ARCONA PROPERTY FUND N.V.

ANNUAL REPORT 2022

EOS BUSINESS PARK IN ROMANIA

CONTENTS

Disclaimer PDF print – this document is only a ‘printed version’ and is not the original annual financial report including the audited financial statements pursuant to article 361 of Book 2 of the Dutch Civil Code. This original annual financial report, including the audited financial statements and the auditor’s report thereto, is included in the single report package which can be found at https://www.arconapropertyfund.com/investor-relations/annual-reports. In any case of discrepancies between this ‘printed version’ and the report package, the single report package prevails

KEY FIGURES

REVENUES AND EARNINGS

	2022	2021	Change
Gross rental and service charge income (in EUR 1,000)	8,598	9,176	-/- 6%
Net rental income (in EUR 1,000)	4,191	4,010	5%
Direct result before tax (in EUR 1,000)	705	1,076	-/- 35%
Indirect result before tax (in EUR 1,000)	-/- 4,645	1,949	n.m.
Total result before tax (in EUR 1,000)	**-/- 3,940**	**3,025**	n.m.
Tax (in EUR 1,000)	410	-/-109	n.m.
Total result after tax (in EUR 1,000)	**-/- 4,350**	**3,134**	n.m.
Earnings per share (in EUR)	-/- 1.07	0.83	n.m.
Customized earnings per share according to APM[1] (in EUR)	-/- 0.05	0.03	n.m.
Dividend per share (in EUR)	0	0	n.m.
OCF (without non-regular costs) (%)	7.61	9.31	-/- 18%

BALANCE SHEET

	31-12 2022	31-12 2021	Change
Investment property and inventories (in EUR 1,000)	75,018	81,738	-/- 8%
Assets held for sale (in EUR 1,000)	6,777	4,550	49%
Equity (in EUR 1,000)	46,515	46,403	0%
Net asset value (**NAV**) per share (in EUR)	11.71	13.09	-/- 11%
NNNAV per share (in EUR)	11.81	12.76	-/- 7%
Net Loan-to-Value (**LTV**) (%)	43.6	42.2	3%
Weighted avg. number of shares outstanding[2]	4,077,735	3,758,683	8.5%

KEY PORTFOLIO METRICS

	31-12-2022	31-12-2021	Change
Number of properties	21	22	-/- 5%
Valuation (in EUR million)	82.4	85.1	-/- 3%
Annual net rental income (in EUR million)	4,191	4,010	5%
Lettable area (in sqm)	57,244	67,597	-/- 15%
Weighted average occupancy (in %)	88.6	90.3	-/- 2%
Weighted remaining maturity of loans/ borrowings (years)[3]	3.21	3.38	-/- 5%

[1] See 7.1.4. APM stands for Alternative Performance Measure
[2] See 15.39.3
[3] See 15.40.14

BALANCE SHEET STATEMENT (in EUR 1,000)

	2022	2021	2020	2019	2018
Investment properties	73,183	79,973	79,577	80,992	89,032
Other non-current assets	1,454	1,259	471	929	680
Current assets	15,582	9,334	14,374	25,577	2,945
Total assets	**90,219**	**90,566**	**94,422**	**107,498**	**92,657**
Shareholders' equity	46,515	46,403	42,954	48,000	40,911
Deferred tax liabilities	3,183	3,514	4,143	4,684	4,606
Other non-current liabilities[4]	17,597	30,597	18,274	33,448	26,519
Current liabilities	22,924	10,052	29,051	21,366	20,621
Total equity and liabilities	**90,219**	**90,566**	**94,422**	**107,498**	**92,657**

PROFIT AND LOSS STATEMENT (in EUR 1,000)

	2022	2021	2020	2019	2018
Direct result before tax	637	1,076	-/- 277	1,422	1,482
Indirect result before tax	-/- 4,577	1,949	-/- 3,295	-/- 905	-/- 1,336
Total result before tax	**-/- 3,940**	**3,025**	**-/- 3,572**	**517**	**146**
Income tax expense	410	-/- 109	217	424	352
Total result after tax	**-/- 4,350**	**3,134**	**-/- 3,789**	**93**	**-/- 197**
Occupancy (in %)	88.6	90.3	83.6	84.3	86.9
Rentable area (in sqm)	57,244	67,597	92,174	111,906	103,849

ISSUED CAPITAL

	2022	2021	2020	2019	2018
Ultimo outstanding shares	4,185,984	3,758,683	3,758,683	3,758,683	3,165,149
Basic earnings p.s. (in EUR)	-/- 1.07	0.83	-/- 1.01	0.03	-/- 0.06
Adj.earnings p.s. acc.APM (in EUR)[5]	0.11	-/- 0.33	-/- 0.63	-/- 0.01	0.38

DATA PER SHARE (in EUR)

	2022	2021	2020	2019	2018
(Interim-) dividend	n.a.	n.a.	n.a.	0.10	0.35
NNNAV	11.81	12.76	11.84	13.14	13.65
Avg. monthly turnover	227,468	269,291	75,006	198,217	260,359
Highest share price	7.49	7.60	6.29	7.48	7.95
Lowest share price	4.61	3.40	3.70	5.91	6.79
Ultimo share price	5.90	7.50	3.93	6.00	7.10

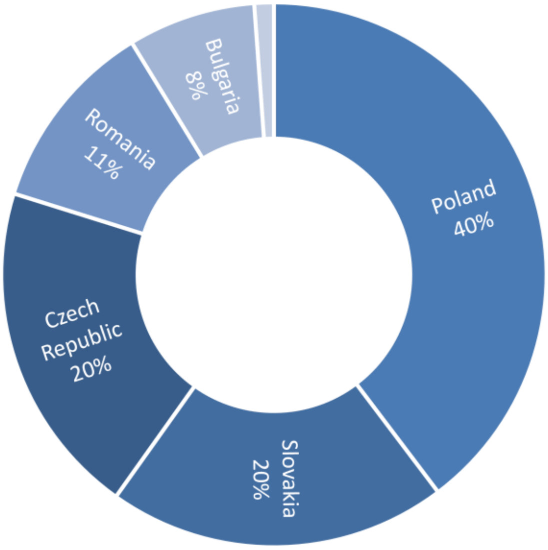
[4] As at 31-12-2022 a covenant of the €13 million Hypo Noe loan was in breach. The formal procedure to obtain a waiver had not yet been completed at that time, hence the Hypo Noe loan is classified as current.
[5] As earnings is used to measure the operational performance, it is the income return generated by the investment, rather than the change in value or capital return on investments (see chapter 7 "performance indicators").

REAL ESTATE PORTFOLIO AT A GLANCE

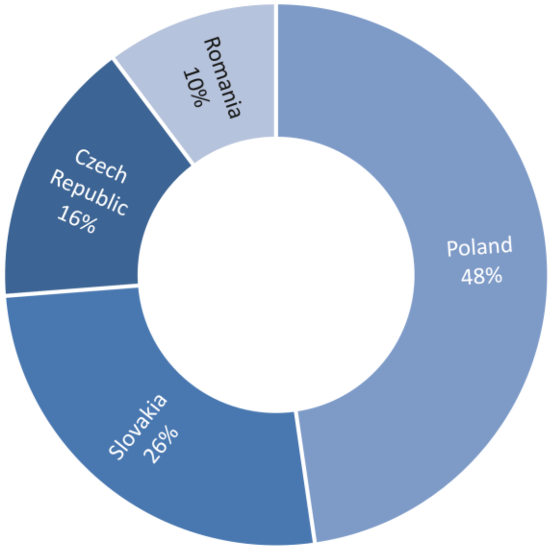
Portfolio breakdown (year-end 2022)			
	# assets	**Value (in EUR m)**	**Value (in %)**
Offices	7	47.7	57.9
Retail centres	10	23.7	28.8
Land plots	2	1.0	1.2
Total investment properties	**19**	**72.4**	**87.9**
Held for sale[6]	2	10.0	12.1
Total portfolio	**21**	**82.4**	**100.0**

Real estate portfolio[7]

Fair value per country



Rentable area per country



[6] Zahradnicka and Boyana Residences
[7] including assets held for sale

1 ARCONA PROPERTY FUND N.V.

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

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

Office Address
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NL 1101 BH AMSTERDAM
The Netherlands
Tel: +31(0)20 82 04 720
E-Mail: info@arconacapital.com
Website: www.arconapropertyfund.com

Supervisory Board
The Supervisory Board of the Fund comprises:
Mr. drs. N. Krol (chairperson)
M.P. Beys Esq
Dr. J.J. van Heijst

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

Mrs. Krol, born in 1966 (Rotterdam), holds a degree in Business Economics and Dutch Law from Erasmus University. She has an extensive background in corporate law, including corporate governance issues, as well as capital market transactions, such as IPOs, and regulatory issues like market abuse. Mrs. Krol has also provided financial reporting advice on the application of Dutch GAAP and EU IFRS, demonstrating her expertise in the field. With years of experience in advising on complex legal and financial transactions, she has held senior positions at Loyens & Loeff N.V. Mrs. Krol is a member of the Supervisory Board of the Dutch Vodafone Holding companies since September 2019 and was appointed to the Supervisory Board on June 22, 2022, where she will serve a term ending on June 21, 2026.

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

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

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

The Managing Board currently has the following directors:
G.St.J. Barker LLB
P.H.J. Mars M.Sc.
M. van der Laan B.Sc [in function per 6 October 2022]
M.T.H. Blokland BBA [in function per 6 October 2022]
H.H. Visscher [until 01.09.2022]

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

Stichting Prioriteit
Stichting Prioriteit (the **Foundation**) of the Fund is managed by a managing board consisting of two members:
G.St.J. Barker LLB
P.H.J. Mars M.Sc [in function per 01.09.2022]
H.H. Visscher [until 01.09.2022]

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

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

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

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

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

Financial Calendar 2023

Publication of trading update of 1st quarter 2023	18 May 2023
Publication of semi-annual report 2023	31 August 2023
Publication of trading update of 3rd quarter 2023	9 November 2023

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

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

2 FOREWORD FROM THE MANAGING BOARD

As anticipated twelve months ago, the effects of surging inflation across the core markets of the Fund and the actions taken by central banks to combat this inflation have created certain challenges for all owners and operators of real estate. Rises in rents driven by indexed lease contracts have not entirely compensated for outward movements in yields caused by higher financing and operating costs, as shown by the 2.8% downward valuation of the Fund´s non-Ukrainian property portfolio over the year. As existing loan arrangements expire, property investors are anticipating tighter refinancing conditions to impact loan to value ratio covenants and debt service coverage rate covenants, together with sharp increases in the costs of compulsory hedging instruments. Portfolios with high debt to equity ratios and low free cash generation now find refinancing of their existing debt structures to be very challenging. The same applies to portfolios with bond financing structures in place. These concerns are affecting sentiment and driving down transaction activity.

The Fund has consistently lowered its loan-to-value ratios in recent years, decreasing from 52.7% in 2017 to 43.6% in 2022. Fortunately, the current robust level of 43% is at the lower end of the target range. Occupancy rates within the Fund have held up well over the past year and this, combined with continuing reductions in operating costs, enabled the Fund to increase its net income in 2022 by 5%. These positive factors should enable the Fund to maintain its current financing structures and continue to demonstrate the operational resilience evidenced during the volatility of the Covid epidemic and the recent (and ongoing) Russian invasion of Ukraine.

The Fund made further significant progress in 2022 with the disposal of non-core assets, selling two unrefurbished office buildings in Kosice, Slovakia, in January and a 1960`s office property in Brno, Czech Republic, in August. These sales achieved total gross prices of EUR 8.9 million against their combined valuations of EUR 7.4 million, enabling timely repayment of senior and junior debt and providing funding for the share buyback programme that was launched in September.

One year on, the war in Ukraine has not demonstrably affected local market sentiment in neighbouring countries where the Fund is active, but has certainly been responsible for large parts of the surge in inflation which, as noted above, is impacting on regional sentiment and trading activity. The Fund initially wrote down the full values of the two sites held in Ukraine, but decided, with local market advice, to reinstate a proportion of the value of the Odessa site in December. Further adjustments to the holding values of these sites will follow as the situation within Ukraine develops. The overall effect of the war on the Fund in 2022 has been twofold: a EUR 2.0 million valuation writedown on the development sites held there and the complications resulting from the bankruptcy of Sberbank CZ, the Russian-owned financier of the Fund`s portfolio in Czech Republic. These include the failure of Sberbank to operate the interest rate hedge in place on the Fund`s EUR 8.45 million mortgage loan on the Czech portfolio and the blocking of ca. EUR 300,000 in the Fund´s accounts. A positive resolution to at least part of these issues is expected this year.

Net property results for the year 2022 show a loss of EUR 4,577,000, primarily by value adjustments. Net fair value movements on the 18 assets held through the year contributed a EUR 1.2 million loss (26%), the writedowns in Ukraine contributed a EUR 2.0 million loss (43%) and the IFRS value adjustment of EUR 1.4 million on the Boyana apartments in Sofia accounted for 31%. This reduction is required by IFRS bookkeeping guidelines. The apartments are classified as inventory and must be valued at the lower of cost price or fair value. This is a temporary, non-cash accounting impact that does not reflect the actual value of the assets.

Highlights in 2022

4 January | Sale of Pražská 2 and Pražská 4
The Fund sold two office buildings in Košice, Slovakia, for EUR 4.55 million. This marked a continuation of the Fund's disposal programme of non-core assets.

3 February | Repayment of three short-term loans
The Fund completed repayment of three short-term loans at Fund level, totalling EUR 2.25 million.

24 February | The start of the Russian invasion of Ukraine
The Fund shared an update on its holdings in Ukraine, with a combined book value of EUR 3.39 million. On 21 March, the Fund updated its reported Net Asset Value to reflect the latest valuation figures and the situation in Ukraine, writing down the value of two land plots in Ukraine to zero.

30 March | Expansion of real estate portfolio into Romania - Delenco
On March 30, 2022, the Fund completed the acquisition of a 24.35% stake in the Delenco office building in Bucharest, Romania.

17 June | Expansion of real estate portfolio into Romania - EOS
On June 17, 2022, the Fund completed the acquisition of the EOS Business Park office building in Bucharest, Romania.

22 June 2022 | Changes in the Supervisory Board
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. In accordance with the retirement schedule and the maximum appointment term of 12 years, Mr. B. Vos is stepping down.

18 August | The Fund agrees a sale, 36% above valuation
The Fund signed an agreement for the sale of its Šujanovo náměstí 3 building in Brno, Czech Republic, for CZK 106.8 million (EUR 4.32 million), 36% above the appraised value at the end of 2021. The Managing Board intends to use a portion of the net sales proceeds for the planned share repurchase programme. The share repurchase programme, initiated on September 14, 2022, intends to return up to EUR 10 million to shareholders from the sales of non-core real estate assets.

7 October | Changes in the Managing Board
Mark van der Laan and Marike Blokland – after having received AFM approval – joined the Managing Board of Arcona Capital Fund Management B.V. on 6 October. Mark van der Laan will take up the role of Financial Director, while Marike Blokland will be responsible for Compliance and Human Resources. The new members bring specialized expertise to the Managing Board and have worked with the senior management team of Arcona Capital for many years.

24 October | Update on the engagement with the insolvent bank Sberbank CZ
The Fund provided an update on its mortgage loan and cash deposits with Sberbank CZ. Sberbank CZ went bankrupt in August 2022, but the bankruptcy trustee has received an offer for its loan portfolio from Česká Spořitelna. Arcona's Czech subsidiary has an outstanding loan of EUR 8.35 million and approximately EUR 314,500 in blocked accounts with Sberbank CZ. If Česká Spořitelna successfully purchases the loan portfolio, medium-sized creditors like Arcona's subsidiary are expected to receive 100% of their receivables.

3 ARCONA PROPERTY FUND IN BRIEF

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

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

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

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

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

The costs of maintaining such a structure, offering daily trading in the shares, are high and impact disproportionally on smaller funds. Accordingly, since 2012 the Fund has pursued a growth strategy to achieve both critical mass and adequate investment diversification. Over the past 9 years, the Fund has doubled in size, expanded into 4 new regional markets and into the convenience retail and residential sectors. Further growth through acquisition is, however, currently limited by the prevailing share price discount (50% as at end 2022) to NAV. In the medium term, this restricts the Fund to acquisitions funded by share issuances at NAV (such as SPDI) or by further debt issuance.

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

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

Maintaining a prudent financial strategy
The Fund intends to maintain its prudent financial strategy of conservative leverage, targeting a LTV-ratio in the range of 40% - 50% (as at 31 December 2022: 43.6%), although an LTV percentage of up to 60% is possible.

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

Investor relations and information supply

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

Corporate Governance

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

Diversity

The Dutch Corporate Governance Code mandates a diversity policy for the managing and supervisory boards of large public and private companies. Since the fund is not classified as a large company, there is no obligation to specify a diversity policy. Currently, the Managing Board comprises four members (three males, one female), while the Supervisory Board consists of three members (two males, one female). Shareholders appoint these members based on their experience, language skills, and qualifications. As the boards expand in the future, opportunities may arise for increased diversity in aspects such as age, gender, and geographical experience.

The Fund's Managing Board is operated by ACFM. However, ACFM is not obligated by the Non-Financial Information Disclosure Decree and the Diversity Policy Disclosure Decree to provide information regarding its diversity policy.

Sustainability

Sustainability is becoming an increasingly important aspect of Arcona Property Fund's long-term value creation strategy. Our business model now emphasizes reducing energy consumption within our portfolio and establishing adaptable, inspiring work environments that prioritize the health and well-being of our occupants. Although Arcona Property Fund N.V. is considered a small entity, we recognize the constantly evolving nature of ESG and the need for our organization to adapt accordingly.

To address this, we will concentrate on energy efficiency, future-proof buildings, and social engagement. We are committed to improving the energy efficiency of our portfolio, thereby reducing operational costs and energy waste, and creating value for both the fund and our tenants. We will integrate these objectives into our strategy to ensure a sustainable future for our business and stakeholders.

Arcona Property Fund N.V. does not currently perceive significant risks concerning ESG, such as refinancing of expiring loans in 2024 and beyond. However, this situation may change in the future if banks implement more stringent ESG standards, which they are not currently doing.

Portfolio and historical returns

As at 31 December 2022, the Fund's real estate portfolio comprises 21 properties, located in one city in the Czech Republic, two cities in Slovakia, ten cities in Poland, two cities in Ukraine, one city in Bulgaria and one city in Romania. The majority of the rentable area is designated as modern suburban retail space or flexible primary and secondary office space. The fair value of the 21 properties as at 31 December 2022 was EUR 81.80 million[8].

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

	2022	2021	2020	2019	2018
Return[9] (in %)	-/- 7.4	7.8	-/- 9.9	-/- 2.6	-/- 1.1

[8] Including assets held for sale, investment property under development and inventory apartments.

[9] Including shareholder distributions.

4 PRE-ADVICE OF THE SUPERVISORY BOARD

Recommendation to the General Meeting

This annual report of the Fund has been prepared by the Managing Board. This report contains the financial statements for the period from 1 January to 31 December 2022. The financial statements are audited and have been approved by Deloitte Accountants B.V. The auditor's report is presented on pages 187 – 195. The Supervisory Board has received notice of this approval.

On March 28, 2023 the auditors of Deloitte presented their paper with audit findings and discussed the status of the audits of components in the various jurisdictions, significant risks, overview of loans & borrowings, internal control environment and a couple of other audit topics with the Managing Board and Supervisory Board.

The Supervisory Board recommends the financial statements for the year 2022 to the General Meeting for approval.

Meetings and activities of the Supervisory Board

In view of the market volatility resulting from the Ukraine crisis the Supervisory Board maintained a high frequency of its meetings with the Managing Board. During 2022, the Supervisory Board had 7 joint meetings (2021: 9). During these meetings, the Supervisory Board and Managing Board discussed the (administrative) organization, the operational performance, the difficulties surrounding the repayment of the Alpha Bank loan, the strategy and financial reporting of the Fund. In addition, the Supervisory Board held 3 conference calls in July, August and October. As of November, the Managing Board updated the Supervisory Board on a monthly basis via Teams regarding the progress of the sales of non-core assets, the results of the share buyback program and compliance with bank covenants.

In the annual General Meeting in June 2022, the chairman (Mr. Kloos) confirmed the commitment from the Supervisory Board that consultations will take place between a group of shareholders and the Supervisory Board, as requested in a letter to the Supervisory Board. This meeting took place on September 8, 2022 with a few representatives of this group. The shareholders present explained their concerns about the large gap between the share price and NAV per share. They indicated that they support the sales of non-core assets and buyback of shares aimed at returning up to EUR 10 million to shareholders. The Supervisory Board assured that it will closely monitor the pace of the disposal of non-core assets and continue discussions on the future of the Fund with the Managing Board upon completion of the buyback.

In its meeting on December 15, 2022, the Supervisory Board discussed their performance as Supervisory Board in its new composition since the annual General Meeting held in June 2022. The (self)evaluation was particularly focused on the composition of the Supervisory Board and the competences of its members after two of the Supervisory Board members had stepped down in 2022. The Supervisory Board also discussed the performance of the Managing Board (not being present). Particular attention was paid to the performance in respect of the sale of non-core assets to unlock value for the shareholders. The Supervisory Board acknowledges the difficult market circumstances which may delay the disposal of certain assets. The Supervisory Board is content that the Managing Board is committed to this sales program.

It is current practice for the Managing Board to seek prior approval from the Supervisory Board in respect of decisions affecting the NAV per share. For the sake of good governance, the Supervisory Board formalized this practice and adopted a resolution pursuant to which the Managing Board is requested to seek prior approval for the following decisions: (i) the issuance of shares and granting of rights to subscribe for shares, (ii) the alienation of shares in its own capital, (iii) the acquisition of real estate, including the acquisition of shares in real estate companies, and (iv) the repurchase of own shares. In performing its duties, the Supervisory Board is guided by the interests of the Fund, taking into account the interests of all stakeholders.

Composition of the Supervisory Board

According to the Supervisory Board Bylaws, the Supervisory Board members, with the exception of a maximum of one person, must be independent. A supervisory director who is a managing director or a supervisory director, or otherwise a representative, of a legal entity (not being a group company) that holds at least 10% of the shares in the Company is non-independent.

The current composition of the Supervisory Board complies with this provision. Mr. Beys is also the Chairman of the Board of Directors of SPDI owning 1,072,910 or 25.6% (December 31, 2021: 593,534) ordinary shares and is therefore non-independent. Mr. Van Heijst is a representative of the Stichting Value Partners Family Office who controls 397.694 or 9.5% (December 31, 2021: 545,597) ordinary shares and is therefore independent.

The Supervisory Board and the Managing Board discussed the composition of the Supervisory Board and agreed that the expertise of the Supervisory Board should be expanded. The Boards are seeking a candidate with real estate knowledge/experience, preferably in Eastern Europe. In accordance with the diversity policy, the Boards will aim to appoint a female supervisory director.

Relevant information of each of the supervisory board members can be found on page 6.

