the basis of the judgements made about carrying amounts of assets and liabilities that are not readily apparent from other sources. The actual results may differ from these estimates.

9.6.2.2 Judgements, assumptions and estimation uncertainties

The significant judgements made by the Managing Board in applying the Group's accounting policies and the key sources of assumptions and estimation uncertainty were the same as those described in the Consolidated Financial Statements 2021.

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

Several new standards, changes to standards and interpretations are applied in these Consolidated Interim Financial Statements. For the new standards that might be relevant for the Fund is referred to section 13.5.4 "New and revised IFRS Standards and interpretations that are effective for the current period" of the Consolidated Financial Statements 2021.

The new standards, amendments and interpretations do not have a significant impact on the Fund's accounts as at June 30, 2022.

9.6.4 New and revised IFRS Standards and interpretations not yet applied

Several new standards, changes to standards and interpretations have only taken effect after January 1, 2022 and therefore have not been applied to these Consolidated Interim Financial Statements. For the new standards that might be relevant for the Fund is referred to section 13.5.5 "New and revised IFRS Standards and interpretations not yet applied" of the Consolidated Financial Statements 2021. The Fund does not plan to apply early adoption of these standards. The Fund expects that the changes will have no significant impact on its results and financial position.

9.6.5 Exchange rates used for the Consolidated Statement of Financial Position

	30-06-2022	31-12-2021
Bulgarian Lev (EUR / BGN)	1.95580	1.95580
% change	0.0%	0.0%
Czech Koruna (EUR / CZK)	24.73900	24.85800
% change	0.5%	5.3%
Polish Zloty (EUR / PLN)	4.69040	4.59690
% change	-/ 2.0%	-/ 0.8%
Ukrainian Hryvnia (EUR / UAH)	30.77760	30.92260
% change	0.5%	11.0%
US Dollar (EUR / USD)	1.03870	1.13260
% change	8.3%	7.7%
Romanian Leu (EUR / RON)	4.94640	4,94900
% change	0.1%	-/ 17%

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

9.6.6 Average exchange rates used for the Consolidated Income Statement

	01-01-2022 to 30-06-2022	01-01-2021 to 30-06-2021
Bulgarian Lev (EUR / BGN)	1.95580	1.95580
Czech Koruna (EUR / CZK)	24.63367	25.86383
Polish Zloty (EUR / PLN)	4.64578	4.54483
Ukrainian Hryvnia (EUR / UAH)	31.79220	33.38447
Romanian Leu (EUR / RON)	4.94640	n.a.

9.7 FINANCIAL INSTRUMENTS

9.7.1 General

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

- investments in associates;
- derivative financial instruments.

Investments in associates and derivative financial instruments are classified as "Financial assets at FVTPL".

All the Fund's financial liabilities are classified as "financial liabilities measured subsequently at amortised cost", with the exception of:

- derivative financial instruments.

Derivative financial instruments are classified as "Financial liabilities at FVTPL".

10 SEGMENT INFORMATION

10.1 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 10.5.1 "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:

- overview of segment result (net operating income), apportioned to the Fund's geographic categories;
- overview carrying amount of type of property, apportioned to the Fund's business categories;
- 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 10.5.3 "Overview carrying amount of type of property per business category (overview B)".

10.2 GEOGRAPHIC CATEGORIES

The Fund distinguishes the following geographic categories:

- Czech Republic;
- Slovakia;
- Poland;
- Ukraine;
- Bulgaria;
- Romania;
- The Netherlands;
- Other countries.

10.3 BUSINESS CATEGORIES

The Fund distinguishes the following business categories:

- Office;
- Retail;
- Residential;
- Land.

10.4 SEGMENTATION CRITERIA

For the segmentation criteria is referred to the Consolidated Financial Statements 2021 section 14.4.

10.5 SEGMENT RESULTS

10.5.1 Overview of segment result (overview A)

Segment	Gross rental income		Service charge income		Service charge expenses		Property operating expenses		Subtotal net rental & related income	
	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021
	in € 1,000		in € 1,000		in € 1,000		in € 1,000		in € 1,000	
Czech Republic:										
Palmovka	151	124	63	48	-/- 47	-/- 35	-/- 37	-/- 38	130	99
Karlin	261	252	103	90	-/- 85	-/- 64	-/- 65	-/- 57	214	221
VUP	108	107	110	85	-/- 113	-/- 83	-/- 41	-/- 40	64	69
PV 10	163	159	70	65	-/- 67	-/- 51	-/- 48	-/- 52	118	121
Total Czech Republic	683	642	346	288	-/- 312	-/- 233	-/- 191	-/- 187	526	510
Slovakia:										
Záhradnicka	153	173	5	4	-/- 45	-/- 40	-/- 60	-/- 61	53	76
Pražská 2	27	190	-	-	-/- 10	-/- 85	-/- 11	-/- 69	6	36
Pražská 4	18	178	-	1	-/- 9	-/- 56	-/- 9	-/- 68	-	55
Letná	633	611	9	6	-/- 105	-/- 82	-/- 178	-/- 170	359	365
Vural	n.a.	232	n.a.	31	n.a.	-/- 117	n.a.	-/- 83	n.a.	63
Kosmáľ	n.a.	257	n.a.	5	n.a.	-/- 140	n.a.	-/- 97	n.a.	25
Total Slovakia	831	1,641	14	47	-/- 169	-/- 520	-/- 258	-/- 548	418	620
Poland:										
Laubitz 8	71	76	30	23	-/- 35	-/- 34	-/- 30	-/- 32	36	33
800-lecia Inowroclawia	73	74	63	72	-/- 62	-/- 69	-/- 42	-/- 39	32	38
Krzemowa	129	124	73	64	-/- 60	-/- 59	-/- 39	-/- 38	103	91
Plutona	73	53	23	14	-/- 34	-/- 34	-/- 22	-/- 27	40	6
Kalinkowa	126	114	75	67	-/- 73	-/- 80	-/- 39	-/- 57	89	44
Wojska Polskiego	136	129	93	79	-/- 70	-/- 72	-/- 41	-/- 41	118	95
Wolnosc	84	79	32	27	-/- 45	-/- 45	-/- 31	-/- 28	40	33
Grzymaly Siedleckiego	118	116	46	36	-/- 44	-/- 38	-/- 16	-/- 19	104	95
Kardyn. Wyszynskiego	87	98	52	35	-/- 44	-/- 42	-/- 23	-/- 19	72	72
Legionow	175	154	97	50	-/- 76	-/- 68	-/- 28	-/- 30	168	106
Maris	362	358	223	153	-/- 132	-/- 121	-/- 91	-/- 75	362	315
Total Poland	1,434	1,375	807	620	-/- 675	-/- 662	-/- 402	-/- 405	1,164	928
Ukraine:										
Aisi Bela	-	-	-	-	-/- 1	-/- 1	-/- 15	-/- 15	-/- 16	-/- 16
Bulgaria:										
Boyana	-	-	-	-	-	-	-/- 29	-/- 37	-/- 29	-/- 37
Inventories	-	-	-	-	-	-	-/- 11	-/- 14	-/- 11	-/- 14
Total Bulgaria	-	-	-	-	-	-	-/- 40	-/- 51	-/- 40	-/- 51
Romania:										
Delenco	-	n.a.	-	n.a.	-	n.a.	-/- 9	n.a.	-/- 9	n.a.
EOS Business Park	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.
Total Romania	-	n.a.	-	n.a.	-	n.a.	-/- 9	n.a.	-/- 9	n.a.
Grand total	2,948	3,658	1,167	955	-/- 1,157	-/- 1,416	-/- 915	-/- 1,206	2,043	1,991

Segment	Subtotal net rental & related income		Net results on properties		Other operating income ²		Financial expenses ³		Total segment result	
	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021
	in € 1,000		in € 1,000		in € 1,000		in € 1,000		in € 1,000	
Czech Republic:										
Palmovka	130	99	1	1	-	-	-	-	131	100
Karlin	214	221	-	-	71	-	-	-	285	221
VUP	64	69	-	-	-	-	-	-	64	69
PV 10	118	121	-	-	-	-	-	-	118	121
Total Czech Republic	526	510	1	1	71	-	-	-	598	511
Slovakia:										
Záhradnicka	53	76	-/ 1	1	-	-	-	-	52	77
Pražská 2	6	36	-/ 92	-	-	-	-	-	-/ 86	36
Pražská 4	-	55	-/ 65	-	-	-	-	-	-/ 65	55
Letná	359	365	29	39	-	-	-	-	388	404
Vural	n.a.	63	n.a.	1	1	-	n.a.	-	1	64
Kosmalt	n.a.	25	n.a.	-/ 27	n.a.	-	n.a.	-	n.a.	-/ 2
Total Slovakia	418	620	-/ 129	14	1	-	-	-	290	634
Poland:										
Laubitz 8	36	33	2	3	-	-	-	-	38	36
800-lecia Inowroclawia	32	38	-	3	-	-	-	-	32	41
Krzemowa	103	91	2	5	-	-	-	-	105	96
Plutona	40	6	-	2	-	-	-	-	40	8
Kalinkowa	89	44	-/ 2	6	-	-	-	-	87	50
Wojska Polskiego	118	95	5	7	-	-	-	-	123	102
Wolnosci	40	33	-	1	-	-	-	-	40	34
Grzymaly Siedleckiego	104	95	-/ 24	-/ 23	-	-	4	6	76	66
Kardyn. Wyszynskiego	72	72	-/ 19	-/ 17	-	3	11	12	42	46
Legionow	168	106	-/ 5	-/ 3	-	-	24	25	139	78
Maris	362	315	6	3	-	-	-	-	368	318
Total Poland	1,164	928	-/ 35	-/ 13	-	3	39	43	1,090	875
Ukraine:										
Aisi Bela	-/ 16	-/ 16	-/ 3,295	-/ 124	-	-	-	-	-/ 3,311	-/ 140
Bulgaria:										
Boyana	-/ 29	-/ 37	-	-	-	-	-	-	-/ 29	-/ 37
Inventories	-/ 11	-/ 14	-/ 29	-	-	-	-	-	-/ 40	-/ 14
Total Bulgaria	-/ 40	-/ 51	-/ 29	-	-	-	-	-	-/ 69	-/ 51
Romania:										
Delenco	-/ 9	n.a.	-	n.a.	-	n.a.	-	n.a.	-/ 9	n.a.
EOS Business Park	-	n.a.	704	n.a.	-	n.a.	-	n.a.	704	n.a.
Total Romania	-/ 9	n.a.	704	n.a.	-	n.a.	-	n.a.	695	n.a.
Grand total	2,043	1,991	-/ 2,783	-/ 122	72	3	39	43	-/ 707	1,829

² "Other operating income" relates solely to penalties for early termination of rental contracts.

³ "Financial expenses" relates solely to interest expense on lease liabilities.

10.5.2 Reconciliation segment result with profit for the period

The reconciliation between the total segment results as calculated in section 10.5.1 “Overview of segment result (overview A)” with the “Profit for the period”, as stated in the Consolidated Income Statement, is made below.

	01-01-2022 to 30-06-2022 in € 1,000	01-01-2021 to 30-06-2021 in € 1,000
Total segment result (overview A)	-/- 707	1,829
Unallocated income	198	557
Unallocated expenses	1,861	2,131
Profit before income tax	-/- 2,370	255
Income tax expense	473	158
Profit for the period	-/- 2,843	97

10.5.3 Overview carrying amount of type of property⁴ per business category⁵ (overview B)

Segment	30-06-2022	31-12-2021
	Carrying amount In € 1,000	Carrying amount In € 1,000
Office:		
Palmovka	3,528	3,458
Karlin	6,286	6,231
VUP	3,170	3,150
PV 10	6,517	6,476
Záhradnicka	4,078	4,054
Pražská 2	Sold	2,316
Pražská 4	Sold	2,234
Letná	13,126	13,100
Maris	9,323	9,220
EOS Business Park	5,346	n.a.
Total office	51,374	50,239
Retail:		
Laubitz 8	1,736	1,730
800-lecia Inowroclawia	2,753	2,750
Krzemowa	3,230	3,230
Plutona	1,970	1,970
Kalinkowa	2,625	2,610
Wojska Polskiego	3,370	3,370
Wolnosci	1,710	1,710
Grzymaly Siedleckiego	1,725	1,720
Kardyn. Wyszynskiego	2,374	2,370
Legionow	3,228	3,220
Total retail	24,721	24,680
Residential:		
Inventories Boyana	1,765	1,765
Land:		
Aisi Bela	-	3,387
Boyana	4,820	4,820
Total land	4,820	8,207
Grand total	82,680	84,891

⁴ Right-of-use assets excluded

⁵ Based on main purpose of the property.