Finally

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

Amsterdam, 28 April 2023

Supervisory Board

Mr. drs. A. Nelleke Krol (chairperson)
Michael P. Beys, Esq.
Dr. Jan-Jaap van Heijst (vice-chairperson)

5 REPORT OF THE MANAGING BOARD

The Managing Board hereby presents the annual report of 2022 of the Fund. The reporting period is from 1 January 2022 to 31 December 2022.

5.1 SUMMARY OF THE YEAR

5.1.1 DEVELOPMENTS IN 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 EUR 4.55 million, 2% below the appraisal value of EUR 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 EUR 2.25 million.

As a continuation of the disposal programme of non-core assets, the Fund instructed Knight Frank to find a purchaser for its property in Šujanovo náměsti 3, Brno. This 4,655 m^2 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.

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 EUR 3.39 million, which amounts to 4.2% of the value of the property portfolio.

Bela Logistic Park is located in the Odessa region and has a value of EUR 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 EUR 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 Rozhny, which is 42 hectares in size and located approximately 43 kilometres from the centre of Kiev. The plot has an appraised value per 31 December 2021 of EUR 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 EUR 1,074,000.

The transfer of these plots still needs to take place. SPDI has now fulfilled all pre-completion obligations and according to the share purchase agreement the plots will be re-valued and acquired for current market value.

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

The Sberbank CZ loan to ACREB amounts to EUR 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 EUR 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 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 EUR 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 EUR 44.54 million, being EUR 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 EUR 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 the Fund acquires 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%.

Delenco office in Bucharest

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 EUR 11.83 per share. The warrants can be converted into shares of the Fund if the share price reaches a price level of EUR 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 EUR 11.88 per share. The warrants can be converted into shares of the Fund if the share price reaches a price level of EUR 7.20 before June 15, 2027.

The Delenco building has an area of 10,375 m^2, of which 9,664 m^2 is office space and 711 m^2 retail space. In addition, the building has 68 parking spaces. The appraised value of the 24.35% stake is EUR 3,810,000. ANCOM (Romanian telecom regulator) is the largest of Delenco’s tenants with 81% of the rental income. The lease with ANCOM runs until June 30, 2026. The annual rent for the entire building is EUR 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. It mentions that on March 31, 2022, the Fund´s wholly owned subsidiary ACREB transferred, in accordance with the loan agreement, approximately EUR 200,000 in interest and principal repayments to Sberbank. The Managing Board and the Supervisory Board 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 EUR 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.

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 were issued at a Net Asset Value of EUR 11.88 per share. The warrants can be converted into shares of the Fund if the share price reaches a price level of EUR 7.20 before June 15, 2027.

The EOS building has an appraised value of EUR 5,346,000, a lettable area of 3,386 m^2 and 90 parking spaces. The office building is fully let to Danone Romania until May 31, 2026. Patria Bank has provided financing of EUR 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

The Fund has received several bids for the Šujanovo náměsti 3 office building in Brno, Czech Republic. Offers over CZK 100 million (approximately EUR 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 EUR 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 EUR 4.0 million has been put up for sale.

The Fund will focus on completing these sales from the second half of 2022. 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 EUR 8.45 million) to ACREB. On April 30, 2022, the CNB definitively withdrew the banking licence of Sberbank CZ and appointed a trustee. Refinancing of this loan is only possible at a 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 m^2 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 EUR 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 | Composition Supervisory Board
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. In accordance with the retirement schedule and the maximum appointment term of 12 years, Mr. B. Vos is stepping down.

3 August 2022 | Resignation of Mr H.H. Visscher
On August 3, 2022, the Fund announced that Mr. H. H. Visscher has accepted a position elsewhere and will resign as director of ACFM as from 1 September 2022.

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

31 August 2022 | Trading update semi-annual report
On August 31, 2022, Arcona Property Fund N.V. published its semi-annual trading update, demonstrating resilience in the first half of 2022 with improved operating results. The comparable gross rental income increased by 9.4% to EUR 4.07 million, and the net rental income increased by 12.3% to EUR 2.05 million, partly due to improved occupancy rates.

The first-half result after tax was negatively impacted by the write-down of real estate in Ukraine. However, adjusted for these write-downs, the result before tax amounted to EUR 925,000, which was EUR 670,000 higher than the same period last year. Operating costs decreased to EUR 962,000 in the first half, and financial costs decreased by 22% to EUR 938,000. The loan-to-value ratio decreased to 41.8%, and the average loan term increased to 3.54 years. As of June 30, 2022, the net asset value (NAV) based on NNNAV was EUR 12.00 per share.

14 September 2022 | Arcona Property Fund N.V. starts share buyback programme
On September 14, 2022, Arcona Property Fund N.V. initiated its programme to buy back its own shares on the stock market for up to EUR 1.5 million. Subject to approval of the shareholder meeting the shares are planned to be cancelled after the purchase, and this is part of a larger plan to return up to EUR10 million to shareholders from the sales of non-core real estate assets. The buyback programme was subsequently concluded on March 15, 2023.

7 October 2022 | New board members Arcona Capital Fund Management B.V.
As of October 6, 2022, Mark van der Laan and Marike Blokland have joined the board of Arcona Capital Fund Management B.V. Van der Laan will be the Financial Director, managing the financial aspects of the company and its funds. Blokland will be in charge of Compliance and Human Resources. The new members have worked alongside the senior management team of Arcona Capital for years and bring specialized expertise to the board. The current board members are Guy St. J. Barker, Peter H. J. Mars, Mark van der Laan, and Marike T. H. Blokland.

24 October 2022 | Arcona Property Fund update on engagement with Sberbank CZ
On October 24, 2022, Arcona Property Fund N.V., provided an update on the mortgage loan and cash deposits with Sberbank CZ through its Czech subsidiary. Sberbank CZ went bankrupt in August 2022, but the bankruptcy trustee has received an offer for Sberbank CZ's loan portfolio from Česká Spořitelna. Arcona's subsidiary, ACREB, has an outstanding loan of EUR 8.35 million and approximately EUR 314,500 in blocked

accounts with Sberbank CZ. Medium-sized creditors, including ACREB, are expected to receive 100% of their receivables when Česká Spořitelna successfully purchases the loan portfolio.

9 November 2022 | Trading update first nine months 2022

On November 9, 2022, Arcona Property Fund N.V. released its trading update for the first nine months of 2022. Gross rental income was EUR 6.30 million and net rental income was EUR 3.14 million. Net rental income for Q3 increased by 4.6% to EUR 1,083,000 compared to the same period last year. The operating result for the first nine months was positive, with EUR 174,000, compared to a negative result of EUR 310,000 in the same period last year.

As of September 30, 2022, the occupancy rate was 89.1%, a decrease from 92.0% as of June 30, 2022. This was due to AT&T surrendering the lease of one floor in the Letná office building in Košice against compensation of EUR 400,000.

Unrealized value adjustments of the VUP Brno building and EOS Business Park offset the EUR 3.3 million write-down on Ukrainian real estate in Q1 2022. The fund's result for the first nine months of 2022 recovered to EUR -/- 882,000, compared to EUR -/- 2,843,000 for the first half of 2022.

Interest expenses decreased by 10.2% to EUR 1,506,000 in the first nine months of 2022, compared to the same period last year, mainly due to the repayment of high-interest loans and regular repayments on bank loans. However, a new loan of EUR 2.9 million from Patria Bank in Romania and an increase in 3-month PRIBOR in the Czech Republic from 4.08% to 7.33% limited the decrease in interest expenses. The loan-to-value ratio decreased to 40.5% as of September 30, 2022, from 41.8% as of June 30, 2022.

The fund completed the sale of the VUP office building in the Czech Republic at the end of the year and will use the proceeds partly for the share repurchase programme announced on September 14, 2022.

31 December 2022 | Reports end of year portfolio valuations

On January 12, 2023, Arcona Property Fund N.V. has released its annual revaluation of its property portfolio, with the total value coming in at EUR 82.4 million as of 31 December 2022, a 1.7% decrease compared to the previous year. While Polish assets saw a 3.5% decrease, three Czech properties increased in value by 1.8%. In contrast, values in Slovakia, Romania, and Bulgaria decreased by 3.3%, 3.1%, and 9.3%, respectively. Due to the conflict in Ukraine, the value of the development site in Odessa has been adjusted to 33% of its original value. Meanwhile, the value of the site in Zaporizhzhia has remained at zero since the writedown in March 2022.

5.2 EVENTS AFTER BALANCE SHEET DATE

10 January 2023 | The Fund refinances project Boyana

On January 10, 2023, Arcona Property Fund N.V. has successfully refinanced the Boyana Residence project in Bulgaria with a new EUR 3.6 million loan from Dutch investors. This gives the Fund the opportunity to renovate and sell the apartments and development land within 18 months. The real estate comprises an apartment complex with 26 apartments and 15,105 m² of development land in Sofia, Bulgaria. The refinancing enabled the repayment of Alpha Bank, payment of historical taxes and renovation of all apartments. The new loan has a maturity date of 30 June 2024 and a coupon of 9.0%, compared to Alpha Bank's 7.25%.

15 March 2023 | Conclusion of initial share repurchase programme.

On March 15, 2023, Arcona Property Fund N.V. has concluded its first share repurchase programme, having bought back 60,976 common shares at an average price of EUR 6.43 per share. A proposal to cancel a proportion of the repurchased shares will be submitted to a shareholders' meeting.

28 March 2023 | **Notification that Hypo Noe approved waiver**

On 28 March 2023, the Fund was notified that Hypo Noe had approved a waiver for ACREP and Project 5, addressing the breach of the DSCR forecast covenant.

4 April 2023 | **Announcement that Sberbank CZ has been sold to Česká Spořitelna**

On April 4, 2023, it was announced that Sberbank CZ (as an enterprise) had been sold to Česká Spořitelna based on publicly available information. The Sberbank CZ loan book with a nominal value of CZK 47.1 billion was transferred. Česká Spořitelna purchased it for CZK 41.053 billion. Throughout April 2023, the technical transfer of data from Sberbank CZ to Česká Spořitelna will take place.

There were no further material events after balance sheet date.

5.2.1 NAV PER SHARE AND SHARE PRICE DEVELOPMENT

The following tables show the development of the Fund's Triple NAV and share price during the period 1 January 2022 to 31 December 2022.

Table 2 – Total Return on share price and Triple NAV during 2022

	Based on share price		Based on NNNAV	
	In EUR	In %	In EUR	In %
Start of period	7.5		12.76	
End of period	5.9		11.81	
Return	**-/- 1.6**	**-/- 21.33**	**-/- 0.95**	**-/- 7.45**
Distribution to shareholders	0.0		0.0	
Total Return	**-/- 1.6**	**-/- 21.33**	**-/- 0.95**	**-/- 7.45**

The NNNAV decreased by EUR 0.95 per share (-/- 7.45%), largely due to the decreased fair value of the real estate portfolio, IFRS adjustments related to the Boyana project in Bulgaria and provisions made for the Ukraine asset values.

Figure 1 –Development of the Fund's share price per share during 2022

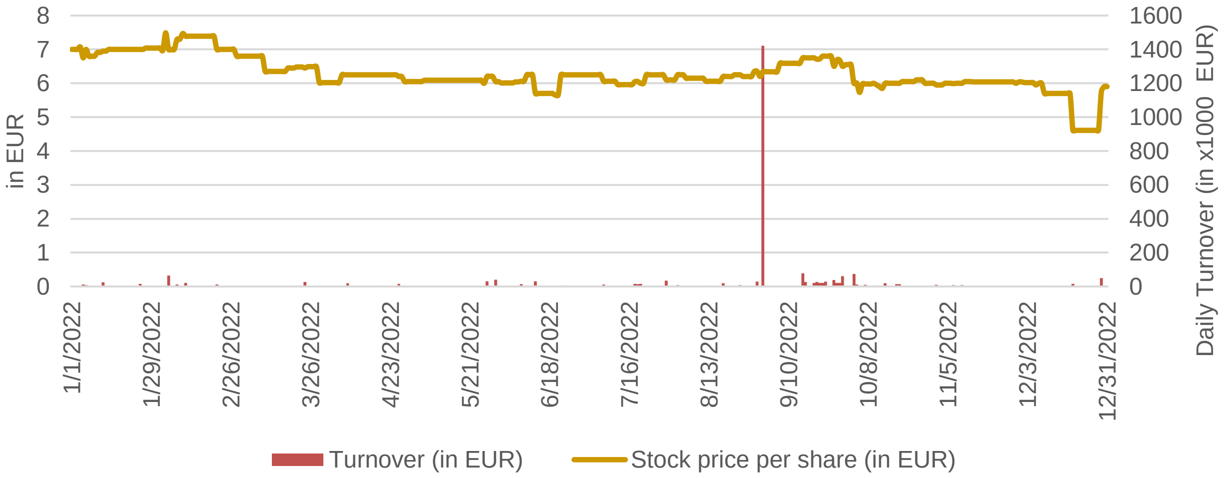


Table 3 – Development of the share price per quarter in 2022

Quarter	Opening price Start of quarter in EUR	Closing price End of quarter in EUR	Volume number of shares
1st Quarter 2022	7.43	6.49	33,060
2nd Quarter 2022	6.02	6.25	32,371
3rd Quarter 2022	6.06	6.55	304,472
4th Quarter 2022	6.60	5.90	53,268
Average per quarter			105,793

The above table shows an average trading volume of 1,677 (2021: 2,297) shares per trading day[10] during 2022. The average quarterly traded volume was 105,793 shares (2021: 143,556) and the average turnover was EUR 0.68 million per quarter (2021: EUR 0.80 million per quarter). The share price traded at the end of 2022 at EUR 5.90 which represents a 50% discount (2021: 41%) to the NAV of EUR 11.81.

Table 4 – Comparative statement of the NAV per share

	31-12-2022	31-12-2021
Shareholders' equity in accordance with NAV (in EUR 1,000)	49,033	49,204
Include:		
1. Fair value of financial instruments	479	293
2. Fair value of debt	4	11
3. Fair value of deferred tax	-/- 1,498	-/- 1,547
4. Fair value of inventories	1,421	-
Shareholder's equity in accordance with NNNAV (in EUR 1,000)	**49,439**	**47,961**
Number of profit-sharing shares	4,185,984	3,758,683
NNNAV per profit-sharing share (in EUR)	**11.81**	**12.76**
Annual return on NNNAV (in %)	-/- 7.4	7.8

See also chapter 7.1.10

The Shareholders´ equity in accordance with Net Asset Value (NNNAV) has increased from EUR 47,961,000 in 2021 to EUR 49,439,000 in 2022. The number of ordinary shares in issue increased from 3,758,683 in 2021 to 4,185,984 in 2022 due to payment in shares for the acquisition of assets from SPDI. The NNNAV per profit-sharing share has decreased from EUR 12.76 in 2021 to EUR 11.81 in 2022.

[10] considering 252 tradings days at Euronext Amsterdam

5.3 INCOME, COST AND RESULT

The following section provides an analysis of the company's financial performance for the year ending December 31, 2022. It covers various aspects of the company's finances, including balance statements, results, cash flow, and ongoing charges ratios. It shows that the company experienced a decrease in total assets and earnings per share, primarily due to a decrease in investment property value strongly related to the war in Ukraine and the effect on the financial and real estate markets. However, the company also saw improvements in shareholders' equity, cash flow, and ongoing charges ratios. The following will provide an overview of the key findings and trends in the company's financial performance during the period under review.

5.3.1 BALANCE

Table 5 – Balance statement

All in EUR 1,000	31-12-2022	31-12-2021	Change
Investment property	73,183	79,973	-/- 6,790
Non-current assets	1,454	1,259	195
Current assets	15,582	9,334	6,248
Total assets	**90,219**	**90,566**	**-/- 347**
Shareholders' equity	46,515	46,403	112
Deferred tax liabilities	3,183	3,514	-/- 331
Long-term loans and borrowings	17,597	30,597	-/- 494
Total current liabilities	22,924	10,052	366
Total shareholders' equity and liabilities	**90,219**	**90,566**	**-/- 347**

As of December 31, 2022, the company's total assets decreased by EUR 347,000, primarily due to a decrease in investment property of EUR 6.79 million, partially offset by increases in non-current assets and current liabilities. Non-current assets increased by EUR 195,000, largely due to higher deferred tax assets. Current assets increased by EUR 6.25 million, mainly due to the sale of assets held for sale in Slovakia (Pražská 2 and Pražská 4) and the Czech Republic (VUP Brno).

Shareholders' equity increased by EUR 112,000 to EUR 46.52 million, primarily due to retained earnings influenced by the acquisitions from SPDI through share-based payments. Deferred tax liabilities decreased by EUR 331,000 to EUR 3.18 million, while long-term loans and borrowings decreased by EUR 494,000 to EUR 30.10 million, mainly due to the reclassification of bank loans from current liabilities. Total current liabilities increased by EUR 366,000 to EUR 10.42 million.

5.3.2 RESULT

In the 2022 financial year, the company's earnings per share (EPS) decreased to -/- EUR 1.07, down from EUR 0.83 in the previous year. This decline was primarily attributed to the direct and indirect impacts of the war in Ukraine, which affected the European real estate and financial markets. These events led to a provisional write-off on the company's two Ukrainian assets and resulted in cost inflation, rising interest rates, and complications with the Sberbank CZ loan.

The estimated related negative effects amount to EUR 5.0 million, with the most significant being the net negative result on properties, totalling EUR 4.577 million. Other factors contributing to the decline in EPS include a one-off penalty interest charge related to the Alpha Bank financing in Bulgaria, IFRS adjustments related to Boyana, higher financing costs due to increased interest rates, and increased tax pressure associated with property sales.

Despite these challenges, the direct result before tax, the result adjusted for the effects related to the war in Ukraine and valuations, stands at EUR 705,000. For more details please see chapter 9.

Table 6 – Overview of result

All in EUR 1,000	2022	2021	Change
Gross rental income	6,165	7,097	-/- 932
Service charge income	2,433	2,079	354
Service charge expenses	-/- 2,471	-/- 2,786	315
Property operating expenses	-/- 1,936	-/- 2,380	444
Net rental and related income[11]	**4,191**	**4,010**	**181**
Financial and other operating income	775	1,145	-/- 370
Total direct income	**4,966**	**5,155**	**-/- 189**
Administrative expenses	-/- 705	-/- 648	-/- 57
Other operating expenses	-/- 1,348	-/- 1,281	-/- 67
Financial expenses	-/- 2,208	-/- 2,150	-/- 58
Total direct costs	**-/- 4,261**	**-/- 4,079**	**-/- 182**
Direct result before tax	**705**	**1,076**	**-/- 371**
Indirect result before tax [12]	**-/- 4,645**	**1,949**	**-/- 6,594**
Result before tax	**-/- 3,940**	**3,025**	**-/- 6,965**
Tax	410	-/- 109	519
Result after tax	**-/- 4,350**	**3,134**	**-/- 7,484**

The *Result after tax* for 2022 (see table 6 and chapter 9) amounted to EUR -/- 4.35 million (2021: EUR 3.10 million positive) and can be divided into direct result and indirect result. The total comprehensive income, the result including *Reserve currency translation differences*, amounted to EUR -/- 4.54 million (2021: EUR 3.45 million) (see table 7 and chapter 10).

The *direct result before tax* is EUR 0.71 million. The *indirect result before tax* of EUR -/- 4.65 million reflects the revaluation of the real estate portfolio, the IFRS impact on the Boyana apartment inventory value, and the writedown on the Ukraine asset values. For more information about the property valuations see 15.2 ("Investment property").

Table 7 – Statement of comprehensive income

All in EUR 1,000	2022	2021
Foreign currency translation differences on net investment in group companies	-/- 163	358
Income tax on foreign currency translation differences on net investments in group companies	-/- 26	-/- 43
Total foreign exchange differences	**-/- 189**	**315**
Net gain/ (loss) recognised directly in equity	**-/- 189**	**315**
Profit for the period	-/- 4,350	3,134
Total recognised income and expense for the period	**-/- 4,539**	**3,449**

The *"Foreign currency translation differences on net investment in group companies,"* shows the gains or losses resulting from translating the net investment in foreign subsidiaries to the reporting currency.

The *"Income tax on foreign currency translation differences on net investments in group companies."* is the tax effect associated with the foreign currency translation differences.

[11] See for applicable portfolio in 2022 and 2021 paragraph 15.5
[12] The net results in properties and the valuation results of investments in associates (see chapter 9)

The *"Profit for the period"* represents the company's profit or loss from its operations.

Ongoing Charges Figure
The below table provides information on the Ongoing Charges Figure (OCF) of the fund for the years 2019, 2020, 2021, and 2022. Ongoing Charges Figure is a metric that represents the total cost of running a fund, including all expenses such as management fees, administration costs, and other operational expenses. The OCF is expressed as a percentage of the total assets under management of the fund. In 2022 the OCF decreased as a result of a decrease of the total expenses (including other operating expenses) by approximately 7%, in conjunction with the increase of the average Group equity by approximately 10%.

Table 8 – Ongoing Charges Figure

All in %	2022	2021	2020	2019
Ongoing Charges Figure	8.02	9.50	9.95	11.13
OCF excluding one-off and refinancing costs	7.61	9.31	9.00	10.01
Fund expense ratio	3.71	4.07	4.89	4.24

The Ongoing Charges Figure for the fund has been decreasing over the past few years. In 2019, the OCF was 11.13%, while in 2022, it was 8.02%. This indicates that the cost of running the fund has decreased, which is due to several factors such as increased efficiency and better negotiation of expenses.

The OCF excluding one-off and refinancing costs gives a more accurate picture of the ongoing costs of running the fund. This metric takes out any one-time expenses that may have occurred in a particular year, such as costs related to refinancing or restructuring. The OCF excluding one-off and refinancing costs has also been decreasing over the past few years, from 10.01% in 2019 to 7.61% in 2022.

Finally, the Fund expense ratio also decreased over the past few years, with a high of 4.89% in 2020 and a low of 3.71% in 2022. See section 15.37 “Ongoing Charges Figure” for more information.

Fund operating expenses
The total *Fund operating expenses* of EUR 2.05 million (2021: EUR 1.93 million) include EUR 207,000 of incidental expenses for consultancy and legal work on the SPDI deal during 2022. See also 15.36.

Financial expenses
The *Financial expenses* are EUR 2.21 million (2021: EUR 2.15 million), which includes regular EUR 1.93 million interest expenses on loans and derivatives. The remainder comprises other (incidental) financial expenses detailed under 15.36 “Financial Expenses”.

5.3.3 CASH FLOW

The net cash flow of the Fund after operating, investment and financing activities was EUR 3,028,000 (2021: EUR 440,000). The table below provides a summary of the cash flow (see also chapter 12 “Consolidated statement of cash flow”).