10.5.4 Overview of geographic assets (overview C)

	Czech Republic		Slovakia		Poland		Ukraine		Bulgaria	
	30-06-2022	31-12-2021	30-06-2022	31-12-2021	30-06-2022	31-12-2021	30-06-2022	31-12-2021	30-06-2022	31-12-2021
	in € 1,000		in € 1,000		in € 1,000		in € 1,000		in € 1,000	
Investment property	16,330	19,315	13,126	17,154	35,391	35,297	-	688	4,820	4,820
Investment property under development	-	-	-	-	-	-	-	2,699	-	-
Investments in associates	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.
Derivative financial instruments	401	293	-	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	296	427	-	119	59	59
Inventories	-	-	-	-	-	-	-	-	1,765	1,765
Tax assets	-	-	-	-	74	87	-	-	-	-
Trade and other receivables	43	60	441	454	189	263	-	-	-	-
Prepayments and deferred expenses	29	78	66	102	89	163	4	4	45	-
Cash and cash equivalents	403	318	145	273	1,054	931	11	1	14	14
Assets held for sale	3,170	-	4,078	4,550	-	-	-	-	-	-
	20,376	20,064	18,019	22,533	37,093	37,168	15	3,511	6,703	6,658

	Romania		The Netherlands		Other countries		Total	
	30-06-2022	31-12-2021	30-06-2022	31-12-2021	30-06-2022	31-12-2021	30-06-2022	31-12-2021
	in € 1,000		in € 1,000		in € 1,000		in € 1,000	
Investment property	5,346	-	-	-	-	-	75,013	77,274
Investment property under development	-	-	-	-	-	-	-	2,699
Investments in associates	4,293	n.a.	-	n.a.	-	n.a.	4,293	n.a.
Derivative financial instruments	-	-	-	-	43	-	444	293
Deferred tax assets	-	-	-	-	-	-	355	605
Inventories	-	-	-	-	-	-	1,765	1,765
Tax assets	3	-	-	-	-	-	240	87
Trade and other receivables	83	-	-	-	308	422	1,064	1,199
Prepayments and deferred expenses	17	-	17	3	-	-	267	350
Cash and cash equivalents	50	-	518	207	-	-	2,195	1,744
Assets held for sale	-	-	-	-	-	-	7,248	4,550
	9,792	-	535	210	351	422	92,884	90,566

11 NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

11.1 SUBSIDIARIES

11.1.1 Consolidated subsidiaries

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

Name of subsidiary	Registered office	Country of incorporation	Proportion of shares held	Proportion of shares held
			30-06-2022 In %	31-12-2021 In %
Arcona Capital RE Bohemia s.r.o.	Prague	Czech Republic	100.0	100.0
Arcona Capital RE Slovakia s.r.o.	Bratislava	Slovakia	100.0	100.0
Arcona Capital Real Estate Poland Sp. z o.o.	Warsaw	Poland	100.0	100.0
Arcona Capital Real Estate Trio Sp. z o.o.	Warsaw	Poland	100.0	100.0
Arcona Real Estate B.V.	Amsterdam	The Netherlands	100.0	100.0
Arcona Poland B.V.	Amsterdam	The Netherlands	100.0	100.0
Arcona Poland B.V. Project 5 Sp.k.	Warsaw	Poland	100.0	100.0
Aisi Bela LLC	Kyiv	Ukraine	100.0	100.0
Boyana Residence E.O.O.D.	Sofia	Bulgaria	100.0	100.0
Arcona Capital Real Estate Bulgaria Ltd.	Sofia	Bulgaria	100.0	100.0
Arcona Black Sea Real Estate B.V.	Amsterdam	The Netherlands	100.0	100.0
N-E Real Estate Park First Phase S.r.l.	Bucharest	Romania	100.0	n.a.

11.1.2 Subsidiaries acquired during the financial period

During the financial period, the Fund acquired the following subsidiaries:

Subsidiary	Interest In %	Date of acquisition
N-E Real Estate Park First Phase S.r.l.	100.0	June 21, 2022

The acquisitions during the financial period are not determined as a business combination (IFRS-3), but as an asset acquisition. Therefore the result on acquisition of the identifiable assets acquired and liabilities assumed are attributed to the acquired “properties”.

11.1.2.1 Acquisition of N-E Real Estate Park First Phase S.r.l.

The following table summarises the recognised amounts at fair value of assets acquired and liabilities assumed at the date of acquisition, as well as the “Result on acquisition”. The “Result on acquisition” relates to the amount by which the balance of the identifiable net assets acquired exceeds the consideration paid, including acquisition-related costs. This surplus is attributed to the acquired “properties”.

Identifiable assets acquired and liabilities assumed	21-06-2022		
	Recognised fair values on acquisition In € 1,000	Fair value adjustments In € 1,000	Acquisition carrying amount In € 1,000
Investment property	5,346	-/- 704	4,642
Tax assets	3	-	3
Trade and other receivables	83	-	83
Prepayments and deferred expenses	17	-	17
Cash and cash equivalents	50	-	50
Loans and borrowings	-/- 3,276	-	-/- 3,276
Tax liabilities	-/- 17	-	-/- 17
Deferred tax liabilities	-/- 704	704	-
Trade and other payables	-/- 29	-	-/- 29
Net identifiable assets acquired and liabilities assumed	1,473	-	1,473

Result on acquisition	21-06-2022 In € 1,000
Balance of net identifiable assets acquired and liabilities assumed	1,473
Consideration paid (by issuance of shares of the Fund)	-/- 1,473
Acquisition-related costs	-
Result on acquisition	-

11.2 INVESTMENT PROPERTY

11.2.1 Analysis of investment property

	30-06-2022	31-12-2021
	In € 1,000	In € 1,000
Owned investment property (lease incentives excluded)	73,504	75,668
Lease incentives	163	209
Owned investment property	<u>73,667</u>	<u>75,877</u>
Right-of-use assets	<u>1,346</u>	<u>1,397</u>
	75,013	77,274

11.2.2 Analysis of owned investment property

	30-06-2022	31-12-2021
	In € 1,000	In € 1,000
Buildings (including underground)	68,847	70,369
Land plots	4,820	5,508
	73,667	75,877

11.2.3 Specification of owned investment property

Name of property	Address	30-06-2022 In € 1,000	31-12-2021 In € 1,000
In ownership of Arcona Capital RE Bohemia s.r.o. (Czech Republic)			
Palmovka	Na Žertvách 34, Prague	3,528	3,458
Karlin	Prvního Pluku 621/8a, Prague	6,286	6,231
VUP	Šujanovo náměstí 3, Brno	n.a.	3,150
PV 10	Politických Vězňů 10, Prague	6,517	6,476
Subtotal		16,331	19,315
In ownership of Arcona Capital RE Slovakia s.r.o. (Slovakia)			
Záhradnícka	Záhradnícka 46, Bratislava	n.a.	4,054
Letná	Letná 45, Košice	13,126	13,100
Subtotal		13,126	17,154
In ownership of Arcona Capital Real Estate Poland Sp. z o.o. (Poland)			
Laubitz	Laubitz 8, Inowroclaw	1,736	1,730
Lecia Inowroclawia	800-lecia Inowroclawia 27, Inowroclaw	2,753	2,750
Krzemowa	Krzemowa 1, Gdansk	3,230	3,230
Plutona	Plutona 1, Glogow	1,970	1,970
Kalinkowa	Kalinkowa 82, Grudziadz	2,625	2,610
Wojska Polsiekgo	Wojska Polskiego 137, Piotrkow Trybunalski	3,370	3,370
Wolnosc	Wolnosc 6, Slupsk	1,710	1,710
Subtotal		17,394	17,370
In ownership of Arcona Capital Real Estate Trio Sp. z o.o. (Poland)			
Grzymaly Siedleckiego	Grzymaly Siedleckiego 20, Bydgoszcz	1,725	1,720
Kardynala Wyszynskiego	Kardynala Wyszynskiego 107, Lodz	2,374	2,370
Legionow	Legionow 216, Torun	3,228	3,220
Subtotal		7,327	7,310
In ownership of Arcona Capital Poland B.V. Project 5 Sp.k. (Poland)			
Maris	Holdu Pruskiego 9 & 12 Malopolska 12, Szczecin	9,323	9,220
In ownership of Aisi Bela LLC (Ukraine)			
Balabino Project	Territory of Balabynska Village Council, Zaporizkyi District, Zaporizhzhia Region	-	688
In ownership of Boyana Residence E.O.O.D. (Bulgaria)			
Boyana	Gardova Glava, Boyana	4,820	4,820
In ownership of N-E Real Estate Park First Phase S.r.l. (Romania)			
EOS Business Park	Strada Nicolae Cănea 140-160, Bucharest	5,346	n.a.
		73,667	75,877

11.2.4 Statement of changes in owned investment property

	01-01-2022 to 30-06-2022	01-01-2021 to 31-12-2021
	In € 1,000	In € 1,000
Balance as at 1 January	75,877	75,674
Acquisitions	4,642	41
Additions	284	314
Fair value adjustments	34	3,508
Exchange rate differences	87	1,069
Disposals	-	-/- 9
Reclassification (to "Assets held for sale")	-/- 7,257	-/- 4,720
Balance as at 30 June / 31 December	73,667	75,877

The "Reclassification (to "Assets held for sale") for the amount of € 7,257,000 negative relates to the properties VUP and Záhradnicka, which has been reclassified to "Assets held for sale" (see also section 11.12.3 "Statement of changes in owned investment property held for sale").

11.2.5 Valuation of owned investment property

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

The Managing Board reviewed the appraised values of investment property owned by the Fund. The applied valuation method was the same as used by the external, independent appraiser as described in the Consolidated Financial Statements 2021. The Managing Board would adjust the fair value of an investment property (in local currency) under the following conditions:

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

These conditions were not met. Therefore, the Managing Board used the most recent external valuation (as at December 31, 2021), adjusted to include the sum of capital expenditure made during the financial period, as well as provided letting fees during the financial period. For the measurement of the fair value is referred to the Consolidated Financial Statements 2021 section 13.10 "Investment property".

11.2.6 Specification of right-of-use assets

Nature of right-of-use asset	Related to owned investment property	30-06-2022	31-12-2021
		In € 1,000	In € 1,000
Right-of-use held by Arcona Capital Real Estate Trio Sp. z o.o. (Poland)			
Land lease	Grzymaly Siedleckiego	139	164
Land lease	Kardynala Wyszynskiego	362	381
Land lease	Legionow	845	852
		1,346	1,397

11.2.7 Statement of changes in right-of-use assets

	01-01-2022 to 30-06-2022 In € 1,000	01-01-2021 to 31-12-2021 In € 1,000
Balance as at 1 January	1,397	1,494
Fair value adjustments	-/- 51	-/- 97
Balance as at 30 June / 31 December	1,346	1,397

11.2.8 Valuation of right-of-use assets

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

11.3 INVESTMENT PROPERTY UNDER DEVELOPMENT

11.3.1 Specification of investment property under development

Name of property	Address	30-06-2022 In € 1,000	31-12-2021 In € 1,000
In ownership of Aisi Bela LLC (Ukraine)			
Bela Logistic Park	Territory of Nerubaiske Village Council, Biliayivskiy District, Odesa Region	-	2,699

11.3.2 Statement of changes in investment property under development

	01-01-2022 to 30-06-2022 In € 1,000	01-01-2021 to 31-12-2021 In € 1,000
Balance as at 1 January	2,699	2,409
Fair value adjustments	-/- 2,625	-/- 7
Exchange rate differences	-/- 74	297
Balance as at 30 June / 31 December	-	2,699

11.3.3 Valuation of investment property under development

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

The Managing Board reviewed the appraised values of investment property under development by the Fund. The Managing Board would adjust the fair value of an investment property (in local currency) under the following conditions:

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

These conditions were met since the Russian troops invaded Ukraine as of February 24, 2022. Future developments in Ukraine are very unclear. Accordingly, the Management decided to revalue the land plot to zero. The Management will closely follow further developments in Ukraine and if appropriate will adjust the valuation of the land plot again.

11.4 INVESTMENTS IN ASSOCIATES

11.4.1 Specification of investments in associates

Name of project	Name of associate	30-06-2022 In € 1,000	31-12-2021 In € 1,000
Delea Nuova Project	Lelar Holdings Limited and S.C. Delenco Construct S.r.l.	4,293	n.a.

As at March 29, 2022 the Fund acquired a 21,18%-share in Lelar Holdings Limited (through its 100%-subsidiary Arcona Black Sea Real Estate B.V.).

As at June 15, 2022 the Fund acquired an additional 3,17%-share in Lelar Holdings Limited (through its 100%-subsidiary Arcona Black Sea Real Estate B.V.). Therefore the total interest in Lelar Holdings Limited as at Statement of Financial Position's date amounts 24,35%.

The total acquisition is paid by the issuance of 362,688 shares of the Fund ("Share-based payments").