Table 9 – Consolidated cash flow statement

All in EUR 1,000	2022	2021
Cash flow from operating activities	-/- 99	-/- 575
Cash flow from investing activities	7,721	8,342
Cash flow from financing activities	-/- 4,594	-/- 7,327
Net increase / decrease (-/-) in cash and cash equivalents	**3,028**	**440**

The *cash flow from operating activities*, the cash generated from the Fund´s core business operations, was EUR -/- 99,000, which was an improvement from the EUR -/- 575,000 in 2021. In both years it was affected by the change in derivative financial instruments and trade and other receivables.

The *cash flow from investing activities,* the cash used or generated from the company's investments, such as purchasing or selling assets, was EUR 7,721,000 (2021: EUR 8,342,000). The cash flows related to the company's investments, such as the Romanian acquisitions, the Slovak and Czech asset sales and capital expenditure on the properties.

The *cash flow from financing activities,* the cash generated or used from financing activities, including issuing or repurchasing stocks, proceeds from loans, repayments of loans, and payments of lease liabilities, was EUR -/- 4,594,000 (2021 EUR -/- 7,327,000).

5.3.4 BANK LOANS

Table 10 – Overview of interest-bearing loans and borrowings

All in EUR 1,000	31-12-2022	31-12-2021
Non-current part of loans and borrowings		
Secured bank loans	13,804	26,902
Other loans and borrowings	2,418	2,151
Subtotal	**16,222**	**29,053**
Lease liabilities	991	1,134
Total non-current part of loans and borrowings	**17,213**	**30,187**
Current part of loans and borrowings		
Secured bank loans	16,371	3,993
Other loans and borrowings	2,370	2,453
Subtotal	**18,741**	**6,446**
Lease liabilities	171	163
Total current part of loans and borrowings	**18,912**	**6,609**
Grand total loans and borrowings	**36,125**	**36,796**

Table 11 – Overview of secured bank loans

All in EUR 1,000	31-12-2022	31-12-2021
Slovenská Sporiteľňa (Slovakia)	5,329	5,791
Sberbank CZ (Czech Republic)	5,644	8,089
Hypo NOE (Poland)	-	13,022
Patria Bank (Romania)	2,831	-
Total long-term interest-bearing loans and borrowings	**26,310**	**26,902**
Slovenská Sporiteľňa	462	794
Sberbank CZ	267	363
Hypo NOE[13]	13,022	515
Alpha Bank (Bulgaria)	2,320	2,320
Patria Bank	300	-
Total short-term secured bank loans	**3,865**	**3,992**
Total secured bank loans	**30,175**	**30,894**

The total LTV of the portfolio as at 31 December 2022 is 43.6% (see also 15.16.4). The Managing Board intends to maintain the total LTV-ratio of the portfolio in the range 40% – 50%. At the end of the reporting period the weighted remaining maturity of “Loans and borrowings” (see 15.40.14) was 3.21 years (2021: 3.38) and the loans had a weighted average interest rate of 5.49% (2021:4.15%).

[13] As at 31-12-2022 a covenant of the €13 million Hypo Noe loan was in breach. The formal procedure to obtain a waiver had not yet been completed at that time, hence the Hypo Noe loan is classified as current.

See section 15.16.4 “Securities, bank covenants and ratios secured bank loans” for more information on the secured bank loans as at the statement of financial position’s date.

5.3.5 CURRENCY EXCHANGE RATE

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

	31-12-2022	**31-12-2021**
Bulgarian Lev (EUR/BGN)	1.9558	1.9558
% change year-on-year	0.00%	0.0%
Czech Koruna (EUR/CZK)	24.116	24.858
% change year-on-year	3.0%	5.3%
Polish Zloty (EUR/PLN)	4.6808	4.5969
% change year-on-year	-/- 1.8%	-/-0.8%
Romanian Leu (EUR/RON)	4.9495	4.949
% change year-on-year	0.0%	-/- 1.7%
Ukrainian Hryvnia (EUR/UAH)	38.951	30.9226
% change year-on-year	-/- 26.0%	11.0%
US Dollar (EUR/USD)	1.0666	1.1326
% change year-on-year	5.80%	7.7%

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

5.4 DEVELOPMENTS IN THE MARKET AND PORTFOLIO

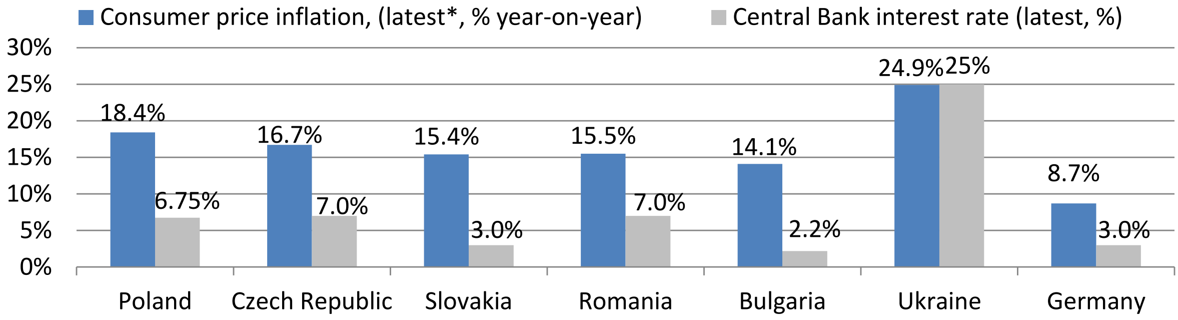
The following provides an analysis of economic and property market developments during 2022 in the regions in which the Fund operates and an outlook for future trends.

5.4.1 ECONOMIC BACKGROUND AND OUTLOOK

The year 2022 proved challenging for economies around the world. Slowing GDP growth, high inflation and rising interest rates all impacted on business conditions, consumer activity, financial markets and societies as a whole. It is more clear than a year ago that the present episode of global inflation is the most profound seen since the 1970s and requires due attention. Russia's invasion of Ukraine on 24 February 2022 not only brought substantial additional inflationary consequences, principally through rising energy and food prices but also in Europe and particularly CEE significant disruptive economic, social and demographic effects. The war is ongoing and is likely to continue, extending these effects.

The onset of war in Ukraine brought an initial three-pronged shock to CEE. First, the CEE currencies and asset markets sold off, reflecting proximity risk. Business and investment activity reduced in the region. Secondly, inflation rates spiked and triggered faster interest rate rises in the succeeding months than were projected beforehand. Thirdly, the influx of Ukrainian refugees, mainly comprising women, children and the elderly had to be absorbed quickly. Out of the 8.1mn estimated (Statista, February 2023) refugees outside of Ukraine, 2.6mn reside in the CEE countries outside of the CIS, including 1.56mn in Poland and 0.49mn in the Czech Republic. The latter data amount to between 4%-5% of the pre-war populations of those two countries. While time has allowed some of the effects to settle, including currencies regaining their losses and some refugees returning home or moving elsewhere, those repercussions on inflation and interest rates, in particular, linger into 2023.

CONSUMER PRICE INFLATION AND CENTRAL BANK POLICY INTEREST RATES, SELECTED CEE COUNTRIES AND GERMANY, FEBRUARY 2023 (%, YOY)

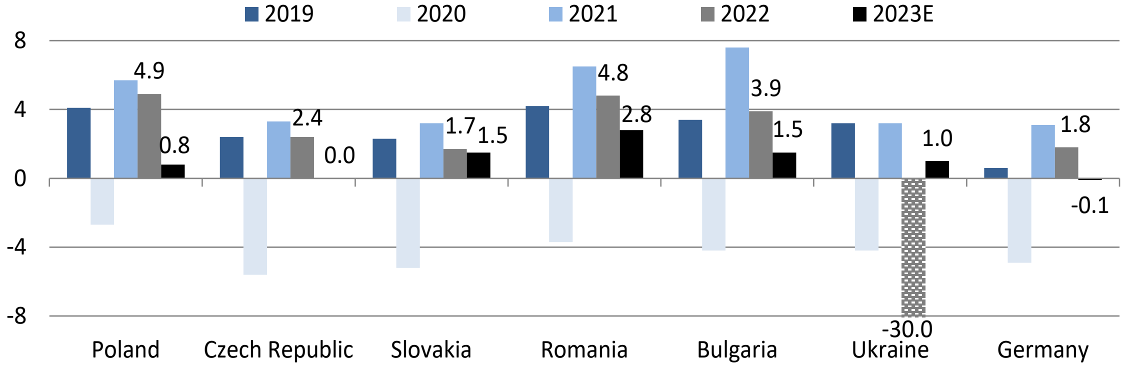


Source: investing.com, TradingEconomics *February 2023 data published in March 2023

Inflation rates have reached levels unseen in CEE economies since the early transition years of the 1990s and unseen since the very early 1980s in the US and Europe. This inflation pulse remains likely to extend in time through 2023 and into 2024 but at a diminished rate. Some of the supply side constrictions affecting price hikes are improving, with supply chains recovering after being stretched or disrupted as a result of COVID. European energy prices are lower after an unexpectedly mild 2022-23 winter, meaning that gas supplies are more plentiful. But on the demand side, wage growth in some CEE countries remains stubbornly elevated. Higher interest rates in CEE are starting to act as a brake on economic activity but are not very likely to climb further in 2023, outside of a crisis situation. Policy interest rates sit well below the latest consumer price inflation readings across the CEE region (excepting Ukraine) and in Germany and thus in 2023 substantial disinflation is required to bring future price hikes under control. Higher inflation eats away at real incomes of consumers and expenditure budgets of corporates alike and must be tackled. Inflation itself thus acts as a drag on economies as do higher interest rates, which slow down consumer activity, company borrowing, bank lending and for the real estate sector will feed through to pressure on funding costs and real estate valuations. At the time of publication, the key Eurozone policy interest rate stands at 3.0%, having risen steeply from -0.4% in July 2022.

The CEE economies are proving relatively resilient to this difficult inflation and interest rate picture. All of the core economies registered GDP growth rates at or above Germany's 1.8% in 2022. Poland (4.9% year-on-year growth) and Romania (4.8% expansion) were positive outliers, both benefitting from stronger momentum in domestic consumption. Ukraine's -30% contraction is an estimate, as that economy of course faces significant disruption and destruction effects from the war.

GDP GROWTH, SELECTED CEE COUNTRIES AND GERMANY, 2019-23E (%)



Source: countryeconomy.com (historical data), 2022A for Ukraine from the IMF. Arcona Capital external consultancy (2023 estimates), based on EIU, European Commission, Ukrainian Ministry of Finance estimates.

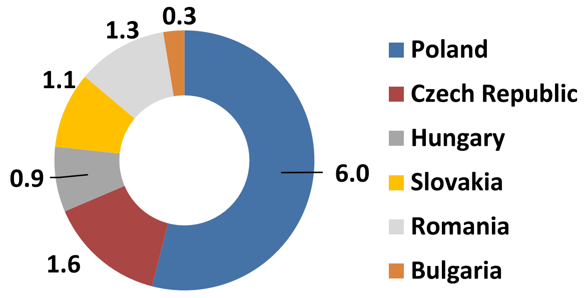
Looking ahead, 2023's economic growth rates are generally expected to be lower than those seen in 2022, as those effects of higher inflation and interest rates bite. Some of the CEE economies may enter a GDP growth contraction for a couple of quarters. For now, unemployment rates remain very low and therefore offer some support to consumption. Wage growth needs to be reduced, though, if further interest rate rises into 2024 are to be avoided.

CEE's high export ratios, ability to attract "near-shoring" capital, strong corporate investment, growing IT specialism and still-cheap workforces are longer term positives in this environment.

REAL ESTATE MARKETPLACE

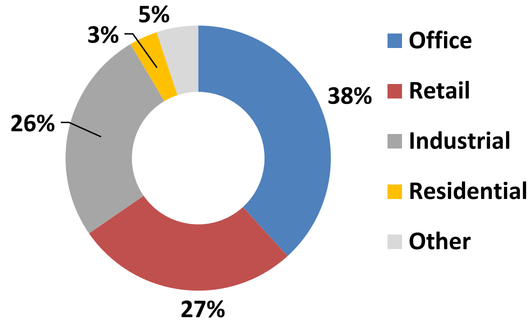
The onset of the war in Ukraine curtailed the recovery from the COVID-19 period in CEE-6 investment volumes in 2022. Last year's EUR 11.1bn of deals transacted ended flat versus 2021 and for the third year running was more than -20% below 2019's record level, according to Colliers data. Overall volumes in the broader European universe retreated -18%, according to CBRE, last year: CEE markets were relatively more resilient.

CEE-6 FLOWS BY COUNTRY (2022, EUR bn)



Source: Colliers

CEE-6 FLOWS BY SECTOR (2022, %)



Source: Colliers

Polish transactions again made up the majority (54%) of deals in 2022. Volumes fell -4% there and -9% in the Czech Republic, while Hungarian purchases fell a more significant -17%. The countries with higher yields actually saw an expansion of deal activity with volumes rising 40% in Romania, 23% in Bulgaria and 30% in Slovakia last year.

Domestic and CEE regional investors, as is common in more fragile market conditions, purchased a larger proportion of the assets across the region last year. Their 38% share of the pie compares to 32% in 2021, according to Colliers. Buyers from Europe/EMEA remained active, though their share halved to 21% in 2022. US and South African investors stepped in, snapping up 21% and 9% of the volume respectively: this activity illustrates the ability of more remote investors into CEE to look through the geopolitical risks. Asian investors were largely absent, though.

The office sector regained its premier sector position spot, with 38% of transactions by value according to Colliers. Investment into retail real estate recovered in 2022, rising to 27% of the total, compared to just 15% in 2021. It was the proportion of industrial & logistics transactions that fell last year, to 26% from 38% the year before. These shifts reflected more the composition of the 10 largest deals, which between them amounted to 31% of the CEE volume in 2022. Buyer interest in industrial & logistics and residential remained high for most of last year but both sectors in CEE lack available product compared to office and retail.

REAL ESTATE OUTLOOK

As we indicated in our outlook last year, the economic difficulties caused by Russia's invasion of Ukraine and, partly as a consequence, inflation rising even higher and staying entrenched for longer has had implications for the cost of capital and the valuation of assets in the region. This situation looks set to continue in 2023.

Growth of rents at levels closer to the rate of change of consumer price inflation ("CPI") helps real estate assets hold their value in inflationary environments. Some tenant contracts will have automatic rent uplifts, often linked to Eurozone CPI. The latter rose 8.5% year-on-year at the last reading in February 2023, averaging 8.8% year-on-year over the prior 12 months. Higher service charges were very common across all sectors in CEE as utility costs jumped through the year. Whether such rent hikes are affordable in an environment where tenants are facing higher costs across their businesses remains key to the shorter term outlook. This process is happening at the same time as CEE's largest sector, offices, is facing other challenges: weaker GDP growth, consideration of the space needed in the post-COVID environment, as companies and employees assess their work location patterns, plus ESG enhancements and compliance initiatives. The effect of both the COVID period and this present phase is increasing obsolescence risk as assets age and technology advances. Conversely, construction activity was noticeably lower in 2022 across CEE and is likely to be even weaker in 2023-24. Inflation-proofing has proved easier in the retail sector, through turnover rents but also the tenants themselves are in a better position to keep their margins by hiking prices, especially in the convenience retail sector. The mix in these centres of essential items such as food, beverages, pharmacy and pet goods, or "consumer staples" is an advantage in a slow-growth environment. Tenants in Logistics assets are also able to pass on increased costs and combined with low supply of new developments in CEE have seen strong rent growth. This situation looks set to continue. Supply chain industrial assets, very common in CEE, face less input cost challenges than 12 months ago but investors have to be wary of recession risk if GDP growth is slowing. Across all sectors, construction costs are showing signs of peaking but whether this can be taken advantage of is a judgment on that same economic slowdown risk. It is not just the office sector that may see lower supply of new assets in 2023-24.

Higher central bank policy interest rates are acting to constrict that construction activity and real estate investment activity more generally. As interest rates rise, so banks tighten their lending standards, choosing to lend to what they perceive as safer clients and are also turning increased attention to ESG. A lending "flight to quality" in turn raises real estate corporate bond yields for other players. As already observed at the time of writing, the inability of some banks to weather the rapid rise in policy interest rates in key economies is reducing the number of financial intermediaries and likely to further constrict lending activity and increase the level of transaction debt funding costs. Hedging in or out of local currencies, if needed by real estate players, is as expensive as observed a year ago and this cost is not likely to fall in the near term. Interest rates in the US, the UK and Europe are likely to rise further, increasing the pressure on their local real estate markets. The direction of real estate yields in CEE is likely to be up, as some transactions in the UK arena are now being reported at higher yields than the market levels for prime CEE assets. A period of low transaction volumes looks likely, due to the mismatched expectations of buyers and sellers and the uncertainty over funding costs. Rent market outlooks look like staying in favour of tenants in the office and retail sector especially with the opposite being the case for industrial & logistics.

The Polish office market

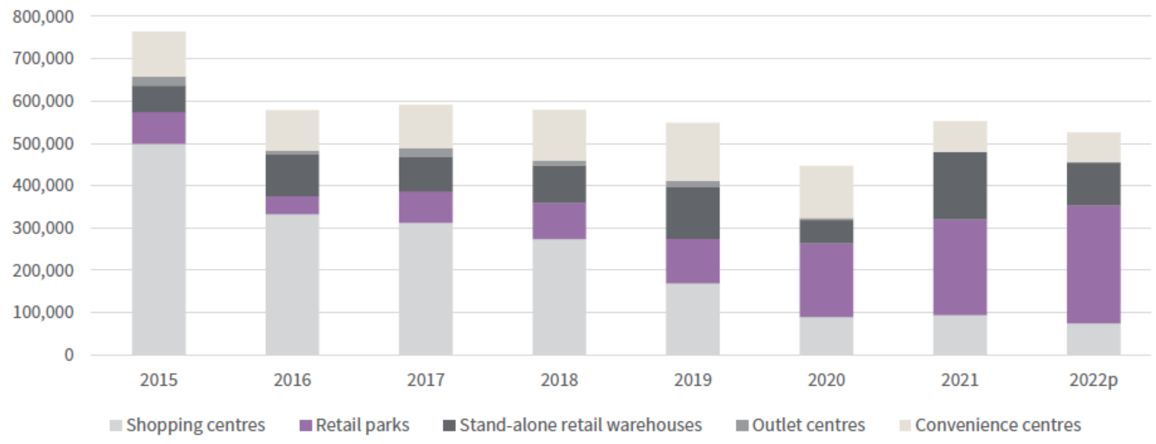
The 19% growth in 2022's volume of lease transactions nationally in Poland reflects the country's strong GDP growth performance and a continued recovery from the COVID-19 period. Lease transaction momentum was strongest in the capital Warsaw, jumping 34% year-on-year, according to Colliers data, with the regional cities overall seeing only a 5% increase in demand overall. The share of renegotiations/lease extensions in these gross national figures encouragingly dropped by some 8 percentage points to 36%. Space expansions made up 7% of the demand, another sign of health in business investment volumes. The implied 950,000 sqm of combined new demand last year exceeded the national supply of new space, 642,000 sqm according to Colliers data, by some margin. As in 2021, this excess demand has helped the market move towards overall balance, in relatively turbulent times. That supply increase added 5.1% to the national total stock of just over 12.7mn sqm in the calendar year. Developer activity continued to decrease in 2022, with 772,000 sqm under construction across the country at the end of the year. This level implies a fall of -36% in developer commitments compared to the end of 2021, according to Colliers and would represent only a 6% expansion to national stock in the next 12-24 months. Warsaw's stronger leasing demand helped vacancy rates fall from 12.7% to 11.6% there. This helped prime rents to grow 12.2% in the capital city to a level of EUR 27.5/sqm/month at the end of Q4 2022. In contrast, vacancy rates rose in most regional cities, meaning that rent levels were more static compared to 2021. As elsewhere, tenants are also facing rising operating costs.

In Szczecin, where our asset is located, the market is much healthier than in other regions. The city's vacancy rate, flat versus a year before at 5.8% in Q4 2022, remains according to both CBRE and Colliers the lowest amongst the office markets of the nine major cities in Poland. Very low supply again, at just 1,500 sqm in 2022, is in stark contrast to annual gross take-up of 18,500 sqm, according to Colliers data. Colliers counts just 2,400sqm as under construction at year end; CBRE see no projects. The city's proximity to Germany and consideration of the marketplace by business service sector providers are likely to keep demand robust in the near run, resulting in probable further downward pressure on that 5.8% office vacancy rate. As a result of the excess demand in 2022, prime rents rose to EUR 14.50/sqm/month at the year end versus EUR 13.50/sqm/month a year before, according to CBRE. Average rents also ticked up 9% to EUR 13.90/sqm/month. Further appreciation in rent levels in this city cannot be ruled out.

The Polish retail market

New challenges appeared in the Polish retail arena in 2022, with the war in neighbouring Ukraine disrupting demand as well as affecting the pricing of both goods supplied and construction costs. Overall retail sales grew 15.5% in nominal terms last year, containing of course a large inflation component. Real retail sales or the growth in volume terms was a creditable 5% year-on-year, matching the country's GDP growth performance. The influx of refugees from Ukraine, totalling 4%-5% of the population aided demand. High inflation of course remains a challenge in the coming quarters but Oxford Economics expect real retail sales growth of 3.6% for Poland in the 2023E-26E period. As with both 2020 and 2021, it is e-commerce and retail parks/convenience stores that are driving the momentum in overall retail sales. E-commerce maintained a steady market share which varied between 8.4% to 11.9% during 2022, according to Statistics Poland. Online sales are projected to grow 13% in 2023, according to JLL, suggesting that this market share may again expand slightly. But the more bullish forecasts, such as that of Euromonitor International foreseeing a jump to 22% of total retail sales by 2025, look too optimistic. It appears that the "bricks & mortar" space is weathering the challenge, certainly with the help of omnichannel initiatives from the retail brands. Within the investment arena, the vast majority of the 43 deals recorded in 2022 were in the retail park and convenience centre formats, according to JLL. Prime yields for the best retail parks stayed firmly at 6.75% at the end of 2022.

NEW COMPLETIONS BY RETAIL FORMATS IN POLAND (SQM GLA), 2015-2022



Source: JLL, as of H1 2022. 2022p = prognosis for full year

Illustrating the confidence in this segment new convenience store space in Poland was, very similarly to 2021, due to grow by another 85,500 sqm in 2022 according to JLL's estimates. The convenience centre asset class as a result continues to build its overall share in the Polish retail universe. Convenience centres made up 9% of total stock by gross leasable area ("GLA") in H1 2022, up a full percentage point on H1 2021 and on the paltry 1% level in the year 2000. This growth has important implications for the onward valuation of the asset class for landlords and offers an increasing choice of location for tenants. Rising general construction costs as well as increases in minimum wages and electricity costs have pushed many developers to search for cheaper construction options: the smaller retail formats, such as retail parks and convenience centres, are a fitting solution to this dilemma. The expansion of these formats is probably not finished, as the density of retail park and convenience centre space in Poland amounts to just 84 sqm per 1,000 inhabitants. Total convenience centre stock monitored by JLL amounted to around 902,000 sqm at the end of H1 2022, up from 804,000 sqm a year before. Poland's large number of moderately-sized urban centres is making it easier for developers to launch projects in new locations. Despite this opportunity most of these appear to be retail park formats, as new construction activity of convenience centres comprised 12 projects in H2 2022 and amounted to 14,500 sqm, or only 1.6% of stock, according to JLL data.