11.4.2 Statement of changes in investments in associates

	01-01-2022 to 30-06-2022 In € 1,000	01-01-2021 to 31-12-2021 In € 1,000
Balance as at 1 January	-	-
Acquisitions	4,293	-
Balance as at 30 June / 31 December	4,293	-

11.5 DERIVATIVE FINANCIAL INSTRUMENTS

11.5.1 Analysis of derivative financial instruments

	30-06-2022 In € 1,000	31-12-2021 In € 1,000
Non-current part of derivative financial instruments	225	141
Current part of derivative financial instruments	219	152
	444	293

11.5.2 Specification of derivative financial instruments

	30-06-2022 In € 1,000	31-12-2021 In € 1,000
Interest rate swaps used for hedging	444	293

11.6 RECOGNISED DEFERRED TAXES

11.6.1 Specification of deferred taxes

	30-06-2022 In € 1,000	31-12-2021 In € 1,000
Deferred tax assets	355	605
Deferred tax liabilities	-/- 3,428	-/- 3,514
	-/- 3,073	-/- 2,909

11.6.2 Statement of changes in recognised deferred taxes

	01-01-2022 to 30-06-2022 In € 1,000	01-01-2021 to 31-12-2021 In € 1,000
Balance as at 1 January	-/- 2,909	-/- 3,966
Adjustments related to prior years	-/- 46	4
Additions / withdrawals	-/- 110	1,078
Change in tax rate	-	-/- 1
Exchange rate differences	-/- 8	-/- 24
Balance as at 30 June / 31 December	-/- 3,073	-/- 2,909

11.7 TAX ASSETS

11.7.1 Analysis of tax assets

	30-06-2022 In € 1,000	31-12-2021 In € 1,000
Non-current part of tax assets	-	-
Current part of tax assets	240	87
	240	87

11.7.2 Specification of tax assets

	30-06-2022	31-12-2021
	In € 1,000	In € 1,000
Corporate income tax (CIT)	208	72
Property tax and garbage fees	31	-
Value added tax (VAT)	1	15
	240	87

11.8 TRADE AND OTHER RECEIVABLES

11.8.1 Analysis of trade and other receivables

	30-06-2022	31-12-2021
	In € 1,000	In € 1,000
Non-current part of trade and other receivables	520	490
Current part of trade and other receivables	544	709
	1,064	1,199

11.8.2 Specification of trade and other receivables

	30-06-2022	31-12-2021
	In € 1,000	In € 1,000
Trade receivables	469	516
Debt Service Reserve Account (DSRA)	520	490
Receivables CEG South East Continent Unique Real Estate Management Limited	-	114
Receivables SPDI	8	8
Invoiceable amounts	42	15
Other trade and other receivables	25	56
	1,064	1,199

11.8.3 Analysis of trade receivables

	30-06-2022	31-12-2021
	In € 1,000	In € 1,000
Trade receivables (gross)	936	957
Total expected credit losses for trade receivables	-/- 467	-/- 441
	469	516

11.8.4 Expected credit losses for trade receivables

The estimation techniques for the calculation of the collective and individually assessed credit losses of trade receivables are the same as described in the Consolidated Financial Statements 2021 (section 15.8.4).

11.9 PREPAYMENTS AND DEFERRED EXPENSES

11.9.1 Analysis of prepayments and deferred expenses

	30-06-2022	31-12-2021
	In € 1,000	In € 1,000
Non-current part of prepayments and deferred expenses	-	23
Current part of prepayments and deferred expenses	267	327
	267	350

11.9.2 Specification of prepayments and deferred expenses

	30-06-2022	31-12-2021
	In € 1,000	In € 1,000
Deferred expenses	109	177
Prepayments	158	173
	267	350

11.10 CASH AND CASH EQUIVALENTS

11.10.1 Specification of cash and cash equivalents

	30-06-2022	31-12-2021
	In € 1,000	In € 1,000
Bank balances	2,013	1,558
Deposits	181	183
Cash	1	3
	2,195	1,744

11.11 INVENTORIES

11.11.1 Analysis of inventories

Name of inventory	Address	30-06-2022		31-12-2021	
		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	185
			1,765		1,765

11.11.2 Statement of changes in inventories

	01-01-2022 to 30-06-2022	01-01-2021 to 31-12-2021
	In € 1,000	In € 1,000
Balance as at 1 January	1,765	1,818
Impairments	-	-/- 53
Balance as at 30 June / 31 December	1,765	1,765

The fair value of the inventories as at Statement of Financial Position's date is € 2,070,000. This fair value is based on an external, independent appraiser as at December 31, 2021.

11.12 ASSETS HELD FOR SALE

11.12.1 Analysis of assets held for sale

	30-06-2022	31-12-2021
	In € 1,000	In € 1,000
Owned investment property held for sale	7,248	4,550

11.12.2 Analysis of owned investment property held for sale

Name of property	Address	30-06-2022	31-12-2021
		In € 1,000	In € 1,000
In ownership of Arcona Capital RE Bohemia s.r.o. (Czech Republic)			
VUP	Šujanovo náměstí 3, Brno	3,170	n.a.
In ownership of Arcona Capital RE Slovakia s.r.o. (Slovakia)			
Záhradnícka	Záhradnícka 46, Bratislava	4,078	n.a.
Pražská 2	Pražská 2, Košice	Sold	2,316
Pražská 4	Pražská 4, Košice	Sold	2,234
		7,248	4,550

The Fund had recognised the properties shown above as "Owned investment property held for sale". Two properties (Pražská 2 en Pražská 4) were sold during the financial period. Pražská 2 and Pražská 4 were sold as at January 19, 2022 for a total amount of € 4,550,000.

11.12.3 Statement of changes in owned investment property held for sale

	01-01-2022 to 30-06-2022 In € 1,000	01-01-2021 to 31-12-2021 In € 1,000
Balance as at 1 January	4,550	9,861
Reclassification (from "Owned investment property")	7,257	4,720
Additions	69	172
Fair value adjustments	-/- 64	-/- 1,343
Exchange rate differences	-/- 14	-
Disposals	-/- 4,550	-/- 8,860
Balance as at 30 June / 31 December	7,248	4,550

The "Reclassification (from "Assets held for sale") for the amount of € 7,257,000 relates to the property VUP and Záhradnicka, which has been reclassified from "Owned investment property" (see also section 11.2.4 "Statement of changes in owned investment property").

11.12.4 Valuation of owned investment property held for sale

The investment property held for sale by the Fund, listed under section 11.12.2 "Analysis of owned investment property held for sale", is not valued by an external, independent appraiser as at Statement of Financial Position's date.