In this period of high inflation and economic uncertainty, the composition of convenience centres by type of retailer positions these assets well. "Value" retailers occupied 37% of the GLA in traditional retail parks and convenience centres in mid—2022, up from 33% a year earlier according to JLL. These key tenants meet the day-to-day needs of the customers living in the immediate vicinity of the development. They are home to retailers with basic offerings, very often from the off-price segment. The German DM Drogerie pharmacy chain opened its first stores in Poland in and after April 2022, while Castorama continued expanding its smaller-format offering last year. Other food retailers such as discounters Netto and Dino are increasing their presence, as is Zabka, via new formats. Top local market player Biedronka is also looking at new small convenience formats, which may spread from Warsaw. Ukrainian brands, such as the Lviv Croissants bakery chain, are also expanding to service the new émigré populations. Rents in this environment are broadly stable at EUR 8-12/sqm/month for a typical 2,000 sqm unit in a retail park. JLL noted in August 2022 some pressure for incentives from new tenants, including fit-out contributions. Service charges at a low EUR 1.5-2.0/sqm/month, though the recent energy and general inflation cost pressures are building up. JLL believe that smaller convenience-based retail assets have solid prospects, as leases are signed for long periods.

The Czech office market

The Czech office market continued to slowly stabilise after the COVID-19 shocks of 2020-21. The trajectory of Prague vacancy rates illustrates this steadying well, rising to a peak of 8.3% at the end of Q1 2022 but falling again in H2 to end the year at 293,600 sqm or 7.7%, just -10bps lower than 2021. On top of that, sub-leasing is still present, at up to 2% of the market according to Colliers, or 71,900 sqm, a number that has not really changed in the last 2 years. What is helping this turnaround is the supply-demand balance.

Net take-up, the most reliable yardstick of demand, jumped 41% year-on-year in 2022, to 294,100 sqm. A strong Q4 2022 especially helped 2022 breach 2019's 260,000 sqm level. New supply last year was much smaller, at just 75,400 sqm in Prague, amounting to just 2% of total stock. A relative lack of supply should continue into 2023-24, with 129,000 sqm according to Colliers completing this year followed by just 55,000 sqm in 2024. As such, the market is probably insulated from everything but a significant demand reduction over the next 24 months.

In this environment and driven by inflation indexing, prime headline rents in Prague rose 12.5% to the level of EUR 26.50-27.0 sqm/month by 2022's year end, according to Colliers. Inner city class B rent levels shifted up moderately to between EUR 17.5-18.0/sqm/month. For holders of these properties, these rental increases were needed as prime office rental yields have backed up a full 100bps to a level of 5.0% by the end of 2022. Higher financing costs are feeding into the Prague investment arena.

A flat-lining of gross take-up, amounting to 65,900 sqm in 2022 according to the Czech Regional Research Forum, pushed up vacancy rates in the Brno office market to 13.4% by the year end. This level was 200bps higher than 2021. New supply last year totalled 33,000 sqm, or 5% of total stock, which added to the vacant floorspace on a net basis when take-up renegotiations are taken into account. Brno's prime rents nevertheless firmed moderately, being 3%-6% higher than 2021 at EUR 16.0-16.5/sqm/month by 2022's year end. Traditionally, Brno is home to technology and software development companies: JLL believes that incremental interest from both larger international IT players and smaller companies could eat up the vacant stock in coming quarters.

The Slovak office market

Slovakia's office market absorbed the region-wide challenges in 2022. Office vacancy rates in the benchmark Bratislava arena ticked down 50bps to 11.2% at the end of last year, according to the Bratislava Research Forum. The improvement was mostly due to a virtual drying up of new supply, with just 2 buildings totalling 25,160 sqm coming to market in 2022. The addition to stock was thus just 2%. Net take-up was much higher, amounting over the course of last year to 118,900 sqm, according to Cushman & Wakefield. This supply-demand balance likely shifts a little to the unfavourable side in 2023 with Cushman & Wakefield expecting 113,300 sqm of A+ office space due to be completed this year. Down-sizing and low levels of pre-leasing by tenants could increase the pressure. Much will depend on the near-term overall performance of the very export-oriented Slovak economy generating natural expansion demand from corporates.
Prime Bratislava Central Business District (CBD) rents firmed in 2022, rising to EUR 17.0/sqm/month. Rents in the city's peripheral locations, an approximation for B class offices and other cities such as Kosice, also firmed in the course of 2022, rising from EUR 11.50/sqm/month towards EUR 12.50/sqm/month according to Cushman & Wakefield. As elsewhere, higher funding costs for transactions brought a tick-up in prime office rental yields, to 5.5% by the 2022 year end.

The Romanian office market

The Bucharest office market, like its regional peers, faced the twin challenges of relatively sluggish demand and high inflation from the economy and the trend of "hybrid-working" in 2022. Overall vacancy rates reflected this situation and again climbed last year, reaching the level of 14.1% according to CBRE. The picture appears better when looking at the 12.3% vacancy rate for class A offices, which fell last year. The high for net take-up in the last cycle was 269,000 sqm in 2019: 2022 saw demand rise 9% but to a level of 178,000 sqm. Thus, fresh excess demand remains elusive so far in this cycle. Renewal/renegotiation deals, at 117,000 sqm, did not grow in 2022. But new supply, in contrast to 2021, was much less of a burden to the market balance, falling to just 124,400 sqm. This was the lowest level of completions since 2015 and meant that overall stock rose only 3.8% to 3.32mn sqm, according to CBRE. Colliers and CBRE see 100,000 sqm/113,000 sqm only of supply coming to the market in 2023, with the pipeline drying further into 2024.

Inflation-linking pushed CBD rents up some 4% in Bucharest up to EUR 19.50/sqm/month in 2022 according to CBRE. Discount incentives are still present but the falling supply, rising inflation and increased operational costs of managing buildings may limit tenant bargaining in the coming quarters. A moderate GDP growth outcome for Romania in 2023 could see office demand rise by as much as 2022's 9% rate. The IT sector made up 37% of demand in Bucharest last year, according to Colliers and has the potential to continue growing. Bucharest's prime office yields edged up 25bps last year, to 7.0%.

The Bulgarian residential market

The war in Ukraine, rising inflation, the onset of interest rate hikes and slowing GDP growth all combined to slow activity in Sofia's high-end residential sector in 2022. Colliers observed flat prices in the sales market, concentrated in the districts of the city at the foot of the Vitosha mountain, last year. Activity was nonetheless healthy with this unchanged pricing implying that the increase in total stock, some 1,560 units, or 12% growth to 14,320 units, was completely absorbed. Discounts to asking prices disappeared. The attention of buyers focused on larger units according to Colliers, with 71% of sales being of 3-bedroom apartments. This shift reflects a desire for a better standard of living, reflected in that 85% of 2022's demand was intended for owner-occupation: this is the highest proportion seen in recent years by some margin. Higher Bulgarian interest rates have meant a shift in funding: only 14% of transactions in H2 2022 were financed partially with a mortgage, compared to 62% in H2 2021.

Rents ticked up but lagged double-digit general inflation: The average rent for a two–bedroom apartment rose 5%-8% to EUR 1,000 – 1,300/month, including VAT, according to Colliers data. The first build-to-rent projects are already under construction in Sofia, suggesting that the rental market may have a wider base in the medium term. The volatility of construction material prices started to decrease in general in H2 2022, though the pre-sales market for developers remains weak. The number of residential units under construction is almost 4,000, back to 2020's levels and higher than 2021's 3,200. The implied period for construction is presently 2 years.

Significantly slowing GDP growth in 2023 likely means that sales prices will likely remain around current levels. Colliers sees underlying demand being able to absorb the supply, as the reliance on mortgage financing appears low overall for this in-demand residential segment.

The Ukrainian land market

The Ukrainian economy is operating on a war footing and the land market thus has very limited activity. The entire country remains under martial law and fully engaged in repelling the Russian invasion that began on 24 February 2022. Damage to infrastructure and the occupation of territory, refugee emigration, disruption to exports and fixed asset investment saw the economy contract -30% in 2022, according to World Bank estimates. The pressures of the war and global factors sent consumer price inflation up to October's peak of 27% year-on-year, with the year-on-year change in the latest February 2023 reading sitting at 25%. The National Bank of Ukraine hiked interest rates from 10% to 25% in June 2022, a level held since then to discourage capital flight and to combat that inflation. In normal circumstances, such interest rates would act to slow the economy and real estate development activity down. Real estate activity is likely to be focused on re-building if and when the present war conditions end, probably with significant support from government and multinational agencies.

Land price inflation in Ukraine, as elsewhere, is seen as a hedge on accelerating general inflation. Notional land prices have thus appreciated in 2022 in US dollar terms according to the SV Development land price source. For the record, Odessa oblast's land prices saw a 4.1% increase in USD terms at the beginning of 2023 compared to 2022. This matched the average land price rise in Kyiv Oblast'. In Dnepropretrovsk oblast', adjacent to Zaporizhzhe Oblast', the same source saw a 2.7% increase in calendar 2022.

5.4.2 REAL ESTATE PORTFOLIO DEVELOPMENT

Table 12 – Comparative statement of the real estate portfolio

	31-12-2022	31-12-2021	change	%
Valuation (in EUR 1,000)[14]	81,795	85,093	-/- 3,298	-/- 3.9%
Number of properties	21	22	-/- 1	-/- 4.5%
Rentable area (in sqm)	[15] 57,684	67,597	-/- 9,913	-/- 14.7%

The fair value as at end 2022 is EUR 3.3 million lower than the previous year, which is primarily due to the sale of properties in Slovakia (two) and the Czech Republic (one), the acquisition of assets in Romania (two) and valuation movements.

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

All in EUR 1,000	2022	2021
Balance as of 1 January	**75,877**	**75,674**
Acquisitions	4,642	41
Purchases and additions	365	314
Exchange rate differences	458	1,069
Disposals	-	-/- 9
Fair value adjustments	-/- 3,737	3,508
Balance as of 31 December (including assets held for sale)	**77,605**	**80,597**
Reclassification	-/- 10,261	-/- 4,720
Balance as of 31 December	**67,344**	**75,877**

The *"Purchases and additions"* of EUR 365,000 corresponds to improvements of the investment properties. The *"Exchange rate differences"* show that due to fluctuations in the currency exchange rates, the value of investment properties changed by EUR 458,000. The *"Disposals"* of investment properties during the year 2022 are included in the assets-held-for-sale and are included in the "Reclassification", reclassifies assets from investment properties. The *"Fair value adjustments"* shows that the fair value of investment properties was adjusted downwards by EUR 3,737,000 during the year.

Table 14 – Comparative statement[16] of real estate income 2022 – 2021

	2022 in EUR 1,000	2021 in EUR 1,000	Change in EUR 1,000	Change In %
Gross rental income	5,464	5,743	-/- 279	-/- 4.9%
Service cost income	2,422	2,064	358	17.3%
Total income	**7,886**	**7,807**	**79**	**1.0%**
Service costs	-/- 2,363	-/- 2,278	-/- 85	3.7%
Operational costs	-/- 1,706	-/- 1,849	143	-/- 7.7%
Net rental income	**3,817**	**3,680**	**137**	**3.7%**

Table 14 displays the real estate income for the part of the real estate portfolio that is comparable between the two years. Additionally, please note that two assets in Ukraine (land properties) and one asset in Bulgaria (residential project) are not income-generating properties and, therefore, do not contribute to the operational income.

"Total income" represents the sum of the gross rental income and service cost income. "Gross rental income" represents the total rental income received by the property owner before any deductions are made. "Service cost income" is the income received from tenants for services provided by the property owner, such as maintenance, repairs, and cleaning.

[14] Including assets held for sale
[15] Assuming 24.35% of the 10.800 m^2 rentable area for the Delenco office in Romania
[16] Solely based on property assets in possession during 2021 and 2022

“Service costs” represents the expenses incurred by the property owner in providing services to tenants. “Operational costs” represents the expenses incurred by the property owner in maintaining and operating the property, such as property taxes, insurance, and utilities.

“Net rental income” represents the income earned by the property owner after deducting the service costs and operational costs from the gross rental income and service cost income. In 2022, the comparable net rental income was EUR 3.817 million, which is EUR 137.000 or 3.7% higher than the income in 2021.

5.4.3 FUND PORTFOLIO OPERATIONS

The table below shows how the key ratios of the Fund´s operations changed over 2022:

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

	31-12-2022	31-12-2021	Change	Change (%)
Fair value per asset (in EUR 1,000)	3,912	3,922	-/- 10.0	-/- 0.3%
Number of properties (annual average)	20.9	23.8	-/- 2.9	-/- 12.1%
NOI per asset[17] (in EUR 1,000)	244.1	211.1	33.0	15.6%
Occupancy[18] (in %)	88.6	90.3	-/- 1.7	-/- 1.9%
Total loan-to-value (in %)	43.6	42.2	1.4	3.3%
Discount Share price to NNNAV (in %)	50.0	41.2	8.8	21.4%
Ongoing Charges Figure[19] (in %)	8.0	9.5	-/- 1.5	-/- 15.6%
Fund expense ratio (in %)	3.71	4.07	-/- 0.4	-/- 8.8%
Solvability[20] (in %)	106.4	105.1	1.3	1.3%

5.5 FUND STRATEGY AND OBJECTIVE

The Fund's primary investment focus is income-generating real estate in Central and Eastern Europe. The Fund's investment strategy aims to achieve a balanced portfolio of modern high-yielding, multi-tenanted properties across the region with a loan to value between 40% to 50% (including convertible bonds).

Table 16 – Distribution over the countries

Country	2022	2021
Poland	40.0%	39.8%
Czech Republic	19.4%	22.6%
Slovakia	20.3%	25.5%
Ukraine	1.2%	4.0%
Bulgaria	7.6%	8.1%
Romania	11.5%	0.0%

The Fund continually seeks to optimize its portfolio by balancing the allocation of assets across different countries and improving its loan to value ratio.

[17] Net Operating Income per income producing asset
[18] Weighted based on fair value, excluding non-income generating properties Aisi Bela and Boyana Residence
[19] Excluding one-off cost elements
[20] Defined as equity / liabilities x 100%

5.6 DIVIDEND AND SHARE BUYBACK

The Fund's dividend policy is to distribute approximately 35% of the operational result to shareholders based on the annual results. The Fund aims to pay an interim dividend with the half-year results, followed by a final dividend after year-end, in cash. However, dividend proposals will take into account various factors, such as expected future capital requirements, growth opportunities, net cash generation, and regulatory developments.

In September 2022, the Fund started the share buyback programme, which was approved by the shareholders in October 2021. The programme utilizes the net proceeds from asset sales after short-term debt repayment obligations have been met. The share buyback programme was concluded on March 15, 2023. After this first six-month buyback period, the market will continue to be informed about the timing, process and volumes.

5.7 OUTLOOK

Fund performance in 2023 will be strongly influenced by interest rate trajectories for its Euro- and Czech Crown-denominated financing arrangements. Whilst the Fund has been able to absorb recent increases in interest rates due to low overall loan to value ratios and continuing strong cash generation, there is a perception that 2023 will see the peak of the current rate cycle and an easing of loan conditions, which will enhance net financial returns at Fund level and improve market sentiment generally.

Developments in the conflict in Ukraine will continue to impact the Fund, but as the value of the Fund´s holdings in the country have already been substantially written down the risk is potentially on the upside. Two further small development site acquisitions from SPDI in the Kiev area, contracted in 2021, are now expected to be completed by the Fund in 2023, at pricing levels which will fully reflect current local market conditions.

The Fund will continue its disposal programme for non-core assets across the Central European region, with the target to generate up to EUR 10 million in net proceeds from asset sales during 2023. Operational performance, reflecting strong occupational levels and rising rents, is expected to remain robust over the course of the year.

Sberbank CZ situation

The Fund's wholly-owned subsidiary in the Czech Republic, Arcona Capital RE Bohemia s.r.o. (ACREB), has a loan with Sberbank CZ, a subsidiary of Sberbank Europa AG and Sberbank of Russia, both of which are on international sanctions lists. However, as of yet, Sberbank CZ is not on a sanctions list, and ACREB can continue to conduct business with them.

ACREB's bank accounts at Sberbank CZ have been blocked since February 28, 2022, with approximately EUR 400,000 frozen. ACREB received compensation of EUR 100,000 in April 2022 from the Czech Guarantee Fund. A sale of the Sberbank CZ loan portfolio to Ceska Sporitelna, a subsidiary of Erste Bank of Austria, has been agreed and is expected to complete during 2023. The Management anticipates that ACREB should receive back 100% of its outstanding deposit balance with Sberbank once this sale completes. It is also anticipated that ACREB´s EUR 8.45 million mortgage loan from Sberbank will be transferred to Ceska Sporitelna on completion of the sale on existing terms and conditions. However, it is not at this stage clear whether the advantageous interest rate hedging arrangements on the mortgage loan will also be transferred.

Boyana Residence E.O.O.D.

The Fund's Bulgarian subsidiary, Boyana Residence E.O.O.D., refinanced its matured loan from Alpha Bank in January 2023 with a syndicated loan of EUR 3.6 million from private Dutch investors. At the end of 2022 the Boyana project was valued at EUR 6.25 million. The Management expects to repay EUR 2.4 million of the new syndicated loan from sales within the project by June 2023.

5.8 RISK MANAGEMENT

The management of risk is an essential responsibility of the Board. We can report that there have been no significant changes to the risk management framework outlined in section 15.42 of this annual report.

Risk appetite and risk management
Our risk management policy is designed to identify, assess, and respond to the primary risks inherent in the Fund's activities. We conduct an annual top-down review and risk inventory to manage our risk exposure by taking mitigating measures while pursuing our business opportunities to achieve our strategic objectives.

We have identified the risks presented in section 15.40 "Risk management" as our primary risks. We have not found any other risks that could materially impact our business, but we acknowledge that unidentified or unforeseen risks could have such an impact.

We have established an Internal Control Framework to provide reasonable assurance that risks are identified and mitigated to achieve our significant objectives. The framework comprises monthly KPI reporting, a cloud-based work environment supported by a data recovery plan, and a planning and control structure. We have also implemented administrative organization and internal controls based on a division of functions. Both contracting and payments take place based on the "four-eyes" principle.

Internal control framework
Risk reports are a recurring topic at our supervisory and managing board meetings, and we continuously monitor risks with mitigating measures in place. We stress test and discuss the results with both the Managing and Supervisory Board to ensure effective risk management.

For further details on our main risks and uncertainties, please refer to section 15.40 "Risk management" and the notes to the consolidated financial statements.

5.9 REMUNERATION POLICY

The Fund's Managing Board applies a remuneration policy that contributes to appropriate and effective risk management while avoiding unnecessary risks within the framework of the Fund's prospectus and statutes. This policy is in line with the Fund's strategy, the goals and values of the Managing Board, and the interests of the Fund's investors. Additionally, the remuneration policy includes measures aimed at preventing conflicts of interest.

The goal is to maintain a healthy balance between fixed and variable remuneration. Fixed remuneration is sufficient for daily expenses and includes payments for education and pension contributions. Variable remuneration should be viewed as an addition to the fixed remuneration and is based on evaluating individual employees' achievements for the company as a whole.

The Managing Board does not provide a guaranteed variable bonus. Instead, any variable bonus is determined based on measurable results or clear achievement goals. For further information, the full remuneration policy of the Managing Board can be downloaded from http://www.arconacapital.com.

Remuneration for the Managing Board for the period 2022 – 2018
In 2022 the Fund paid a total fee of EUR 1,286,000 (2021: EUR 1,301,000) to the Managing Board, affiliated companies and Secure Management. Of this total amount, the Managing Board received a fund management fee of EUR 705,000 (2021: EUR 648,000) and affiliated companies received an asset management fee of EUR 498,000 (2021: EUR 591,000).

Table 17 – Comparative statement of total remuneration per year

All in EUR	2022	2021	2020	2019	2018
The Managing Board	705,000	648,000	665,000	680,000	684,000
Arcona Capital Czech Republic	295,000	406,000	473,000	474,000	466,000
Arcona Capital Poland	203,000	185,000	180,000	179,000	180,000
Secure Management	83,000	62,000	89,000	5,000	n.a
Total remuneration	**1,286,000**	**1,301,000**	**1,407,000**	**1,338,000**	**1,330,000**

The remuneration for the Managing Board is described in section 15.33.1 “Specification of administrative expenses”. The Managing Board employed on average 4 employees (2021: 3 employees). The managing directors of the Managing Board are employed by Arcona Capital Nederland N.V. (3) and Arcona Capital GmbH (1). The total number of employees involved in the activities of the Fund is 7 (2021: 7). The Managing Board of the Fund receives a fixed management fee, described in the prospectus of the Fund. Part of the fixed management fee is paid as asset management fee to Arcona Capital Czech Republic, since 2017 to Arcona Capital Poland and since 2019, to Secure Management.

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

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

No employees received (according to article 1:120 Wft) a remuneration exceeding EUR 500,000. The Managing Board comprises three men and one woman. During 2022 the Fund did not employ any staff directly (2021: 0). As identified staff, a managing director of Arcona Capital Nederland N.V. and its mother company Arcona Capital GmbH is shown. This director is not a policy maker of the Managing Board.

Remuneration for the Supervisory Board for the period 2022 – 2018
The Supervisory Board received a total remuneration of EUR 35,000 (2021: EUR 35,000) in 2022. The remuneration for the Supervisory Board and the remuneration for the statutory directors are described in section 15.34.3 Analysis of Supervisory Board fees and 15.34.4 Analysis of other operating expenses.

Table 18 – Comparative statement of supervisory board remuneration per year

All in EUR	2022	2021	2020	2019	2018
Supervisory Board	35,000	35,000	28,000	28,000	28,000

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

5.10 CORPORATE GOVERNANCE

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

5.11 STATEMENT REGARDING ADMINISTRATIVE ORGANISATION AND INTERNAL CONTROL

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

Amsterdam, 28 April 2023

The Managing Board, Arcona Capital Fund Management B.V.
G.St.J. Barker LLB, Managing director
P.H.J. Mars, M.Sc., Managing director
M. Blokland, Managing Director
M. van der Laan, Managing Director

6 THE REAL ESTATE PORTFOLIO

As of 31 December 2022, the Fund's portfolio comprised twenty-one properties. The following section gives an overview of each property in the portfolio during 2022. The properties are located in five Central European countries: three in the Czech Republic,two in Slovakia, two in Romania, eleven in Poland, one in Bulgaria and two in Ukraine.

6.1 THE REAL ESTATE PORTFOLIO IN POLAND

The Fund portfolio as at 31 December 2022 comprises ten modern retail centres in regional cities across Poland and one modern office building, in Szczecin. The properties are all multi tenanted. The main characteristics of each property are briefly summarised below:

8 Laubitza, Inowroclaw	
Type	Retail
Rentable Surface (in sqm)	1,749
Occupation Rate (in %)	67.3
Fair value (in EUR)	1,670,000

The property is located in Inowroclaw, within Stare Miasto district, at 8 Laubitza Street, close to Dworcowa Street. The area is mostly commercial in nature. The retail building, completed in 2001, comprises one floor above ground of 1,749 sqm of total lettable area and 41 parking spaces situated at the east, south and west sides of the property. In June 2022, Carrefour signed a seven-year lease for 1,430 square meters, under enhanced rental terms. The new supermarket opened its doors in early August 2022.

800-lecia Inowroclawia 27, Inowroclaw	
Type	Retail
Rentable Surface (in sqm)	2,548
Occupation Rate (in %)	96.9
Fair value (in EUR)	2,670,000

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

1 Krzemowa, Gdansk (Krzemowa)	
Type	Retail
Rentable Surface (in sqm)	1,622
Occupation Rate (in %)	98.6
Fair value (in EUR)	3,180,000

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

1 Plutona, Glogow (Plutona)	
Type	Retail
Rentable Surface (in sqm)	1,669
Occupation Rate (in %)	77.6
Fair value (in EUR)	1,900,000

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

82 Kalinkowa, Grudziadz (Kalinkowa)	
Type	Retail
Rentable Surface (in sqm)	2,556
Occupation Rate (in %)	98.2
Fair value (in EUR)	2,670,000

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

137 Wojska Polskiego, Piotrkow Trybunalski (Wojska)

Type	Retail
Rentable Surface (in sqm)	2,603
Occupation Rate (in %)	96.3
Fair value (in EUR)	3,310,000

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

6 Wolnosci, Slupsk (Wolnosci)

Type	Retail
Rentable Surface (in sqm)	1,859
Occupation Rate (in %)	100.0
Fair value (in EUR)	1,640,000

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

216 Legionow St., Torun (Torun)

Type	Retail
Rentable Surface (in sqm)	2,229
Occupation Rate (in %)	100.0
Fair value (in EUR)	3,080,000

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

20 Grzymaly Siedleckiego St., Bydgoszcz (Bydgoszcz)

Type	Retail
Rentable Surface (in sqm)	1,793
Occupation Rate (in %)	100.0
Fair value (in EUR)	1,370,000

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

107 Kardynala Wyszynskiego St., Lodz (Lodz)

Type	Retail
Rentable Surface (in sqm)	1,609
Occupation Rate (in %)	85.9
Fair value (in EUR)	2,160,000

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

9 Holdu Pruskiego Square, Szczecin (Maris)

Type	Office
Rentable Surface (in sqm)	5,945
Occupation Rate (in %)	92.8
Fair value (in EUR)	9,040,000

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

6.2 THE REAL ESTATE PORTFOLIO IN THE CZECH REPUBLIC

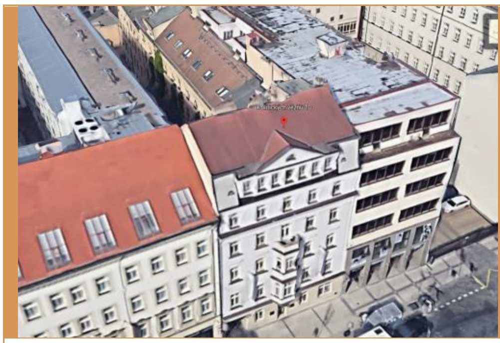
The portfolio comprises three commercial properties located in Prague, the capital city.. The properties vary in construction, specification and tenant mix however all are multi tenanted and are primarily used as office accommodation with some providing ground floor retail units. The main characteristics of each property are summarised below.

Na Zertvach 34, Prague 8 (Palmovka)	
Type	Office
Rentable Surface (in sqm)	2,263
Occupation Rate (in %)	100
Fair value (in EUR)	3,596,000

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

Prvniho pluku 621, Prague 8 (Karlin)	
Type	Office
Rentable Surface (in sqm)	4,245
Occupation Rate (in %)	83.2
Fair value (in EUR)	6,221,000

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



Politických vězňů 10, Prague 1	
Type	Office
Rentable Surface (in sqm)	2,286
Occupation Rate (in %)	78.9
Fair value (in EUR)	6,651,000

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

6.3 THE REAL ESTATE PORTFOLIO IN SLOVAKIA

The Fund portfolio as at end 2022 has two commercial properties in Slovakia. These comprise multi storey B-/C class office blocks of concrete frame structure and flat roof construction, situated in urban locations. The properties are all multi tenanted and are primarily used as office accommodation. Some properties provide retail or storage space. The main characteristics of each property are briefly summarised below:

Záhradnicka 46, Bratislava (Záhradnicka)	
Type	Office
Rentable Surface (in sqm)	3,755
Occupation Rate (in %)	59.6
Fair value (in EUR)	3,786,000

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

Letná 45, Košiče (Letná)	
Type	**Office**
Rentable Surface (in sqm)	**11,169**
Occupation Rate (in %)	76.0
Fair value (in EUR)	12,810,000

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

6.4 THE REAL ESTATE PORTFOLIO IN BULGARIA

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

Boyana Residences, Sofia (Boyana)	
Type	Apartments and land plot
Surface area (in sqm)	22,440
Occupation Rate (in %)	n/a
Fair value (in EUR)	6,247,000

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

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

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

6.5 THE REAL ESTATE PORTFOLIO IN ROMANIA

The Fund´s portfolio includes two office properties in Bucharest, Romania. The main characteristics of the properties are summarised below:

EOS office, Bucharest	
Type	Office
Rentable Surface (in sqm)	3,386
Occupation Rate (in %)	100%
Fair value (in EUR)	5,346,000

The office building completed in June 2008 has Total Gross Lettable Area of 3,386 sq m and 90 exterior parking places. The Property is 100% let to DANONE. The world leading food company occupies the building since 2008.

EOS Office Building is located in the North-Eastern part of Bucharest at 900 meters North of Fundeni Rd a major artery within that particular area of the city. The neighbouring area comprises a mix between light industrial (food processing and logistics) and residential use.

Delenco office, Bucharest (Fund has 24.35% ownership)	
Type	Office
Rentable Surface (in sqm)	10,384
Occupation Rate (in %)	86%
Fair value (in EUR)	16,750,000
a 24.35% stake is :	4,078,000

The property is a multi-storey office building in central Bucharest, completed in June 2008.The DELENCO Building has a Gross Lettable Area (GLA) of 10,384 sq m with 2 UG levels, lobby and retail space on the ground floor and offices on upper floors. The property has different height levels, from 7 upper floors in the north wing facing Calea Calarasilor to 9 partial floors in the main wing, facing Delea Noua, and 10 floors in the wing facing Matei Basarab St. The main tenant is ANCOM, the national telecom regulator.

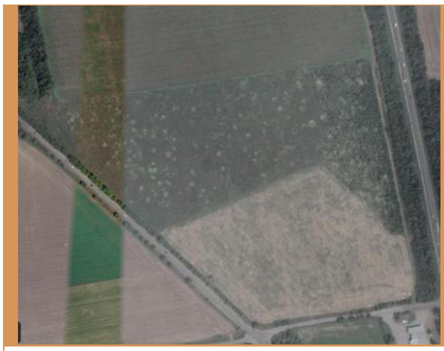
6.6 THE REAL ESTATE PORTFOLIO IN UKRAINE

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

Nerubaiske Village, Odessa (Biliayivskyi District)

Type	Land plot
Surface area (in sqm)	223,934
Occupation Rate (in %)	n/a
Fair value (in EUR)	956,000

The land plot fronts the Odessa-Kiev M-05 Highway, a six-lane strategic road with high levels of freight traffic connecting Ukraine´s capital city with its largest seaport. The land plot is approximately 7.5 km from the Odessa Ring Road and 1.8 km from the nearest motorway exit. The immediate neighbourhood is developing as a logistics and industrial hub for Odessa, with two major schemes, the established temperature-controlled complex 'Inrise Logistics Park' and the newly built 'Odessa Logistics Park' already in operation. The plot has been prepared for warehouse construction with extensive foundation works already completed. The Fund´s business plan for the project is to update the development documentation and planning and then to sell to a local or international warehouse developer.



Balabynska Village, Zaporizhzhia (Zaporizkyi District)

Type	Land plot
Surface area (in sqm)	263,834
Occupation Rate (in %)	n/a
Fair value (in EUR)	0

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

CONSOLIDATED FINANCIAL STATEMENTS 2022

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7 PERFORMANCE INDICATORS

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

7.1.1 Earnings

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

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

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

Adjusted earnings per share according to APM[1] 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 customized earnings per share according to APM 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) reference is made to the explanation in (3), mentioned in section 7.1.8 "Explanation of adjustments calculation of NAV".

[1] The adjusted earnings per share according to APM includes all types of profit-sharing shares (e.g., ordinary and registered shares). Therefore, treasury shares are excluded from the adjusted earnings per share according to APM. The term APM stands for Alternative Performance Measure.

7.1.2 Calculation of adjusted (diluted) earnings according to APM

	Notes	**2022** In € 1,000	**2021** In € 1,000
Earnings per IFRS Consolidated Income Statement	*9*	-/- 4,350	3,134
Exclude:			
1. Valuation results of:			
a. owned investment property	*15.26*	3,669	-/- 3,647
b. investment property under development	*15.26*	1,341	7
c. equity investments	*15.30*	68	-
2. Results on disposals of:			
a. owned investment properties	*15.27.1*	-	25
b. realised currency results on net investments in group companies	*15.31*	-/- 27	-/- 530
3. Tax on results on disposals of properties and equity investments		-	-/- 5
4. Changes in fair value of financial instruments of:			
a. derivatives	*15.31*	-/- 182	-/- 508
b. convertible bonds		-	28
5. Acquisition costs on share deals		-	-
6. Taxes in respect of adjustments		-/- 70	266
Earnings		**449**	**-/- 1,230**
Weighted average number of profit-sharing shares		4,077,735	3,758,683
Adjusted earnings per share according to APM (in €)		**0.11**	**-/- 0.33**
Weighted average number of profit-sharing shares (fully diluted)		4,077,735	3,758,683
Diluted adjusted earnings per share according to APM (in €)		**0.11**	**-/- 0.33**

7.1.3 Explanation of adjustments calculation of adjusted (diluted) earnings according to APM

1. Valuation results of properties and equity investments

This adjustment includes the gain or loss in the Consolidated Income Statement arising in the period from the revaluation of owned investment property, investment property under development and 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 equity investments

This adjustment includes the profit or loss on disposal of owned investment property, investment property under development and equity investments. Therefore the results on disposals of owned investment property held for sale, right-of-use assets, right-of-use assets held for sale and investment property under development held for sale are not excluded from earnings.
This adjustment includes also the profit or loss on foreign currency translation differences in case of (partial) reduction of net investment in foreign activities (release from reserve for currency translation differences).

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

This adjustment includes the tax charge or credit relating to profits or losses on owned investment property, investment property under development and 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.

7.1.4 Calculation of (diluted) customized earnings according to APM

	Notes	2022 In € 1,000	2021 In € 1,000
Earnings	*7.1.2*	449	-/- 1,230
Exclude:			
1. Valuation results of owned investment properties held for sale	*15.26*	-/- 1,135	707
2. Valuation results of right-of-use assets	*15.26*	103	97
3. Results on disposals owned investment properties held for sale	*15.27.1*	640	809
4. Impairment allowance of inventories	*9*	-/- 70	53
5. Results on disposals of inventories	*15.28*	29	-
6. Penalties for early termination of rental contracts	*15.32*	-/- 487	-/- 5
7. Costs of funding and acquisition	*15.34.5*	207	86
8. Interest expense on lease liabilities	*15.36*	76	84
9. Fee for early repayment loans and borrowings		12	3
10. Break fee derivative financial instruments		-	15
11. Foreign exchange and currency results	*15.31*	-/- 8	-/- 25
Include:			
12. Operating leases	*15.16.5*	-/- 188	-/- 186
Subtotal adjustments (before taxes)		-/- 821	1,638
13. Taxes in respect of above adjustments		183	-/- 321
Total adjustments		-/- 638	1,317
Customized earnings		**-/- 189**	**87**
Weighted average number of profit-sharing shares	*15.39.3*	4,077,735	3,758,683
Customized earnings per share according to APM (in €)		**-/- 0.05**	**0.02**
Weighted average number of profit-sharing shares (diluted)	*15.39.6*	4,077,735	3,758,683
Diluted customized earnings per share according to APM (in €)		**-/- 0.05**	**0.02**

7.1.5 Explanation of adjustments calculation of (diluted) customized earnings according to APM

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) customized earnings according to APM. 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) customized earnings according to APM. 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) customized earnings according to APM.

7.1.6 Net Asset Value

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

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

NAV should be calculated on a diluted basis considering the impact of any options, convertibles, etcetera that are dilutive.

7.1.7 Calculation of NAV

	Notes	**31-12-2022** In € 1,000	**31-12-2021** In € 1,000
Group equity in accordance with IFRS	*8*	46,515	46,403
Exclude:			
1. Fair value of financial instruments	*15.5*	-/- 479	-/- 293
2. Deferred tax	*15.6.1*	2,997	3,094
Group equity in accordance with NAV		**49,033**	**49,204**
Total number of profit-sharing shares	*19.9.1*	4,185,984	3,758,683
3. Effect of exercise of options, convertibles and other equity interests (diluted basis)		-	-
Total number of profit-sharing shares (diluted)		**4,185,984**	**3,758,683**
NAV per profit-sharing share (in €)		**11.71**	**13.09**

7.1.8 Explanation of adjustments calculation of NAV

1. Fair value of financial instruments

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

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

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

2. Deferred tax

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

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

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

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

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

7.1.9 Triple Net Asset Value

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

7.1.10 Calculation of NNNAV

	Notes	**31-12-2022** In € 1,000	**31-12-2021** In € 1,000
Group equity in accordance with NAV	*7.1.7*	49,033	49,204
Include:			
1. Fair value of financial instruments	*15.5*	479	293
2. Fair value of debt		4	11
3. Fair value of deferred tax		-/- 1,498	-/- 1,547
4. Fair value of inventories		1,421[2]	-
Group equity in accordance with NNNAV		**49,439**	**47,961**
Total number of profit-sharing shares	*19.9.1*	4,185,984	3,758,683
5. Effect of exercise of options, convertibles and other equity interests (diluted basis)		-	-
Total number of profit-sharing shares (diluted)		**4,185,984**	**3,758,683**
NNNAV per profit-sharing share (in €)		**11.81**	**12.76**

7.1.11 Explanation of adjustments calculation of NNNAV

1. Fair value of financial instruments

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

[2] Since the fair value of inventories as at Statement of Financial Position's date deviates materially from its carrying amount, the difference between these two values are included in the calculation in the NNNAV.

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 13.41.3 "Deferred tax" in the Accounting Principles Consolidated Financial Statements.

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

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

4. Fair value of inventories

This adjustment includes the difference between inventories included in the Consolidated Statement of Financial Position at the lower of cost and net realisable value, and the fair value of inventories.

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

For the effect of exercise of options, convertibles, and other equity interests (fully diluted basis) reference is made to the explanation in section 7.1.8 (3) "Explanation of adjustments calculation of NAV" above.

7.1.12 Calculation of NNNAV before distributions to shareholders

	Notes	**31-12-2022** In € 1,000	**31-12-2021** In € 1,000
Group equity in accordance with NNNAV	*7.1.10*	49,439	47,961
Exclude:			
1. Cumulative distributions to shareholders		3,120	3,120
Group equity in accordance with NNNAV before distributions to shareholders		**52,559**	**51,081**
Total number of profit-sharing shares	*19.9.1*	4,185,984	3,758,683
2. Effect of exercise of options, convertibles, and other equity interests (diluted basis)		-	-
Total number of profit-sharing shares (diluted)		**4,185,984**	**3,758,683**
NNNAV per profit-sharing share before distributions to shareholders (in €)		**12.56**	**13.59**

8 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**31-12-2022** In € 1,000	**31-12-2021** In € 1,000
Assets			
Investment property	*15.2*	68,638	77,274
Investment property under development	*15.3*	958	2,699
Investments in associates	*15.4*	3,587	-
Derivative financial instruments	*15.5*	372	141
Deferred tax assets	*15.6*	432	605
Trade and other receivables	*15.9*	650	490
Prepayments and deferred expenses	*15.10*	-	23
Total non-current assets		**74,637**	**81,232**
Derivative financial instruments	*15.5*	107	152
Tax assets	*15.8*	563	87
Trade and other receivables	*15.9*	1,346	709
Prepayments and deferred expenses	*15.10*	214	327
Cash and cash equivalents	*15.11*	4,740	1,744
Inventories	*15.12*	1,835	1,765
Assets held for sale	*15.13*	6,777	4,550
Total current assets		**15,582**	**9,334**
Total assets		**90,219**	**90,566**
Group equity (attributable to Parent Company shareholders)	*15.14*	**46,515**	**46,403**
Liabilities			
Loans and borrowings	*15.16*	17,213	30,187
Deferred income and tenant deposits	*15.18*	384	410
Deferred tax liabilities	*15.19*	3,183	3,514
Total non-current liabilities		**20,780**	**34,111**
Tax liabilities	*15.15*	509	700
Loans and borrowings	*15.16*	18,912	6,609
Trade and other payables	*15.17*	3,344	2,590
Deferred income and tenant deposits	*15.18*	159	153
Total current liabilities		**22,924**	**10,052**
Total liabilities		**43,704**	**44,163**
Total Group equity and liabilities		**90,219**	**90,566**

9 CONSOLIDATED INCOME STATEMENT

	Notes	2022 In € 1,000	2021 In € 1,000
Gross rental income	*15.24*	6,165	7,097
Service charge income	*15.25*	2,433	2,079
Service charge expenses	*15.25*	-/- 2,471	-/- 2,786
Property operating expenses	*15.25*	-/- 1,936	-/- 2,380
Net rental and related income		**4,191**	**4,010**
Valuation results of properties	*15.26*	-/- 3,978	2,836
Results on disposals of properties	*15.27*	-/- 640	-/- 834
(Reversal of) impairment allowance of inventories		70	-/- 53
Results on disposals of inventories	*15.28*	-/- 29	-
Net results on properties	*15.29*	**-/- 4,577**	**1,949**
Share of results of investments in associates	*15.30*	-/- 68	-
Net results on equity investments		**-/- 68**	**-**
Financial income	*15.31*	262	1,121
Other operating income	*15.32*	513	24
Other income		**775**	**1,145**
Total income		**321**	**7,104**
Administrative expenses	*15.33*	705	648
Other operating expenses	*15.34*	1,348	1,281
Total operating expenses		**2,053**	**1,929**
Net operating result before financial expenses		**-/- 1,732**	**5,175**
Financial expenses	*15.36*	2,208	2,150
Profit before income tax		**-/- 3,940**	**3,025**
Income tax expense	*15.38*	410	-/- 109
Profit for the period		**-/- 4,350**	**3,134**
Attributable to:			
Parent Company shareholders		-/- 4,350	3,134
Profit for the period		**-/- 4,350**	**3,134**
Basic earnings per share (€)	*15.39.1*	-/- 1.07	0.83
Diluted earnings per share (€)	*15.39.4*	-/- 1.07	0.83

10 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**2022** In € 1,000	**2021** In € 1,000
Profit for the period	*9*	-/- 4,350	3,134
Items that are or may be reclassified subsequently to profit or loss:			
Foreign exchange and currency translation differences on net investment in group companies		-/- 163	358
Income tax on foreign exchange and currency translation differences on net investments in group companies		-/- 26	-/- 43
Total foreign exchange differences		-/- 189	315
Net gain / loss (-/-) recognised directly in Group equity		**-/- 189**	**315**
Total comprehensive income for the period		**-/- 4,539**	**3,449**
Attributable to:			
Parent Company shareholders		-/- 4,539	3,449
Total comprehensive income for the period		**-/- 4,539**	**3,449**

11 CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY

	Issued capital In € 1,000	Share premium In € 1,000	Legal revaluation reserve In € 1,000	Reserve currency translation differences In € 1,000	Equity component convertible bonds In € 1,000	Retained earnings In € 1,000	Total share-holders' equity In € 1,000
Balance as at January 1, 2022	18,794	19,310	8,725	1,262	-	-/- 1,688	46,403
Profit or loss	-	-	-	-	-	-/- 4,350	-/- 4,350
Change in revaluation reserve	-	-	-/- 814	-	-	814	-
Other comprehensive income	-	-	-	-/- 189	-	-	-/- 189
Own shares issued	2,396	2,612	-	-	-	-	5,008
Share buy-back	-	-	-	-	-	-/- 357	-/- 357
Balance as at December 31, 2022	**21,190**	**21,922**	**7,911**	**1,073**	**-**	**-/- 5,581**	**46,515**
Balance as at January 1, 2021	18,794	19,310	6,691	947	144	-/- 2,932	42,954
Profit or loss	-	-	-	-	-	3,134	3,134
Change in revaluation reserve	-	-	2,034	-	-	-/- 2,034	-
Other comprehensive income	-	-	-	315	-/- 144	144	315
Balance as at December 31, 2021	**18,794**	**19,310**	**8,725**	**1,262**	**-**	**-/- 1,688**	**46,403**

12 CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2022 In € 1,000	2021 In € 1,000
Cash flows from operating activities			
Profit for the period	*9*	-/- 4,350	3,134
Adjustments for:			
Net results on properties[3]		4,315	-/- 2,008
Net results on equity investments	*15.30*	68	-
Financial income	*15.31*	-/- 262	-/- 1,121
Financial expenses	*15.36*	2,208	2,150
Income tax expense	*15.38*	410	-/- 109
Changes in:			
Derivative financial instruments		-	-/- 37
Tax assets		14	66
Trade and other receivables		182	-/- 129
Prepayments and deferred expenses		74	105
Tax liabilities		125	-/- 6
Trade and other payables		165	-/- 211
Deferred income and tenant deposits		-/- 14	98
Cash generated from operating activities		**2,935**	**1,932**
Interest received		39	58
Interest paid		-/- 1,627	-/- 1,671
Income tax paid / income tax received		-/- 1,446	-/- 894
Net cash from / used in (-/-) operating activities		**-/- 99**	**-/- 575**
Cash flows from investing activities			
Acquisition of / additions to subsidiaries		50	-
Proceeds from the sale of assets held for sale		8,024	8,860
Acquisitions of / additions to owned investment properties		-/- 298	-/- 346
Acquisitions of / additions to assets held for sale		-/- 55	-/- 172
Net cash from / used in (-/-) investing activities	*15.42.1*	**7,721**	**8,342**
Cash flows from financing activities			
Share buy-back (treasury shares)		-/- 346	-
Proceeds from (refinanced) secured bank loans		-	14,009
Proceeds from other long-term liabilities		3,100	2,340
Transaction costs related to loans and borrowings		-	-/- 331
Repayments of secured bank loans		-/- 4,260	-/- 16,810
Repayments of other long-term liabilities		-/- 2,900	-/- 6,349
Payments of lease liabilities		-/- 188	-/- 186
Net cash from / used in (-/-) financing activities	*15.42.2*	**-/- 4,594**	**-/- 7,327**
Net increase / decrease (-/-) in cash and cash equivalents		3,028	440
Cash and cash equivalents as at 1 January	*15.11*	1,744	1,272
Effect of exchange and currency translation result on cash held		-/- 32	32
Cash and cash equivalents as at 31 December	*15.11*	**4,740**	**1,744**

[3] Transaction costs and change in lease incentives excluded.