The Managing Board reviewed the appraised values of investment property held for sale owned by the Fund. The applied valuation method was the same as used by the external, independent appraiser as described in the Consolidated Financial Statements 2021. The Managing Board would adjust the fair value of an investment property (in local currency) under the following conditions:

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

These conditions were not met. Therefore, the Managing Board used the most recent external valuation (as at December 31, 2021), adjusted to include the sum of capital expenditure made during the financial period, as well as provided letting fees during the financial period. For the measurement of the fair value is referred to the Consolidated Financial Statements 2021 section 13.19 "Assets held for sale".

11.13 GROUP EQUITY

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

11.14 TAX LIABILITIES

11.14.1 Analysis of tax liabilities

	30-06-2022 In € 1,000	31-12-2021 In € 1,000
Non-current part of tax liabilities	-	-
Current part of tax liabilities	392	700
	392	700

11.14.2 Specification of tax liabilities

	30-06-2022	31-12-2021
	In € 1,000	In € 1,000
Corporate income tax (CIT)	1	475
Property tax and garbage fees	246	114
Value added tax (VAT)	120	70
Withholding tax (WHT)	25	41
	392	700

11.15 LOANS AND BORROWINGS

11.15.1 Analysis of loans and borrowings

Kind of loans and borrowings	30-06-2022		
	Non-current liabilities	Current liabilities	Total
	In € 1,000	In € 1,000	In € 1,000
Secured bank loans	29,370	3,866	33,236
Lease liabilities	1,046	170	1,216
Other loans and borrowings	2,075	754	2,829
	32,491	4,790	37,281

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

11.15.2 Statement of changes in secured bank loans

	01-01-2022 to 30-06-2022	01-01-2021 to 31-12-2021
	In € 1,000	In € 1,000
Balance as at 1 January	30,895	33,378
Additions as a result of acquisitions	3,276	-
Loans advanced	-	14,009
Redemptions	-/- 1,001	-/- 16,810
(Amortisation) flat fee and transaction costs	24	-/- 136
Exchange rate differences	42	454
Balance as at 30 June / 31 December	33,236	30,895

The "Additions as a result of acquisitions" for the amount of € 3,276,000 relates to the acquired secured bank loan Patria Bank (as a result of acquisition of N-E Real Estate Park First Phase S.r.l.).

11.15.3 Analysis of lease liabilities

Nature of lease liability	Related to property	30-06-2022	31-12-2021
		In € 1,000	In € 1,000
Lease liability by Arcona Capital Real Estate Trio Sp. z o.o. (Poland)			
Land lease	Grzymaly Siedleckiego	125	152
Land lease	Kardynala Wyszyńskiego	327	354
Land lease	Legionow	764	791
		1,216	1,297

11.15.4 Statement of changes in lease liabilities

	01-01-2022 to 30-06-2022 In € 1,000	01-01-2021 to 31-12-2021 In € 1,000
Balance as at 1 January	1,297	1,410
Redemptions	-/- 86	-/- 186
Accreted interest	39	84
Exchange rate differences	-/- 34	-/- 11
Balance as at 30 June / 31 December	1,216	1,297

11.15.5 Statement of changes in other loans and borrowings

	01-01-2022 to 30-06-2022 In € 1,000	01-01-2021 to 31-12-2021 In € 1,000
Balance as at 1 January	4,604	5,071
Loans advanced	500	5,840
Redemptions	-/- 2,300	-/- 6,349
(Amortisation) flat fee and transaction costs	7	7
Accreted interest	18	27
Exchange rate differences	-	8
Balance as at 30 June / 31 December	2,829	4,604

11.16 TRADE AND OTHER PAYABLES

11.16.1 Analysis of trade and other payables

	30-06-2022 In € 1,000	31-12-2021 In € 1,000
Non-current part of trade and other payables	-	-
Current part of trade and other payables	1,962	2,590
	1,962	2,590

11.16.2 Specification of trade and other payables

	30-06-2022	31-12-2021
	In € 1,000	In € 1,000
Trade payables	290	410
Accruals	382	643
Administrative expenses	768	1,099
Interest payables	190	182
(Penalty) interest payables Alpha Bank	332	251
Other trade and other payables	-	5
	1,962	2,590

11.17 DEFERRED INCOME AND TENANT DEPOSITS

11.17.1 Analysis of deferred income and tenant deposits

	30-06-2022	31-12-2021
	In € 1,000	In € 1,000
Non-current part of deferred income and tenant deposits	383	410
Current part of deferred income and tenant deposits	163	153
	546	563

11.17.2 Specification of deferred income and tenant deposits

	30-06-2022	31-12-2021
	In € 1,000	In € 1,000
Deposits received from tenants	496	551
Advance payments received from tenants	50	12
	546	563

11.18 DEFERRED TAX LIABILITIES

The changes in recognised deferred tax liabilities are included in section 11.6.1 "Statement of changes in recognised deferred taxes".

11.19 GROSS RENTAL INCOME

	01-01-2022 to 30-06-2022	01-01-2021 to 30-06-2021
	In € 1,000	In € 1,000
Gross rental income collected / accrued	3,056	3,745
Amortisation of lease incentives	-/- 108	-/- 87
	2,948	3,658

11.20 PROPERTY OPERATING EXPENSES

	01-01-2022 to 30-06-2022	01-01-2021 to 30-06-2021
	In € 1,000	In € 1,000
Property management	224	270
Asset management	282	335
Maintenance expenses in respect of properties	221	314
Taxes on properties	160	221
Commission fees	-	39
Insurance premiums	28	27
	915	1,206

11.21 VALUATION RESULTS OF PROPERTIES

11.21.1 Analysis of valuation results of properties

	01-01-2022 to 30-06-2022	01-01-2021 to 30-06-2021
	In € 1,000	In € 1,000
Owned investment property	78	50
Right-of-use assets	-/- 51	-/- 48
Investment property under development	-/- 2,625	-/- 97
Owned investment property held for sale	692	-/- 136
	-/- 1,906	-/- 231

11.21.2 Specification of valuation results of properties

	01-01-2022 to 30-06-2022	01-01-2021 to 30-06-2021
	In € 1,000	In € 1,000
Unrealised value adjustments booked in current year	-/- 2,598	-/- 95
Unrealised value adjustments booked in prior years	692	-/- 136
	-/- 1,906	-/- 231

11.22 RESULTS ON DISPOSALS OF PROPERTIES

11.22.1 Analysis of results on disposals of properties

	01-01-2022 to 30-06-2022 In € 1,000	01-01-2021 to 30-06-2021 In € 1,000
Owned investment property held for sale	-/- 848	109

11.22.2 Specification of results on disposals of properties - per building

	01-01-2022 to 30-06-2022 In € 1,000	01-01-2021 to 30-06-2021 In € 1,000
Kosmalt, Košice (Slovakia)	-	109
Pražská 2, Košice (Slovakia)	-/- 427	-
Pražská 4, Košice (Slovakia)	-/- 421	-
	-/- 848	109

11.22.3 Specification of results on disposals of properties

	01-01-2022 to 30-06-2022 In € 1,000	01-01-2021 to 30-06-2021 In € 1,000
Realised value adjustments	-/- 756	233
Transaction costs on sale of properties	91	121
Consultancy fees and legal fees	1	3
	92	124
	848	109

11.23 RESULTS ON DISPOSALS OF INVENTORIES

11.23.1 Analysis of results on disposals of inventories

	01-01-2022 to 30-06-2022 In € 1,000	01-01-2021 to 30-06-2021 In € 1,000
Apartment Block 2-A, Gardova Glava, Boyana (Bulgaria)	-/- 29	-

11.23.2 Analysis of results on disposals of inventories

	01-01-2022 to 30-06-2022 In € 1,000	01-01-2021 to 30-06-2021 In € 1,000
Realised value adjustments	-	-
Settlement charged costs of adjustment refund of Value Added Tax	-/- 29	-
	-/- 29	-

The “Settlement charged costs of adjustment refund of Value Added Tax” for the amount of € 29,000 negative represents the settlement of the receivable towards SEC South East Continent Unique Real Estate Management Limited (Secure Management). The original amount of the “Adjustment refund of Value Added Tax” amounts € 114,000 negative and represents the expense for Bulgarian Value Added Tax as a result of the repayment of a tax credit incurred by the sale of apartment Block 2-A, at Boyana, Bulgaria. In the past this amount was supposed to be fully recovered from the asset manager (Secure Management). During June 2022 it was agreed these costs are recovered from Secure Management for an amount of € 85,000.

11.24 NET RESULTS ON PROPERTIES

	01-01-2022 to 30-06-2022 In € 1,000	01-01-2021 to 30-06-2021 In € 1,000
Valuation gains	751	174
Valuation losses	-/- 3,413	-/- 172
	-/- 2,662	2
Costs on sale of properties	121	124
	-/- 2,783	-/- 122

11.25 FINANCIAL INCOME

	01-01-2022 to 30-06-2022 In € 1,000	01-01-2021 to 30-06-2021 In € 1,000
Realised currency results on net investments in group companies	-	373
Change in fair value of derivative financial instruments	151	170
Interest on trade receivables	2	1
Foreign exchange and currency gains	27	6
Penalty interest and fees	1	-
Other financial income	-	1
	181	551

11.26 OTHER OPERATING INCOME

	01-01-2022 to 30-06-2022 In € 1,000	01-01-2021 to 30-06-2021 In € 1,000
Penalties for early termination of rental contracts	72	3
Other operating income	17	6
	89	9

11.27 ADMINISTRATIVE EXPENSES

11.27.1 Management fee

This is the total fee received by the Managing Board (Arcona Capital Fund Management B.V.) for the management it performs. The total management fee consists of the fund management fee as well as the asset management fee. The calculation of the management fee is equal to those described in the Consolidated Financial Statements 2021 (section 15.32.2 "Management fee").

11.27.2 Specification fund management fee

	01-01-2022 to 30-06-2022 In € 1,000	01-01-2021 to 30-06-2021 In € 1,000
Management fee	635	657
<i>Less: asset management fee:</i>		
Arcona Capital Czech Republic s.r.o.	151	210
Arcona Capital Poland Sp. z o.o.	102	92
CEG South East Continent Unique Real Estate Management Limited	29	33
	282⁶	335
Fund management fee (Arcona Capital Fund Management B.V.)	353	322

11.28 OTHER OPERATING EXPENSES

11.28.1 Specification of other operating expenses

	01-01-2022 to 30-06-2022 In € 1,000	01-01-2021 to 30-06-2021 In € 1,000
Costs of service providers	374	484
Other operating expenses	53	139
	427	623
Costs of funding and acquisitions	182	26
	609	649

⁶ See also section 11.20 "Analysis of property operating expenses".

11.28.2 Analysis of other operating expenses

	01-01-2022 to 30-06-2022	01-01-2021 to 30-06-2021
	In € 1,000	In € 1,000
Irrecoverable trade receivables	2	268
Change in provision for doubtful trade receivables	19	-/- 194
Non-refundable value added tax (VAT)	26	59
Wages and salaries statutory directors	6	6
	53	139

11.28.3 Analysis of costs of funding and acquisitions

	01-01-2022 to 30-06-2022	01-01-2021 to 30-06-2021
	In € 1,000	In € 1,000
Consultancy fees / legal fees	182	26

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

11.29 FINANCIAL EXPENSES

	01-01-2022 to 30-06-2022	01-01-2021 to 30-06-2021
	In € 1,000	In € 1,000
Interest expense on secured bank loans	633	572
Interest expense on other loans and borrowings	153	342
Interest expense on convertible bonds	-	130
Interest expense on derivative financial instruments	35	61
Interest expense on lease liabilities	39	43
Penalty interest on secured bank loans	26	19
Break fee derivatives	-	16
Interest expense and costs of Tax Authorities	24	-
Withholding tax on loans due to shareholders and other group companies	11	11
Other financial expenses	17	9
	938	1,203

11.30 INCOME TAX EXPENSE

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

11.31 EARNINGS PER SHARE⁷

11.31.1 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, which have changed the number of ordinary shares outstanding without a corresponding change in resources.

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

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

	01-01-2022 to 30-06-2022 In € 1,000	01-01-2021 to 30-06-2021 In € 1,000
Profit for the financial period	-/- 2,843	97

11.31.3 Weighted average number of outstanding shares (basic)

	01-01-2022 to 30-06-2022 In pieces	01-01-2021 to 30-06-2021 In pieces
Issued shares as at 1 January	3,758,683	3,758,683
Effect on issued shares during the financial period	171,893	-
	3,930,576	3,758,683

11.31.4 Calculation of “Diluted earnings per share”

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

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

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

	01-01-2022 to 30-06-2022 In € 1,000	01-01-2021 to 30-06-2021 In € 1,000
Profit for the period	-/- 2,843	97
Interest expense on convertible bonds (net of tax)	-	-
	-/- 2,843	97

⁷ The calculation of the “Earnings per share” includes all types of profit-sharing shares (e.g. ordinary and registered shares).