13 ACCOUNTING PRINCIPLES CONSOLIDATED FINANCIAL STATEMENTS

13.1 REPORTING ENTITY

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

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

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

The Consolidated Financial Statements have been approved by the Supervisory Board.

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

13.2 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

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

13.3 STATEMENT OF COMPLIANCE AND FUTURE RELATED ASSUMPTIONS

The Fund has applied the significant accounting principles as set out in sections 13.2 to 13.41. The Managing Board authorised the Consolidated Financial Statements for issue on April 28, 2023.

As at December 31, 2022, Group equity of the Fund is positive. As stated in the liquidity forecast up to end-2024, 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 the financial markets (reference is made to section 15.40 “Risk management” and section 15.44 “Events after Statement of Financial Position’s date”).

Invasion of Ukraine by Russia

Russian troops invaded Ukraine on February 24, 2022 and at March 31 2023 remained in occupation of about 17% of the country. The Fund currently owns two plots of land in Ukraine, one in Odessa and the other in Zaporizhzhia. The Odessa plot, covering 223,934 sqm and situated north of the city along the Kyiv motorway, is designated for logistics development and was valued at €2.7 million as of December 31, 2021. The Zaporizhzhia plot, encompassing 263,834 sqm and located on the southern outskirts of the city, is intended for retail development and was valued at €689,000 as of the same date.

In the immediate aftermath of the invasion and reflecting the uncertainty of the situation on the ground, Management decided to write down the value of both sites to zero. Unfortunately, some ten months later, the Zaporizhzhia plot, although still under Ukrainian government control, is close to the current front lines in the south-east of the country and falls within the area formally “annexed” by Russian presidential decree in

September 2022. It is felt prudent to maintain the current valuation at zero. The security situation in Odessa has improved significantly following the withdrawal of Russian troops to the east bank of the Dnieper river in November 2022 although the city remains subject to sporadic missile attack. Management commissioned a market report from a local expert in December 2022. This report confirmed that the current real estate market conditions in the Odesa region were highly uncertain due to the war and market activity had been severely impacted. Based on an internal review combined with the expert report, the Fund valued the Odessa property at USD 1.02 million through an internal valuation, which is one-third of the external C&W property valuation at the end of 2021.

The current political and market conditions create a higher degree of uncertainty regarding the reported value. Firstly, there is a lack of quality data, as market activity has been severely impacted in many sectors due to the war and there is therefore insufficient market evidence on which to base judgments. The land market in the Odessa region currently lacks liquidity and only a few speculative buyers might be interested in purchasing the subject site. Secondly, as future developments in the war are highly unpredictable, the current reported value may change significantly within a short period of time. The advice is therefore reported on the basis of "material valuation uncertainty," and less certainty should be attached to it than would normally be the case.

Given the above, the Managing Board will continue to closely monitor developments and adjust the valuations of both land plots as necessary. It is important to note that adjusting the valuations will not impact the Fund's continuity, as the two land plots are not leased to third parties and do not generate any income for the Fund. The annual costs for maintaining these two plots amount to approximately €31,000.

CNB revokes bank licence of Sberbank CZ

On Monday, February 28, 2022, the Czech National Bank (**CNB**) announced its decision to initiate the process of revoking Sberbank CZ's banking licence in response to a run on the bank that began the previous week following the Russian invasion of Ukraine and the European Union's imposition of sanctions on Russian companies. It should be noted that the Russian state holds a controlling stake of 50%+1 in the Russian parent company of Sberbank CZ.

In 2019, the Fund received a loan from Sberbank CZ through its 100% subsidiary Arcona Capital RE Bohemia s.r.o. (**ACREB**). As of December 31, 2021, the outstanding loan amount was € 8.45 million with a term until March 31, 2024, and a loan-to-value ratio of approximately 44%. ACREB also has an interest rate hedge (**IRS**) with Sberbank CZ, which was valued at € 294,000 as of December 31, 2021. Additionally, ACREB holds several deposit accounts with Sberbank CZ totalling around € 400,000 for daily transactions. It has been reported that the Sberbank CZ loan portfolio will be transferred to Česka Spořitelna under the same conditions as those applicable to Sberbank CZ.

Following the CNB's decision to revoke Sberbank CZ's banking licence, all funds in ACREB's accounts with the bank were frozen, and it is no longer possible to transfer money to or from these accounts. However, the frozen deposits are sufficient to cover ACREB's medium-term interest and principal repayment obligations for the loan from Sberbank CZ, and there is currently no default on the loan.

ACREB has opened an account with Raiffeisen Bank for daily business transactions, allowing the company to continue its operations such as receiving rent payments and paying suppliers. On March 17, 2022, ACREB received € 100,000 on this account from the State Guarantee Fund.

The developments at Sberbank CZ have not yet had any significant negative impact on ACREB or the Fund. Receivables have been submitted to the curator, and the Managing Board expects to receive 100% of the deposit accounts. The status of the IRS is still uncertain, but the Managing Board is of the opinion that the Fund has a right to the value of the IRS.

The Managing Board has conducted an analysis to determine if any of the involved parties are on sanction lists. No transactions were identified with sanctioned parties.

Going concern
On December 31, 2022, two Polish subsidiaries of the Fund were in breach of the DSCR forecast covenant of the Hypo Noe Bank loan. Pursuant to IFRS, as at the end of 2022 the Hypo Noe loan was classified as a short-term liability due to this covenant breach. This causes short-term liabilities to temporarily exceed short-term assets. In April 2023 Hypo Noe approved a waiver of this covenant breach, effective to December 31 2023.

Pursuant to IFRS, the Hypo Noe loan must be classified as a short-term liability at the end of 2022 due to the covenant breach. This causes short-term liabilities to temporarily exceed short-term assets. However, the Fund expects that due to the renewal of leases the loan will be reclassified to long term shortly.

Additionally, the Fund notes that the Sberbank CZ loan, under Sberbank CZ's loan agreements with ACREB, will be transferred. The Fund expects to extend the loan with Česka Spořitelna Bank after March 2024.

A large part of the 2022 result of EUR -/- 4.35 million is attributable to lower valuations of the real estate portfolio, both directly and indirectly, mainly due to the war in Ukraine. This negative outcome arises from the net negative valuation result on real estate, the downwards accounting IFRS adjustments related to Boyana Residences apartments, increased financing costs from higher interest rates and a rise in tax pressure associated with the sale of real estate.

Nonetheless, the Managing Board anticipates that the real estate portfolio, excluding these temporary and indirect impacts, will continue to generate positive returns. Furthermore, the cash flow will remain positive, driven by the expected sale of non-core real estate in the upcoming period.

Based on the assumptions outlined above, the Managing Board believes that the Fund can continue as a going concern through 2023. Therefore, these Consolidated Financial Statements are prepared on the assumption of going concern.

13.4 COMPARISON ACCOUNTING PRINCIPLES WITH PREVIOUS YEAR

Contrary to the processing in the Financial Statements 2021, the letting fees (payments to agents for services in connection with negotiating lease contracts) have been classified as an addition to investment property with effect from January 1, 2022. In previous year the letting fees were capitalised and amortised over the lease term. Therefore as of January 1, 2022 the letting fees are set-off from investment property to avoid double recognition. The comparative figures for 2021 have not been adjusted accordingly.

13.5 BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

13.5.1 General
The Consolidated Financial Statements have been prepared based on historical cost, except for:
- investment property;
- investment property under development;
- assets held for sale;
- financial assets at fair value through profit or loss; and
- financial liabilities at fair value through profit or loss.

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

The accounting policies explained below have been consistently applied to the results, other gains and losses, assets, liabilities, and cash flows of entities included in the Consolidated Financial Statements and are consistent with those used in the prior period, with the exception of the application of new and amended IFRS’s as mentioned in section 13.5.4 “New and amended IFRS Standards and interpretations that are effective for the current period”.

13.5.1.1 Amortised cost

The amortised cost is the amount for which a financial asset or financial liability is recognised on the Consolidated Financial Statements at initial recognition less repayments on the principal, increased or decreased by the cumulative amortisation of the difference between that initial amount and the final maturity amount - determined via the effective interest method - less any write-downs (directly or by forming a provision) due to impairments or uncollectability.

13.5.1.2 Netting

An asset and an item in loan capital are reported net in the Consolidated Financial Statements exclusively if and to the extent:

- a proper legal instrument is available for simultaneous, net settlement of the assets and item of the loan capital; and
- there is a firm intention to settle the netted item as such or the two items simultaneously.

13.5.2 Judgements, assumptions, and estimation uncertainties

13.5.2.1 General

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

13.5.2.2 Judgements

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

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

13.5.2.3 Assumptions and estimation uncertainties

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

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

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

13.5.3 Measurement of fair values

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

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

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

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

- 13.9: "Financial instruments";
- 13.10.2: "Investment property";
- 13.11: "Investment property under development";
- 13.20.2: "Assets held for sale".

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

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2022. These standards and amendments did not have an impact on these consolidated financial statements:

- Annual Improvements to IFRS Standards 2018 - 2020:
    - IFRS 1"First time adopter of IFRS";
    - IFRS 9 "Fees in the '10 per cent' test for derecognition of financial'';
    - IFRS 16 'The amendment to Illustrative Example 13'';
- Amendments to IFRS 3 ''Reference to the conceptual framework'';
- Amendments to IAS 16, "Proceeds before intended use";
- Amendments to IAS 37, "Cost of fulfilling a contract".

The Fund expects these new standards, amendments and interpretations will not have a significant impact on the Consolidated Financial Statements of the Fund.

13.5.5 New and revised IFRS Standards and interpretations not yet applied

New standards and interpretations not yet adopted:
A number of new standards, amendments to existing standards, and interpretations will become effective for annual periods beginning after January 1, 2022, and have not been applied in preparing these consolidated financial statements:

- IFRS 17: Insurance Contracts
- Classification of Liabilities as Current or Noncurrent: Amendments to IAS 1
- Disclosure of Accounting Policies: Amendments to IAS 1 and IFRS Practice Statement 2
- Definition of Accounting Estimate: Amendments to IAS 8
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction: Amendments to IAS12
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture: Amendments to IFRS 10 and IAS 28

These changes are not expected to have a material impact on the company in the current or future reporting periods, or on foreseeable future transactions.

13.6 BASIS OF CONSOLIDATION

13.6.1 Subsidiaries

Subsidiaries are entities over which the Fund has direct or indirect predominant control. The Fund has predominant control if:

- it has power over the entity;
- it is exposed to or entitled to variable returns because of its involvement in the entity; and
- it has the possibility of using its predominant control over the entity to influence the size of these returns.

Every one of these three criteria must be satisfied before the Fund is deemed to have predominant control over the entity in which it has an interest.

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

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

13.6.2 Acquisitions of subsidiaries

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

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

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

13.6.3 Elimination of transactions on consolidation

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

13.7 BASIS OF PREPARATION OF CONSOLIDATED STATEMENT OF CASH FLOWS

The Fund has used the indirect method for the Consolidated Statement of Cash Flows. Given the nature of the Fund (investment company) financial income is not netted against financial expenses but presented separately under the total income (reference is made to section 13.36 “Financial income”), so financial income is presented in the Consolidated Statement of Cash Flows under cash flows from operating activities.

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

13.8 CURRENCY

13.8.1 Functional and presentation currency

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

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

13.8.2 Foreign currency transactions

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

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

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

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

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

13.8.4 Exchange rates used for the Consolidated Statement of Financial Position

	31-12-2022	31-12-2021
Bulgarian Lev (EUR / BGN)	1.95580	1.95580
% change	*0.0%*	*0.0%*
Czech Koruna (EUR / CZK)	24.11600	24.85800
% change	*3.0%*	*5.3%*
Polish Zloty (EUR / PLN)	4.68080	4.59690
% change	*-/- 1.8%*	*-/- 0.8%*
Romanian Leu (EUR / RON)	4.94950	4.94900
% change	0.0%	-/- 1.7%
Ukrainian Hryvnia (EUR / UAH)	38.95100	30.92260
% change	*-/- 26.0%*	*11.0%*
US Dollar (EUR / USD)	1.06660	1.13260
% change	*5.8%*	*7.7%*

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

13.8.5 Average exchange rates used for the Consolidated Income Statement

	2022	2021
Bulgarian Lev (EUR / BGN)	1.95580	1.95580
Czech Koruna (EUR / CZK)	24.53775	25.64858
Polish Zloty (EUR / PLN)	4.86680	4.57202
Romanian Leu (EUR / RON)	4.92536	n.a.
Ukrainian Hryvnia (EUR / UAH)	34.43851	32.24849

13.9 FINANCIAL INSTRUMENTS

13.9.1 General

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

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

13.9.2 Financial assets

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

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

13.9.2.1 Classification of financial assets

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

I. Debt instruments that meet the following conditions are measured subsequently at amortised cost:
   - the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

Despite the foregoing, the Fund may make the following irrevocable election / designation at initial recognition of a financial asset:
- the Fund may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see below); and
- the Fund may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see below).

I. Financial assets at amortised cost and effective interest method

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

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

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

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

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

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

II. Financial assets classified as at FVTOCI

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

III. Financial assets at FVTPL

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

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

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

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

- investments in associates; and
- derivative financial instruments.

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

13.9.2.2 Impairment of financial assets

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

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

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

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

Significant increase in credit risk

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

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

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

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

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

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

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

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

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

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

Definition of default

The Fund considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Fund, in full (without taking into account any collateral held by the Fund).

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

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

A. significant financial difficulty of the issuer or the borrower;

B. a breach of contract, such as a default or past due event (see above);

C. the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

D. it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

E. the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

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

Measurement and recognition of expected credit losses

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

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

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Fund in accordance with the contract and all the cash flows that the Fund expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses are consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16.

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

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

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

Derecognition of financial assets

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

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

13.9.3 Financial liabilities and equity

13.9.3.1 Classification as debt or equity

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

Equity instruments

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

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

Compound instruments

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

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

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

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

13.9.3.2 Financial liabilities

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

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

Financial liabilities at FVTPL

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

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

A financial liability is classified as held for trading if:

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

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

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

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in financial income or financial expenses.
However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable

to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

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

Financial liabilities measured subsequently at amortised cost
Financial liabilities that are not:

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

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

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

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

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

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

If the modification is not substantial, the difference between:

1. the carrying amount of the liability before the modification; and
2. the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

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

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

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

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

13.10 INVESTMENT PROPERTY

13.10.1 General

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

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

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

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

The time of accounting an investment property sale is based on an assessment of the time when control is transferred. The Fund believes that control is transferred when the investment property is transferred to the buyer and this party can therefore actually dispose of the investment property.

13.10.2 Measurement of fair value

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

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

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

Three standard methods of valuation computation are considered, namely:

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

I. Term and reversion method

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

II. Hard core and top-slice method

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

III. Initial yield method

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

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

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

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

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

No.	Property category	2022 Yield factor[4] in %	2021 Yield factor in %
A	Office B^{+}-class	6.11 – 9.00	6.00 – 9.00
B	Office B^{-}-class	7.50 – 9.75	7.50 – 9.00
C	Office / business B / C-class	n/a	7.00 – 14.25
D	Retail B-class[5]	7.50 – 9.25	7.00 – 7.75

No.	Property category	2022 Market rent per sqm in € 1	2021 Market rent per sqm In € 1
A	Office B^{+}-class	108 – 159	108 – 152
B	Office B^{-}-class	122 – 132	117 – 132
C	Office / business B / C-class	n.a.	60 – 84
D	Retail B-class	92 – 157	98 – 153

No.	Property category	2022 Vacancy in %	2021 Vacancy in %
A	Office B^{+}-class	0.0 – 24.0	4.8 – 16.1
B	Office B^{-}-class	13.2 – 40.4	6.5 – 38.3
C	Office / business B / C-class	n/a	10.4 – 36.9
D	Retail B-class	0.0 – 32.7	0.0 – 22.0

Where necessary the following aspects are reflected in the valuation:

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

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

At the valuation date, an unprecedented set of circumstances arose due to the war in Ukraine, and a lack of relevant or sufficient market evidence on which valuators could base their judgments. Consequently, the property valuations are reported as subject to material valuation uncertainty as per VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

As of April 28, 2023, the Managing Board anticipates no adverse impact from developments in Ukraine on the Fund's remaining real estate portfolio in Central Europe. The Fund operates in countries that are members of NATO, making it unlikely for Russia to attack any of these countries as it would trigger a counter-reaction from other NATO members.

[4] The yield factors 2021 and 2022 corresponds with the equivalent yield specifications of the external independent appraiser.
[5] Higher yields are related to the leasehold retail assets.

13.11 INVESTMENT PROPERTY UNDER DEVELOPMENT

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

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

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

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

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

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

13.12 INVESTMENTS IN ASSOCIATES

An associate is an entity over which the Fund has significant influence.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. If the Fund holds, directly or indirectly (e.g. through subsidiaries), 20 percent or more of the voting power of the investee, it is presumed that the Fund has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the Fund holds, directly or indirectly (e.g. through subsidiaries), less than 20 percent of the voting power of the investee, it is presumed that the Fund does not have significant influence, unless such influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude the Fund from having significant influence.

The existence of significant influence by the Fund is usually evidenced in one or more of the following ways:

A. representation on the board of directors or equivalent governing body of the investee;
B. participation in policy-making processes, including participation in decisions about dividends or other distributions;
C. material transactions between the Fund and its investee;
D. interchange of managerial personnel; or
E. provision of essential technical information.

The Fund may own share warrants, share call options, debt or equity instruments that are convertible into ordinary shares, or other similar instruments that have the potential, if exercised or converted, to give the Fund additional voting power or to reduce another party's voting power over the financial and operating policies of another entity (i.e. potential voting rights). The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Fund has significant influence. Potential voting rights are not currently exercisable or convertible when, for example, they cannot be exercised or converted until a future date or until the occurrence of a future event.

In assessing whether potential voting rights contribute to significant influence, the Fund examines all facts and circumstances (including the terms of exercise of the potential voting rights and any other contractual arrangements whether considered individually or in combination) that affect potential rights, except the intentions of Managing Board and the financial ability to exercise or convert those potential rights.

The Fund loses significant influence over an investee when it loses the power to participate in the financial and operating policy decisions of that investee. The loss of significant influence can occur with or without a change in absolute or relative ownership levels. It could occur, for example, when an associate becomes subject to the control of a government, court, administrator, or regulator. It could also occur as a result of a contractual arrangement.

Usually investments in associates are valued using the equity method. Since the investments in associates is held by, or is held indirectly through a "mutual fund" the Fund elect to measure the investments in associates at fair value through profit or loss in accordance with IFRS 9 (IAS 28:18). Therefore investments in associates are initially and subsequently recognised at fair value, with transaction costs recognised in the Income Statement.

13.13 INVENTORIES

Inventories are assets:

A. held for sale in the ordinary course of business;
B. in the process of production of such sale; or
C. in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories encompass goods purchased and held for resale including, for example merchandise purchased by a retailer and held for resale, or land and other property held for resale. Inventories also encompass finished goods produced, or work in progress being produced, by the Fund and include materials and supplies awaiting use in the production process.

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

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

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

13.14 DERIVATIVE FINANCIAL INSTRUMENTS

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

13.15 DEFERRED TAX ASSETS

For the accounting principles with regard to deferred tax assets reference is made to section 13.41 “Income tax expense”.

13.16 TAX ASSETS

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

13.17 TRADE AND OTHER RECEIVABLES

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

13.18 PREPAYMENTS AND DEFERRED EXPENSES

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

13.19 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and cash held in bank accounts. Time deposits are only included in cash and cash equivalents if the expectation is that they will be used to fund working capital within a period of three months or less from the date of acquisition. Cash and cash equivalents meet the definition given by IFRS 9, i.e., short-term, highly-liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

Cash and cash equivalents are recognised and measured at fair value through profit or loss in accordance with IFRS 9, as described in section 13.9 “Financial instruments”.

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

13.20 ASSETS HELD FOR SALE

13.20.1 General

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

13.20.2 Measurement of fair value

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

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

13.21 GROUP EQUITY

For the accounting principles of the several shareholders’ equity components reference is made to sections 18.3.3 “Issued capital” to 18.3.7 “Reserve investments in group companies”.

13.22 TAX LIABILITIES

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

13.23 LOANS AND BORROWINGS

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

13.24 TRADE AND OTHER PAYABLES

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

13.25 DEFERRED INCOME AND TENANT DEPOSITS

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

13.26 DEFERRED TAX LIABILITIES

For the accounting principles with regard to the deferred tax liabilities reference is made to section 13.41 “Income tax expense”.

13.27 GROSS RENTAL INCOME

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

Rent adjustments due to indexation are recognised as they arise.

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

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

13.28 SERVICE CHARGE INCOME AND SERVICE CHARGE EXPENSES

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

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

13.29 PROPERTY OPERATING EXPENSES

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

13.30 VALUATION RESULTS OF PROPERTIES

The valuation results of properties (inventories excluded) are unrealised changes in the fair value of properties compared to the fair value as at 31 December of the preceding financial period. In case (part of) a property is sold the valuation result of properties also includes the reversal of the unrealised changes in the fair value from prior years (reference is made to section 13.31 “Results on disposals of properties”).

13.31 RESULTS ON DISPOSALS OF PROPERTIES

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

13.32 (REVERSAL OF) IMPAIRMENT ALLOWANCE OF INVENTORIES

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

13.33 RESULTS OF DISPOSALS OF INVENTORIES

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

13.34 SHARE OF RESULTS OF INVESTMENTS IN ASSOCIATES

The share of results of investments in associates are unrealised changes in the fair value of investments in associates compared to the fair value as at 31 December of the preceding financial period. In case (part of) an investment in associate is sold the valuation result of investment in associates also includes the reversal of the unrealised changes in the fair value from prior years (reference is made to section 13.35 “Results on disposals of investments in associates”).

13.35 RESULTS OF DISPOSALS OF INVESTMENTS IN ASSOCIATES

The results on disposals of investments in associates relate to realised results on disposals of investments in associates. This result is calculated by the difference between the selling price less the original purchase price. Therefore the results on disposals of investments in associates comprise the valuation result of investments in associates in the current year as well as the unrealised valuation results of investments in associates booked in prior years.

13.36 FINANCIAL INCOME

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

Given the nature of the Fund (investment company) financial income is not netted against finance charges, but presented separately under the total income, except:

- foreign exchange and currency results;
- change in fair value of derivative financial instruments;
- interest income / interest expense on derivative financial instruments; and
- interest income / interest expense of Tax Authorities.

Financial income arises principally from the investments held in order to be used for investment in property. Financial income also includes the exchange and currency translation profits that arise principally from the settlement of monetary items or from the translation of monetary items in foreign currency.

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

13.37 OTHER OPERATING INCOME

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

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

13.38 LEASES

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

13.38.1 The Fund as a lessee

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

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

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

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

The Fund determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.
Lease payments included in the measurement of the lease liability comprise the following:

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

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

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

13.38.2 Short-term leases and low value assets

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

13.38.3 The Fund as a lessor

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

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

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

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

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

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

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

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

13.39 ADMINISTRATIVE EXPENSES AND OTHER OPERATING EXPENSES

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

13.40 FINANCIAL EXPENSES

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

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

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

13.41 INCOME TAX EXPENSE

13.41.1 Income tax expense

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

13.41.2 Current tax

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

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

13.41.3 Deferred tax

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

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

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

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

Deferred tax is measured at the tax rates that are expected to be applied to taxable temporary differences when they reverse, using tax rates enacted or substantively enacted at the Statement of Financial Position's date.

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

Deferred tax assets and deferred tax liabilities are not discounted.

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

14 SEGMENT INFORMATION

14.1 GENERAL

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

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

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

The following segment reporting overviews are given for each property:

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

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

14.2 GEOGRAPHIC CATEGORIES

The Fund distinguishes the following geographic categories:

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

14.3 BUSINESS CATEGORIES

The Fund distinguishes the following business categories:

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

14.4 SEGMENTATION CRITERIA

The Fund uses the following segmentation criteria of its assets:

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

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

14.5 SEGMENT RESULTS

14.5.1 Overview of segment result (overview A)

Segment	Gross rental income		Service charge income		Service charge expenses		Property operating expenses		Subtotal net rental & related income	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	in € 1,000		in € 1,000		in € 1,000		in € 1,000		in € 1,000	
Czech Republic:										
Palmovka	313	268	128	105	-/- 97	-/- 75	-/- 77	-/- 92	267	206
Karlin	475	472	199	175	-/- 175	-/- 136	-/- 123	-/- 132	376	379
VUP	217	218	208	181	-/- 202	-/- 161	-/- 81	-/- 74	142	164
PV 10	310	312	144	140	-/- 131	-/- 103	-/- 90	-/- 95	233	254
Total Czech Republic	**1,315**	**1,270**	**679**	**601**	**-/- 605**	**-/- 475**	**-/- 371**	**-/- 393**	**1,018**	**1,003**
Slovakia:										
Záhradnícka	317	325	11	8	-/- 89	-/- 81	-/- 131	-/- 128	108	124
Pražská 2	27	422	-	-	-/- 10	-/- 177	-/- 15	-/- 157	2	88
Pražská 4	18	364	-	2	-/- 9	-/- 111	-/- 13	-/- 123	-/- 4	132
Letná	1,200	1,227	21	14	-/- 213	-/- 167	-/- 348	-/- 321	660	753
Vural	n.a.	409	n.a.	61	n.a.	-/- 207	n.a.	-/- 170	n.a.	93
Kosmalt	n.a.	243	n.a.	5	n.a.	-/- 139	n.a.	-/- 123	n.a.	-/- 14
Total Slovakia	**1,562**	**2,990**	**32**	**90**	**-/- 321**	**-/- 882**	**-/- 507**	**-/- 1,022**	**766**	**1,176**
Poland:										
Laubitza 8	137	148	54	53	-/- 70	-/- 64	-/- 62	-/- 76	59	61
800-lecia Inowroclawia	165	162	137	156	-/- 140	-/- 135	-/- 92	-/- 92	70	91
Krzemowa	261	253	182	156	-/- 134	-/- 114	-/- 85	-/- 77	224	218
Plutona	150	117	55	37	-/- 76	-/- 65	-/- 34	-/- 56	95	33
Kalinkowa	259	233	176	151	-/- 165	-/- 155	-/- 81	-/- 110	189	119
Wojska Polskiego	274	258	203	173	-/- 162	-/- 146	-/- 89	-/- 89	226	196
Wolnosci	166	161	73	62	-/- 100	-/- 88	-/- 62	-/- 57	77	78
Grzymaly Siedleckiego	238	234	109	93	-/- 104	-/- 95	-/- 29	-/- 28	214	204
Kardyn. Wyszynskiego	171	195	123	100	-/- 108	-/- 102	-/- 61	-/- 45	125	148
Legionow	353	319	202	138	-/- 170	-/- 166	-/- 61	-/- 75	324	216
Maris	775	757	408	269	-/- 316	-/- 297	-/- 150	-/- 160	717	569
Total Poland	**2,949**	**2,837**	**1,722**	**1,388**	**-/- 1,545**	**-/- 1,427**	**-/- 806**	**-/- 865**	**2,320**	**1,933**
Ukraine:										
Aisi Bela	-	-	-	-	-	-/- 2	-/- 31	-/- 30	-/- 31	-/- 32
Bulgaria:										
Boyana	-	-	-	-	-	-	-/- 71	-/- 51	-/- 71	-/- 51
Inventories	-	-	-	-	-	-	-/- 79	-/- 19	-/- 79	-/- 19
Total Bulgaria	**-**	**-**	**-**	**-**	**-**	**-**	**-/- 150**	**-/- 70**	**-/- 150**	**-/- 70**
Romania:										
EOS Business Park	339	n.a.	-	n.a.	-	n.a.	-/- 45	n.a.	294	n.a.
Delenco	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-/- 26	n.a.	-/- 26	n.a.
Total Romania	**339**	**n.a.**	**-**	**n.a.**	**-**	**n.a.**	**-/- 71**	**n.a.**	**268**	**n.a.**
Grand total	**6,165**	**7,097**	**2,433**	**2,079**	**-/- 2,471**	**-/- 2,786**	**-/- 1,936**	**-/- 2,380**	**4,191**	**4,010**

Segment	Subtotal net rental & related income		Net results on properties and equity investments		Other operating income[6]		Financial expenses[7]		Total segment result	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	in € 1,000		in € 1,000		in € 1,000		in € 1,000		in € 1,000	
Czech Republic:										
Palmovka	267	206	-/- 20	269	-	-	-	-	247	475
Karlin	376	379	-/- 227	-/- 65	71	1	-	-	220	315
VUP	142	164	947	480	-	-	-	-	1,089	644
PV 10	233	254	-/- 35	433	-	-	-	-	198	687
Total Czech Republic	**1,018**	**1,003**	**665**	**1,117**	**71**	**1**	**-**	**-**	**1,754**	**2,121**
Slovakia:										
Záhradnícka	108	124	-/- 295	-/- 259	3	2	-	-	-/- 184	-/- 133
Pražská 2	2	88	-/- 92	-/- 449	-	-	-	-	-/- 90	-/- 361
Pražská 4	-/- 4	132	-/- 66	-/- 271	-	-	-	-	-/- 70	-/- 139
Letná	660	753	-/- 261	76	413	-	-	-	812	829
Vural	n.a.	93	n.a.	-/- 765	n.a.	-	n.a.	-	n.a.	-/- 672
Kosmalt	n.a.	-/- 14	n.a.	-/- 31	n.a.	-	n.a.	-	n.a.	-/- 45
Total Slovakia	**766**	**1,176**	**-/- 714**	**-/- 1,699**	**416**	**2**	**-**	**-**	**468**	**-/- 521**
Poland:										
Laubitza 8	59	61	-/- 66	-/- 227	-	-	-	-	-/- 7	-/- 166
800-lecia Inowroclawia	70	91	-/- 96	425	-	-	-	-	-/- 26	516
Krzemowa	224	218	-/- 48	208	-	-	-	-	176	426
Plutona	95	33	-/- 80	273	-	-	-	-	15	306
Kalinkowa	189	119	77	229	-	-	-	-	266	348
Wojska Polskiego	226	196	-/- 54	-/- 3	-	-	-	-	172	193
Wolnosci	77	78	-/- 70	362	-	-	-	-	7	440
Grzymaly Siedleckiego	214	204	-/- 403	9	-	-	8	11	-/- 197	202
Kardyn. Wyszynskiego	125	148	-/- 252	517	-	2	20	23	-/- 147	644
Legionow	324	216	-/- 157	486	-	-	48	50	119	652
Maris	717	569	-/- 342	401	-	-	-	-	375	970
Total Poland	**2,320**	**1,933**	**-/- 1,491**	**2,705**	**-**	**2**	**76**	**84**	**753**	**4,531**
Ukraine:										
Aisi Bela	-/- 31	-/- 32	-/- 1,959	-/- 75	-	-	-	-	-/- 1,990	-/- 107
Bulgaria:										
Boyana	-/- 71	-/- 51	-/- 1,829	-/- 21	-	-	-	-	-/- 1,900	-/- 72
Inventories	-/- 79	-/- 19	41	-/- 53	-	-	-	-	-/- 38	-/- 72
Total Bulgaria	**-/- 150**	**-/- 70**	**-/- 1,788**	**-/- 74**	**-**	**-**	**-**	**-**	**-/- 1,938**	**-/- 144**
Romania:										
EOS Business Park	294	n.a.	710	n.a.	-	n.a.	-	n.a.	1,004	n.a.
Delenco	-/- 26	n.a.	-/- 68	n.a.	n.a.	n.a.	n.a.	n.a.	-/- 94	n.a.
Total Romania	**268**	**n.a.**	**642**	**n.a.**	**-**	**n.a.**	**-**	**n.a.**	**910**	**n.a.**
Grand total	**4,191**	**4,010**	**-/- 4,645**	**1,949**	**487**	**5**	**76**	**84**	**-/- 43**	**5,880**

[6] Other operating income relates solely to penalties for early termination of rental contracts.
[7] Financial expenses relate solely to interest expense on lease liabilities.

14.5.2 Reconciliation segment result with profit for the period

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

	2022 in € 1,000	2021 in € 1,000
Total segment result (overview A)	-/- 43	5,880
Unallocated income:		
Financial income	262	1,121
Other operating income	513	24
Less: early termination of rental contracts (allocated)	-/- 487	-/- 5
Subtotal unallocated income	288	1,140
Unallocated expenses:		
Administrative expenses	705	648
Other operating expenses	1,348	1,281
Financial expenses	2,208	2,150
Less: interest expense on lease liabilities (allocated)	-/- 76	-/- 84
Subtotal unallocated expenses	4,185	3,995
Profit before income tax	-/- 3,940	3,025
Income tax expense	410	-/- 109
Profit for the period	**-/- 4,350**	**3,134**

14.5.3 Overview carrying amount of type of property[8] per business category[9] (overview B)

Segment	31-12-2022 Carrying amount In € 1,000	31-12-2021 Carrying amount In € 1,000
Office:		
Palmovka	3,597	3,458
Karlin	6,220	6,231
VUP	Sold	3,150
PV 10	6,651	6,476
Záhradnícka	3,786	4,054
Pražská 2	Sold	2,316
Pražská 4	Sold	2,234
Letná	12,810	13,100
Maris	9,040	9,220
EOS Business Park	5,346	-
Total office	**47,450**	**50,239**
Retail:		
Laubitza 8	1,670	1,730
800-lecia Inowroclawia	2,670	2,750
Krzemowa	3,180	3,230
Plutona	1,900	1,970
Kalinkowa	2,700	2,610
Wojska Polskiego	3,310	3,370
Wolnosci	1,640	1,710
Grzymaly Siedleckiego	1,370	1,720
Kardyn. Wyszynskiego	2,160	2,370
Legionow	3,080	3,220
Total retail	**23,680**	**24,680**
Residential:		
Inventories Boyana	1,835	1,765
Land:		
Aisi Bela	958	3,387
Boyana	2,991	4,820
Total land	**3,949**	**8,207**
Grand total	**76,914**	**84,891**

14.5.4 Major tenants

The Fund reports one tenant (2021: one) with a gross rental income more than 10% (i.e. € 805,000) of the Fund's total gross rental income. This tenant, AT&T Global Network Services Slovakia s.r.o., is a tenant in the Letná building, located in Košice, Slovakia.

[8] Right-of-use assets excluded.

[9] Based on main purpose of the property.

14.5.5 Overview of geographic assets (overview C)

	Czech Republic		Slovakia		Poland		Ukraine		Bulgaria	
	31-12-2022	31-12-2021	31-12-2022	31-12-2021	31-12-2022	31-12-2021	31-12-2022	31-12-2021	31-12-2022	31-12-2021
	in € 1,000		in € 1,000		in € 1,000		in € 1,000		in € 1,000	
Investment property	16,468	19,315	12,810	17,154	34,014	35,297	-	688	-	4,820
Investment property under development	-	-	-	-	-	-	958	2,699	-	-
Investments in associates	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.
Derivative financial instruments	-	293	-	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	432	427	-	119	-	59
Inventories	-	-	-	-	-	-	-	-	1,835	1,765
Tax assets	-	-	509	-	49	87	-	-	3	-
Trade and other receivables	1,006	60	237	454	201	263	-	-	-	-
Prepayments and deferred expenses	39	78	42	102	122	163	3	4	-	-
Cash and cash equivalents	1,374	318	249	273	1,196	931	16	1	2	14
Assets held for sale	-	-	3,786	4,550	-	-	-	-	2,991	-
	18,887	**20,064**	**17,633**	**22,533**	**36,014**	**37,168**	**977**	**3,511**	**4,831**	**6,658**

	Romania		The Netherlands		Other countries		Total	
	31-12-2022	31-12-2021	31-12-2022	31-12-2021	31-12-2022	31-12-2021	31-12-2022	31-12-2021
	in € 1,000		in € 1,000		in € 1,000		in € 1,000	
Investment property	5,346	4,820	-	-	-	-	68,638	77,274
Investment property under development	-	-	-	-	-	-	958	2,699
Investments in associates	3,587	n.a.	-	n.a.	-	n.a.	3,587	n.a.
Derivative financial instruments	-	-	-	-	479	-	479	293
Deferred tax assets	-	59	-	-	-	-	432	605
Inventories	-	1,765	-	-	-	-	1,835	1,765
Tax assets	2	-	-	-	-	-	563	87
Trade and other receivables	144	-	-	-	408	422	1,996	1,199
Prepayments and deferred expenses	5	-	3	3	-	-	214	350
Cash and cash equivalents	70	14	1,833	207	-	-	4,740	1,744
Assets held for sale	-	-	-	-	-	-	6,777	4,550
	9,154	**6,658**	**1,836**	**210**	**887**	**422**	**90,219**	**90,566**

15 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15.1 SUBSIDIARIES

15.1.1 Consolidated subsidiaries

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

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

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

15.1.2 Subsidiaries incorporated during the financial period

During the financial period the Fund incorporated no subsidiaries.

15.1.3 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.

15.1.3.1 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.

	21-06-2022		
Identifiable assets acquired and liabilities assumed	**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	0
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 identifiable net assets and liabilities acquired	1,473
Consideration paid (by issuance of shares of the Parent Company)	-/- 1,473
Acquisition-related costs	-
Result on acquisition	**-**

15.1.4 Subsidiaries sold during the period

During the financial period the Fund sold no subsidiaries.

15.2 INVESTMENT PROPERTY

15.2.1 Analysis of investment property

	31-12-2022 In € 1,000	31-12-2021 In € 1,000
Owned investment property (lease incentives excluded)	67,204	75,668
Lease incentives	140	209
Owned investment property	67,344	75,877
Right-of-use assets	1,294	1,397
	68,638	**77,274**

15.2.2 Analysis of owned investment property

	31-12-2022 In € 1,000	31-12-2021 In € 1,000
Buildings (including underground)	67,344	70,369
Land plots	-	5,508
	67,344	**75,877**

15.2.3 Specification of owned investment property

Name of property	Address	31-12-2022 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	3,597	3,458
Karlin	Prvního Pluku 621/8a, Prague	6,220	6,231
VUP	Šujanovo náměsti 3, Brno	Sold	3,150
PV 10	Politických Vězňu 10, Prague	6,651	6,476
Subtotal		**16,468**	**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	12,810	13,100
Subtotal		**12,810**	**17,154**
In ownership of Arcona Capital Real Estate Poland Sp. z o.o. (Poland)			
Laubitza	Laubitza 8, Inowroclaw	1,670	1,730
Lecia Inowroclawia	800-lecia Inowroclawia 27, Inowroclaw	2,670	2,750
Krzemowa	Krzemowa 1, Gdansk	3,180	3,230
Plutona	Plutona 1, Glogow	1,900	1,970
Kalinkowa	Kalinkowa 82, Grudziadz	2,700	2,610
Wojska Polsiekgo	Wojska Polskiego 137, Piotrkow Trybunalski	3,310	3,370
Wolnosci	Wolnosci 6, Slupsk	1,640	1,710
Subtotal		**17,070**	**17,370**
In ownership of Arcona Capital Real Estate Trio Sp. z o.o. (Poland)			
Grzymaly Siedleckiego	Grzymaly Siedleckiego 20, Bydgoszcz	1,370	1,720
Kardynala Wyszynskiego	Kardynala Wyszynskiego 107, Lodz	2,160	2,370
Legionow	Legionow 216, Torun	3,080	3,220
Subtotal		**6,610**	**7,310**
In ownership of Arcona Capital Poland B.V. Project 5 Sp.k. (Poland)			
Maris	Holdu Pruskiego 9 & 12 Malopolska 12, Szczecin	9,040	9,220
In ownership of Aisi Bela LLC (Ukraine)			
Balabino Project	Territory of Balabynska Village Council, Zaporizkyi District, Zaporizhzhia Region	0	688
In ownership of Boyana Residence E.O.O.D. (Bulgaria)			
Boyana	Gardova Glava, Boyana	n.a.	4,820
In ownership of N-E Real Estate Park First Phase S.r.l. (Romania)			
EOS Business Park	Strada Nicolae Cânea 140-160, Bucharest	5,346	-
		67,344	**75,877**

15.2.4 Statement of changes in owned investment property

	2022	2021
	In € 1,000	In € 1,000
Balance as at 1 January	75,877	75,674
Acquisitions	4,642	41
Additions	365	314
Fair value adjustments	-/- 3,737	3,508
Exchange rate differences	458	1,069
Disposals	-	-/- 9
Reclassification (to assets held for sale)	-/- 10,261	-/- 4,720
Balance as at 31 December	**67,344**	**75,877**

The “Acquisitions” amounting to € 4,642,000 pertains to the acquisition of EOS Business Park (Romania), completed as of June 21, 2022.

On the other hand, the “Reclassification (to assets held for sale)” amounting to a negative € 10,261,000, is attributed to the properties VUP (Czech Republic), Záhradnicka (Slovakia), and Boyana (Bulgaria) which have been reclassified as assets held for sale. For further reference, please see section 15.13.4 “Statement of changes in owned investment property held for sale”.

15.2.5 Valuation of owned investment property

The owned investment property, stated under section 15.2.3 “Specification of owned investment property”, was valued by an external, independent appraiser as at Statement of Financial Position’s date, with the exception of the Zaporizhzhia plot and the Odessa plot, both in Ukraine. For the Odessa plot an internal valuation was undertaken with reference to an external expert report. For further reference, please see paragraph Invasion of Ukraine by Russia in section 13.3.

For the Zaporizhzhia plot the Managing Board resolved, considering the current situation in Ukraine and the proximity of the site to the current front lines, to write down the value of the land plot prudently to zero. The situation will be reviewed regularly in consultation with the Fund’s local advisors.

The valuations are prepared for accounting purposes and are in accordance with relevant IFRS regulations.

15.2.6 Specification of right-of-use assets

Nature of right-of-use asset	Related to owned investment property	31-12-2022	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	114	164
Land lease	Kardynala Wyszynskiego	342	381
Land lease	Legionow	838	852
		1,294	**1,397**

15.2.7 Statement of changes in right-of-use assets

	2022	2021
	In € 1,000	In € 1,000
Balance as at 1 January	1,397	1,494
Fair value adjustments	-/- 103	-/- 97
Balance as at 31 December	**1,294**	**1,397**

15.2.8 Valuation of right-of-use assets

The right-of-use assets, stated under section 15.2.6 “Specification of right-of-use assets”, were not valued by an external, independent appraiser as at Statement of Financial Position’s date. Right-of-use assets are initially measured at cost, which compromises the initial amount of the lease liability adjusted by the amount of any prepaid or accrued lease payment, less any lease incentives received. The right-of-use asset is subsequently measured at fair value (subject to certain exceptions), less accumulated depreciation and impairment losses. The right-of-use asset will additionally be adjusted for any remeasurement of the lease liability, when applicable.

The Managing Board is of the opinion the above method is the most appropriate approach to the valuation of right-of-use assets as required by IFRS 16.

15.2.9 Transactions with related parties

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

15.2.10 Sensitivity analysis

The appraisal of the buildings including underground, hereinafter referred to as the Portfolio implies an average weighted “Reversion Yield” of 8.1% (December 31, 2021: 8.5%).

In case the yields used for the appraisals of the Portfolio as at Statement of Financial Position’s date had been 50 basis points higher, the value of the Portfolio would have decreased by 6.5% (December 31, 2021: 6.5%). In this situation, the Group equity would have been € 3,843,000 lower (December 31, 2021: € 4,030,000 lower).

In case the yields used for the appraisals of the Portfolio as at Statement of Financial Position’s date had been 50 basis points lower, the value of the Portfolio would have increased by 7.5% (December 31, 2021: 7.4%). In this situation, the Group equity would have been € 4,415,000 higher (December 31, 2021: € 4,602,000 higher).

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

	31-12-2022				
Change in	**Change in yield**				
ERV	**-/- 0.50%**	**-/- 0.25%**	**0.00%**	**0.25%**	**0.50%**
-/- 5.0%	2.8%	-/- 0.9%	-/- 4.3%	-/- 7.5%	-/- 10.5%
-/- 2.5%	5.1%	1.4%	-/- 2.1%	-/- 5.5%	-/- 8.5%
0.0%	7.5%	3.6%	0.0%	-/- 3.4%	-/- 6.5%
2.5%	9.8%	5.9%	2.1%	-/- 1.3%	-/- 4.5%
5.0%	12.1%	8.1%	4.3%	0.8%	-/- 2.5%

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

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

15.3 INVESTMENT PROPERTY UNDER DEVELOPMENT

15.3.1 Specification of investment property under development

Name of property	Address	31-12-2022 In € 1,000	31-12-2021 In € 1,000
In ownership of Aisi Bela LLC (Ukraine)			
Bela Logistic Park	Territory of Nerubaiske Village Council, Biliayivskyi District, Odesa Region	958	2,699

15.3.2 Statement of changes in investment property under development

	2022 In € 1,000	2021 In € 1,000
Balance as at 1 January	2,699	2,409
Fair value adjustments	-/- 1,341	-/- 7
Exchange rate differences	-/- 400	297
Balance as at 31 December	**958**	**2,699**

15.3.3 Valuation of investment property under development

The investment property under development, stated under section 15.3.1 “Specification of investment property under development”, was based on the internal valuation as at the Statement of Financial Position’s date. The fair values of investment property under development are primarily derived using the “Market approach” based on comparable properties in the market.