11.31.6 Weighted average number of shares outstanding (diluted)

	01-01-2022 to 30-06-2022 In pieces	01-01-2021 to 30-06-2021 In pieces
Weighted average number of shares outstanding during the financial period (basic)	3,930,576	3,758,683
Effect on conversion of warrants	-	-
Effect on conversion of convertible bonds	-	-
	3,930,576	3,758,683

11.32 RISK MANAGEMENT

According to its investment policy set out in the prospectus, the Registration Document dated October 19, 2016 in conjunction with the Security Note dated October 28, 2016, the Fund may hold investments in direct property in Central Europe. The Fund's investment portfolio currently consists of property in the Czech Republic, Slovakia, Poland, Ukraine, Bulgaria and Romania. These properties are in principle 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, as well as in the Consolidated Financial Statements 2021 section 15.39 "Risk Management". As at Statement of Financial Position's date the exposure to the risks, as described in the Consolidated Financial Statements 2021, deviates not materially from the exposure as at December 31, 2021.

11.33 RELATED PARTIES

11.33.1 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 considerable influence (more than 20% of voting rights).

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

11.33.2 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 € 151,000 (June 30, 2021: € 210,000);
- 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 € 102,000 (June 30, 2021: € 92,000);
- C. The Supervisory Board received a remuneration for an amount of € 21,000 (June 30, 2021: € 26,000).

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 12.1 "Personal interests".

For the remuneration for the Managing Board is referred to section 11.27 "Administrative expenses".

For the remuneration for the statutory directors is referred to section 11.28.2 "Analysis of other operating expenses".

11.33.3 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 In %	Indirect real voting rights In %	Direct potential voting rights In %	Total In %
Stichting Prioriteit APF	Priority shares	100.00	n.a.	n.a.	100.00
Secure Property Development & Investment Plc (SPDI)	Registered shares	25.32	n.a.	6.13	31.45

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.

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

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

Name of major investor	Kind of transaction	H1 2022	30-06-2022
		Amount of transaction In € 1,000	Outstanding amount (face value) In € 1,000
SPDI	Acquisition 21,18%-share in Lelar Holding Ltd.	3,734	-
SPDI	Acquisition 3,17%-share in Lelar Holding Ltd.	559	-
SPDI	Acquisition 100%-share in N-E Real Estate Park First Phase S.r.l.	1,473	-
SPDI	Issuance of registered shares APF	5,766	-

Name of major investor	Kind of transaction	H1 2021	31-12-2021
		Amount of transaction In € 1,000	Outstanding amount (face value) In € 1,000
H.M. van Heijst	Conversion convertible bonds into loan	-	1,000
H.M. van Heijst	Payable interest loan provided	-	15
H.M. van Heijst	Payable interest convertible bonds	65	-

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

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

Name of other related party	Kind of transaction	Other information	H1 2022	30-06-2022
			Amount of transaction In € 1,000	Outstanding amount In € 1,000
Arcona Capital Czech Republic s.r.o.	Asset management fee	-	151	-
Arcona Capital Poland Sp. z o.o.	Asset management fee	-	102	-
			253	-
Arcona Capital Czech Republic s.r.o.	Advisory services	-	4	-
Several	Rental income	268 m ²	28	-
Statutory directors	Wages and salaries	-	6	-

Name of other related party	Kind of transaction	Other information	H 1 2021	31-12-2021
			Amount of transaction In € 1,000	Outstanding amount In € 1,000
Arcona Capital Czech Republic s.r.o.	Asset management fee	-	210	-
Arcona Capital Poland Sp. z o.o.	Asset management fee	-	92	-
			302	-
Arcona Capital Czech Republic s.r.o.	Advisory services	-	13	-
Several	Rental income	268 m ²	25	-
Statutory directors	Wages and salaries	-	6	4

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

Investment trusts, investment funds and other investment companies, which are managed by an entity belonging to Arcona Capital, do hold investments in companies in which the Fund also holds investments. As at Statement of Financial Position's date the Fund held no investments in other related parties.

11.33.7 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	H1 2022	30-06-2022
		Amount of transaction In € 1,000	Outstanding amount (face value) In € 1,000
R.J. Barker	Providing unsecured loan	-	250
R.J. Barker	Payable interest unsecured loan provided	12	6

Name of related party	Kind of transaction	H1 2021	31-12-2021
		Amount of transaction In € 1,000	Outstanding amount (face value) In € 1,000
R.J. Barker	Providing unsecured loan	250	250
R.J. Barker	Payable interest unsecured loan provided	9	6

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

11.33.8 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 but are investors in other funds managed by the Managing Board.

11.34 EVENTS AFTER STATEMENT OF FINANCIAL POSITION'S DATE

The following material events after Statement of Financial Position's date have occurred:

On August 3, 2022, the Fund announced that Mr. H. H. Visscher has accepted a position elsewhere and will resign as director as from 1 September 2022. The Board of Directors would like to thank Hilbert Visscher for his drive and commitment to the interests of investors and his contribution to important developments within Arcona Capital in recent years. The management wishes him every success in his new endeavours.

On 18 August, 2022, the Fund announced it has signed an agreement for the sale of its Šujanovo náměstí 3 (VUP) building in Brno, Czech Republic. The sale price of CZK 106.8 million (EUR 4.32 million) is 36% above the appraised value of CZK 78.3 million at the end of 2021.

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

Amsterdam, August 31, 2022

The Managing Board:

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

G.St.J. Barker LLB
Managing director

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

H.H. Visscher
Managing director

The Supervisory Board:

Mr A.N. Krol
Chair

Dr. J.J. van Heijst

M.P. Beys

12 OTHER INFORMATION

12.1 PERSONAL INTERESTS

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

- Mr. J.J. van Heijst M.Sc. (member of the Supervisory Board) who holds 12,855 (December 31, 2021: 12,855) ordinary shares in private possession. Mr. J.J. van Heijst M.Sc. is director of Stichting Value Partners Family office which controls 397,694 (December 31, 2021: 545,597) ordinary shares.
- Mr. M.P. Beys (member of the Supervisory Board) holds no (December 31, 2021: no) ordinary shares in private possession. Mr. M.P. Beys is also the Chairman of the Board of Directors of SPDI. SPDI owns 1,072,910 (December 31, 2021: 593,534) registered shares.

12.2 INDEPENDENT AUDITOR'S REPORT

The information in these Consolidated Interim Financial Statements 2022 has not been audited by an expert pursuant to article 393, Part 9 of Book 2 of the Dutch Civil Code (auditor's report).

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