An external, independent expert stated that there is a much greater than usual degree of uncertainty in respect of the reported value. There are two major external risks:

1. The lack of quality data due to severe market disruptions in several sectors. As of the valuation date, the appraiser is faced with an unprecedented set of circumstances caused by war and a lack of relevant and sufficient market evidence to base their judgments on.
2. The value is likely to be volatile over time. Given the unknown future impact of the war on the real estate market, the expert recommends that the Managing Board frequently review the valuation of the land plot.

Based on above the Managing Board decided to value the land plot at one-third (in original currency) of the valuation (which was valued by an external, independent appraiser) as at December 31, 2021. This amount corresponds approximately to the analysis according to the expert report as at Statement of Financial Position’s date.

15.4 INVESTMENTS IN ASSOCIATES

15.4.1 Specification of investments in associates

Name of project	Name of associate	Country	Asset type	31-12-2022	31-12-2021
				In € 1,000	In € 1,000
Delea Nuova Project	Lelar Holdings Limited and S.C. Delenco Construct S.r.l.	Romania	Office building	3,587	n.a.

Name of project	31-12-2022			29-03-2022 to 31-12-2022		
	Proportion of shares held by the Group	Total assets	Total liabilities	Net rental and related income	Valuation result of properties	Profit for the period
	In %	In € 1,000	In € 1,000	In € 1,000	In € 1,000	In € 1,000
Delea Nuova Project	24.35	17,281	2,555	1,056	-/- 1,240	-/- 391

As of March 29, 2022, the Fund had acquired a 21.18% share in Lelar Holdings Limited, through its subsidiary Arcona Black Sea Real Estate B.V. Subsequently, on June 15, 2022, the Fund acquired an additional 3.17% share in Lelar Holdings Limited, also through its subsidiary. As a result, the total interest in Lelar Holdings Limited as of the Statement of Financial Position date amounted to 24.35%.

The fair value of the Fund's share in Lelar Holdings Limited at acquisition's date amounted to € 3,655,000. The acquisition of Lelar Holdings Limited was paid through share-based payments. The agreed value of the share-based payments amounted to € 4,293,000 (362,688 registered shares against a weighted average price of € 11.84). Besides there is a still payable amount of € 73,000 (see also section 19.9.7 "Acquisitions through share-based payments"). There was a IFRS 2.10 negative booking effect of € 711,000 (see also section 19.1.2 "Statement of changes in investments in group companies").

15.4.2 Statement of changes in investments in associates

	2022	2021
	In € 1,000	In € 1,000
Balance as at 1 January	-	-
Acquisitions	3,655	-
Share of results of investments in associates	-/- 68	-
Balance as at 31 December	**3,587**	**-**

15.5 DERIVATIVE FINANCIAL INSTRUMENTS

15.5.1 Specification of derivative financial instruments

	31-12-2022	31-12-2021
	In € 1,000	In € 1,000
Non-current part of derivative financial instruments	372	141
Current part of derivative financial instruments	107	152
	479	**293**

15.5.2 Specification of derivative financial instruments

	31-12-2022 In € 1,000	31-12-2021 In € 1,000
Interest rate swaps used for hedging	479	293

15.6 RECOGNISED DEFERRED TAXES

15.6.1 Specification of recognised deferred taxes

	31-12-2022		
	Recognised deferred tax assets In € 1,000	Recognised deferred tax liabilities In € 1,000	Total In € 1,000
Owned investment property	467	3,367	-/- 2,900
Receivables from shareholders and other group companies	-	97	-/- 97
Subtotal non-current investments	467	3,464	-/- 2,997
Tax losses (carried forward)	209	-	209
Trade and other receivables	19	7	12
Prepayments and deferred expenses	17	8	9
(Interest) receivables from shareholders and group companies	-	34	-/- 34
Assets held for sale	-	176	-/- 176
Loans and borrowings	36	-	36
Loans due to shareholders and other group companies	118	-	118
Interest due to shareholders and other group companies	87	-	87
Derivative financial instruments	-	71	-/- 71
Trade and other payables	56	-	56
Deferred taxes before set-off	1,009	3,760	-/- 2,751
Set-off deferred taxes	-/- 577	-/- 577	-
	432	**3,183**	**-/- 2,751**

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

15.6.2 Analysis of recognised deferred taxes

	31-12-2022 In € 1,000	31-12-2021 In € 1,000
Will expire	112	256
Will never expire	-/- 2,863	-/- 3,165
	-/- 2,751	**-/- 2,909**

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

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

	31-12-2022 In € 1,000	31-12-2021 In € 1,000
Expires in 2025	112	187
Expires in 2026	-	69
Subtotal will expire	112	256
Will never expire	97	190
	209	**446**

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

15.6.4 Statement of changes in recognised deferred taxes

	2022 In € 1,000	2021 In € 1,000
Balance as at 1 January	-/- 2,909	-/- 3,966
Adjustments related to prior years	-/- 42	4
Additions as a result of acquisitions	-/- 704	-
Additions / withdrawals	945	1,078
Change in tax rate	-	-/- 1
Exchange rate differences	-/- 41	-/- 24
Balance as at 31 December	**-/- 2,751**	**-/- 2,909**

15.7 UNRECOGNISED DEFERRED TAXES

15.7.1 Specification of unrecognised deferred taxes

	31-12-2022		
	Unrecognised deferred tax assets In € 1,000	**Unrecognised deferred tax liabilities** In € 1,000	**Total** In € 1,000
Owned investment property	3	591	-/- 588
Investment property under development	351	-	351
Receivables from shareholders and group companies	489	-	489
Tax losses (carried forward)	2,491	-	2,491
Inventories	41	-	41
Trade and other receivables	6	-	6
(Interest) receivables from shareholders and other group companies	23	-	23
Assets held for sale	124	-	124
Loans due to shareholders and other group companies	-	-	-
Trade and other payables	1	-	1
Interest due to shareholders and other group companies	90	-	90
	3,619	**591**	**3,028**

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

15.7.2 Analysis of unrecognised deferred taxes

	31-12-2022 In € 1,000	31-12-2021 In € 1,000
Will expire	258	228
Will never expire	2,770	2,282
	3,028	**2,510**

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

	31-12-2022 In € 1,000	31-12-2021 In € 1,000
Expires in 2022	-	82
Expires in 2023	22	22
Expires in 2024	11	11
Expires in 2025	53	21
Expires in 2026	116	92
Expires in 2027	56	-
Subtotal will expire	258	228
Will never expire	2,233	2,066
	2,491	**2,294**

The Managing Board expects (taking into account local tax law and regulations) that in the future there will be insufficient taxable profit to set-off these unrecognised tax losses. The unrecognised deferred tax assets concerning tax losses (carried forward) which will never expire relates mainly to tax losses of the Parent Company. Mainly as a result of applying the participation exemption in the Netherlands it is expected the Parent Company will not generate taxable profits in the (near) future. Therefore the Managing Board is of the opinion no deferred tax assets can be recognised for these tax losses (carried forward).

15.7.4 Statement of changes in unrecognised deferred taxes

	2022 In € 1,000	2021 In € 1,000
Balance as at 1 January	2,510	2,597
Adjustments related to prior years	8	-/- 20
Additions as a result of acquisitions	-/- 591	-
Additions / withdrawals	1,209	-/- 600
Change in tax rate	4	484
Exchange rate differences	-/- 112	49
Balance as at 31 December	**3,028**	**2,510**

15.8 TAX ASSETS

15.8.1 Specification of tax assets

	31-12-2022 In € 1,000	31-12-2021 In € 1,000
Non-current part of tax assets	-	-
Current part of tax assets	563	87
	563	**87**

15.8.2 Specification of tax assets

	31-12-2022 In € 1,000	31-12-2021 In € 1,000
Corporate income tax (**CIT**)	558	72
Value added tax (**VAT**)	3	15
Property tax	2	-
	563	**87**

15.9 TRADE AND OTHER RECEIVABLES

15.9.1 Analysis of trade and other receivables

	31-12-2022 In € 1,000	31-12-2021 In € 1,000
Non-current part of trade and other receivables	650	490
Current part of trade and other receivables	1,346	709
	1,996	**1,199**

15.9.2 Specification of trade and other receivables

	31-12-2022 In € 1,000	31-12-2021 In € 1,000
Trade receivables	353	516
Debt Service Reserve Account (**DSRA**)	650	490
Sold properties	877	-
Receivables Secure Management S.r.l.	-	114
Termination derivative financial instruments (interest rate swaps)	78	-
Receivables SPDI	8	8
Interest income	6	-
Invoiceable amounts	5	15
Other trade and other receivables	19	56
	1,996	**1,199**

The “Sold properties” for the amount of € 877,000 relates to the remaining part of the sold property VUP (Czech Republic). This amount was received during the first quarter 2023.

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

15.9.3 Analysis of trade receivables

	31-12-2022 In € 1,000	31-12-2021 In € 1,000
Trade receivables (gross)	800	957
Total expected credit losses for trade receivables	-/- 447	-/- 441
	353	**516**

15.9.4 Provision for doubtful trade receivables

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

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

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

15.9.5 Risk profile of trade receivables

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

	31-12-2022					
	Not past due	**Up to 1 month past due**	**1 to 3 months past due**	**3 months to 1 year past due**	**More than 1 year past due**	**Total**
Expected credit loss rate	2.7%	3.6%	9.1%	29.0%	99.3%	
Trade receivables (gross) (in € 1,000)	185	112	44	31	428	800
Collective assessed expected credit losses (in € 1,000)	-/- 5	-/- 4	-/- 4	-/- 9	-/- 425	-/- 447
Individually assessed expected credit losses (in € 1,000)						-
Trade receivables (net) (in € 1,000)						**353**

	31-12-2021					
	Not past due	**Up to 1 month past due**	**1 to 3 months past due**	**3 months to 1 year past due**	**More than 1 year past due**	**Total**
Expected credit loss rate	4.5%	3.3%	7.3%	18.8%	100.0%	
Trade receivables (gross) (in € 1,000)	178	120	150	112	397	957
Collective assessed expected credit losses (in € 1,000)	-/- 8	-/- 4	-/- 11	-/- 21	-/- 397	-/- 441
Individually assessed expected credit losses (in € 1,000)						-
Trade receivables (net) (in € 1,000)						**516**

15.9.6 Movement in lifetime expected credit losses for trade receivables

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

	2022		
	Collective assessed expected credit losses In € 1,000	**Individually assessed expected credit losses** In € 1,000	**Total expected credit losses** In € 1,000
Balance as at 1 January	441	-	441
Additions as a result of acquisitions	7	-	7
Amounts written-off	-/- 63	-	-/- 63
Amounts recovered	-/- 92	-	-/- 92
Change in loss allowance due to new trade and other receivables originated net of those derecognised due to settlement	155	-	155
Exchange rate differences	-/- 1	-	-/- 1
Balance as at 31 December	**447**	**-**	**447**

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

15.10 PREPAYMENTS AND DEFERRED EXPENSES

15.10.1 Analysis of prepayments and deferred expenses

	31-12-2022 In € 1,000	**31-12-2021** In € 1,000
Non-current part of prepayments and deferred expenses	-	23
Current part of prepayments and deferred expenses	214	327
	214	**350**

15.10.2 Specification of prepayments and deferred expenses

	31-12-2022 In € 1,000	31-12-2021 In € 1,000
Deferred expenses	97	177
Prepayments	117	173
	214	**350**

15.11 CASH AND CASH EQUIVALENTS

The cash and cash equivalents are at the free disposal of the Fund, with the exception of € 481,000 (December 31, 2021: € 183,000), which amount is retained on reserve accounts (e.g. “Security Deposit Account”, “Repair Reserve Account” and “CAPEX Account”).

15.11.1 Specification of cash and cash equivalents

	31-12-2022 In € 1,000	31-12-2021 In € 1,000
Bank balances	4,579	1,561
Deposits	161	183
	4,740	**1,744**

15.12 INVENTORIES

15.12.1 Analysis of inventories

		31-12-2022		31-12-2021	
Name of inventory	**Address**	**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	7	367	7	367
Apartment 3-C	Residential Complex Gardova Glava, Boyana	6	426	6	426
Apartment 7-D	Residential Complex Gardova Glava, Boyana	5	305	5	305
Apartment 8-E	Residential Complex Gardova Glava, Boyana	8	482	8	482
Parking places	Residential Complex Gardova Glava, Boyana	63	255	63	185
			1,835		**1,765**

15.12.2 Statement of changes in inventories

	2022 In € 1,000	2021 In € 1,000
Balance as at 1 January	1,765	1,818
(Reversal of) impairments	70	-/- 53
Balance as at 31 December	**1,835**	**1,765**

The fair value of the inventories as at Statement of Financial Position's date is € 3,256,000 (December 31, 2021: € 2,070,000).

15.13 ASSETS HELD FOR SALE

15.13.1 Analysis of assets held for sale

	31-12-2022 In € 1,000	31-12-2021 In € 1,000
Owned investment property held for sale	6,777	4,550

15.13.2 Analysis of owned investment property held for sale

	31-12-2022 In € 1,000	31-12-2021 In € 1,000
Buildings (including underground)	3,786	4,550
Land plots	2,991	-
	6,777	**4,550**

15.13.3 Specification of owned investment property held for sale

Name of property	Address	31-12-2022 In € 1,000	31-12-2021 In € 1,000
In ownership of Arcona Capital RE Bohemia s.r.o. (Czech Republic)			
VUP	Šujanovo náměsti 3, Brno	Sold	n.a.
In ownership of Arcona Capital RE Slovakia s.r.o. (Slovakia)			
Záhradnícka	Záhradnícka 46, Bratislava	3,786	n.a.
Pražská 2	Pražská 2, Košice	Sold	2,316
Pražská 4	Pražská 4, Košice	Sold	2,234
Subtotal		**3,786**	**4,550**
In ownership of Boyana Residence E.O.O.D. (Bulgaria)			
Boyana	Gardova Glava, Boyana	2,991	n.a.
		6,777	**4,550**

The Fund has identified the properties listed above as owned investment property held for sale. Within the financial period, three of these properties (VUP, Pražská 2, and Pražská 4) were successfully sold.

On August 18, 2022, VUP was sold for € 4,350,000 (CZK 106,744,000). Additionally, Pražská 2 and Pražská 4 were sold for a combined total of € 4,550,000 on January 19, 2022.

15.13.4 Statement of changes in owned investment property held for sale

	2022 In € 1,000	2021 In € 1,000
Balance as at 1 January	4,550	9,861
Reclassification (from owned investment property)	10,261	4,720
Additions	71	172
Fair value adjustments	795	-/- 1,343
Disposals	-/- 8,900	-/- 8,860
Balance as at 31 December	**6,777**	**4,550**

The amount of €10,261,000 was reclassified from owned investment property and pertains to the following properties: VUP in Czech Republic, Záhradnicka in Slovakia, and Boyana in Bulgaria. This reclassification is described in section 15.2.4 of the “Statement of Changes in Owned Investment Property”.

15.13.5 Valuation of owned investment property held for sale

The owned investment property held for sale, as listed in section 15.13.3 “Specification of Owned Investment Property Held for Sale”, has been valued by an external, independent appraiser as of the Statement of Financial Position’s date. These valuations have been prepared in compliance with the applicable IFRS regulations, and are intended for accounting purposes.

15.14 GROUP EQUITY

15.14.1 “Closed-end” structure

The Fund operates as a closed-end investment company. Ordinary shares can be traded continuously through Euronext Fund Services (**EFS**) in Amsterdam (The Netherlands).

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

On September 14, 2022, the Fund declared a buyback programme for its ordinary shares, with a maximum limit of € 1.5 million. The execution of this buyback programme took place between September 15, 2022, and March 15, 2023, or until the purchase of € 1.5 million worth of ordinary shares was completed, whichever came first.

Ultimately, a partial cancellation of the ordinary shares by the shareholders’ meeting will be proposed .

15.14.2 Capital management

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

15.14.3 Equity components

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

15.15 TAX LIABILITIES

15.15.1 Specification of tax liabilities

	31-12-2022 In € 1,000	31-12-2021 In € 1,000
Non-current part of tax liabilities	-	-
Current part of tax liabilities	509	700
	509	**700**

15.15.2 Analysis of tax liabilities

	31-12-2022 In € 1,000	31-12-2021 In € 1,000
Corporate income tax (**CIT**)	150	475
Property tax	233	114
Value added tax (**VAT**)	94	70
Withholding tax (**WHT**)	32	41
	509	**700**

15.16 LOANS AND BORROWINGS

15.16.1 Analysis of loans and borrowings

	31-12-2022		
Kind of loans and borrowings	**Non-current liabilities** In € 1,000	**Current liabilities** In € 1,000	**Total** In € 1,000
Secured bank loans	13,804	16,371	30,175
Lease liabilities	991	171	1,162
Other loans and borrowings	2,418	2,370	4,788
	17,213	**18,912**	**36,125**

	31-12-2021		
Kind of loans and borrowings	**Non-current liabilities** In € 1,000	**Current liabilities** In € 1,000	**Total** 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**

15.16.2 Statement of changes in secured bank loans

	2022	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	-/- 4,260	-/- 16,810
(Amortisation) flat fee and transaction costs	52	-/- 136
Exchange rate differences	212	454
Balance as at 31 December	**30,175**	**30,895**

15.16.3 Analysis of secured bank loans

	31-12-2022				
Name of company	**Name of credit institution**	**Date of maturity**	**Weighted average interest rate**[10]	**Face value**	**Carrying amount**
		.	In %	In € 1,000	In € 1,000
Arcona Capital RE Bohemia s.r.o.	Sberbank CZ	31-03-2024	9.05	5,914	5,911
Arcona Capital RE Slovakia s.r.o.	Slovenská Sporiteľňa	30-09-2024	3.64	5,792	5,791
Arcona Capital Real Estate Poland Sp. z o.o.	Hypo Noe	31-03-2026	4.81	7,661	7,576
Arcona Poland B.V. Project 5 Sp.k.	Hypo Noe	31-03-2026	4.81	5,499	5,446
Boyana Residence E.O.O.D.	Alpha Bank	30-06-2021	5.92	1,789	1,789
Arcona Capital Real Estate Bulgaria Ltd.	Alpha Bank	30-06-2021	5.92	531	531
N-E Real Estate Park First Phase S.r.l.	Patria Bank	10-12-2031	4.72	3,201	3,131
				30,387	**30,175**

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

[10] Exclusive variable remunerations.

Boyana Residence E.O.O.D. and Arcona Capital Real Estate Bulgaria Ltd.
The Fund’s 100% subsidiary companies in Bulgaria, Boyana Residence E.O.O.D. and Arcona Capital Real Estate Bulgaria Ltd., had a loan from Alpha Bank with a total outstanding amount of approximately € 2.32 million, which was due on June 30, 2021. As of the Statement of Financial Position’s date, the subsidiaries had not yet refinanced the loan or agreed on an extension of its term with Alpha Bank. At the end of 2022, the Boyana project was valued at € 6.25 million, and Alpha Bank charged a penalty interest of 2%, resulting in a weighted average interest rate of 7.92%.

As of January 9, 2023, the loan(s) from Alpha Bank, including accrued (penalty) interest and costs, had been fully repaid as a result of successful refinancing. The Fund acquired loan(s) from Dutch investors for approximately € 3.6 million, with a maturity date of June 30, 2024, and an interest rate of 9.0%. Additionally, a variable remuneration based on the gross sellable area of eight pre-selected apartment rights is payable, with a maximum variable remuneration of 4% of the original loan amount.

The refinancing allows for the full repayment of Alpha Bank, payment of historical accrued taxes, and the renovation of all apartments within the next 18 months in accordance with the original business plan. Alpha Bank had previously limited the realization of potential additional value from the project by not allowing for the separate sale of the development land or individual apartments.

15.16.4 Securities provided, bank covenants and ratios secured bank loans

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

	Sberbank CZ	**Slovenská Sporiteľňa**	**Hypo Noe**	**Alpha Bank**	**Patria Bank**
Carrying amounts securities provided:					
• Owned investment property (in € 1,000)	16,468	12,810	26,110	-	5,346
• Inventories (in € 1,000)	-	-	-	1,835	-
• Assets held for sale (in € 1,000)	-	3,786	-	2,991	-
• Trade and other receivables (in € 1,000)	41	224	521	-	137
• Cash and cash equivalents (in € 1,000)	1,374	249	968	-	69
Bank covenants:					
• Debt Service Coverage Ratio (**DSCR**) (minimum)	1.15	1.25	1.20	n.a.	1.30
• Debt Service Reserve Account (**DSRA**) (in € 1,000)	n.a.	190	400	n.a.	60[11]
• Capital expenditure (**CAPEX**) (in € 1,000)	n.a.	70	n.a.	n.a.	n.a.
• Minimum total annual collection in the bank account (in € 1,000)	n.a.	n.a.	n.a.	n.a.	606[12]
• Equity / liabilities (minimum)	n.a.	10.00%	n.a.	n.a.	n.a.
• Loan to value (maximum)	70.00%	45.00%	65.00%	n.a.	n.a.
• Negative equity borrower	n.a.	n.a.	No[13]	n.a.	n.a.
• Issued shares borrower pledged	Yes	No	Yes[14]	Yes	No
Ratios:					
Debt Service Coverage Ratio (**DSCR**)	1.18	1.27	1.87	n.a.	1.50
Loan to value (**LTV**)	35.91%	34.90%	50.40%	37.14%	59.87%
Withdrawable credit facilities:					
Maximum credit facilities	5,914	5,792	13,160	2,320	3,201
Outstanding amount	5,914	5,792	13,160	2,320	3,201
Withdrawable credit facilities	-	-	-	-	-

For further information on pledged issued shares of the borrower reference is made to section 19.1.3 "Securities provided".

[11] In accordance with the bank covenant the Debt Service Reserve account (DSRA) has to be built up monthly with an amount of € 5,000 until an amount of € 265,000 is reached.
[12] In accordance with the bank covenant RON 3,000,000.
[13] Each borrower (Arcona Capital Real Estate Poland Sp. z o.o. and Arcona Poland B.V. Project 5 Sp.k.) has to ensure that, at all times, its total assets increased by the aggregate of the subordinated liabilities then outstanding are greater than its total liabilities. For the purpose of this calculation contingent and prospective liabilities will not be taken into account and liabilities under subordinated shareholders loan will be treated as equity and not as liabilities.
[14] Only the shares in Arcona Capital Real Estate Poland Sp. z o.o. are pledged. The shares in Arcona Poland B.V. Project 5 Sp.k. are not pledged.

15.16.5 Statement of changes in lease liabilities

	2022 In € 1,000	2021 In € 1,000
Balance as at 1 January	1,297	1,410
Redemptions	-/- 188	-/- 186
Accrued interest	76	84
Exchange rate differences	-/- 23	-/- 11
Balance as at 31 December	**1,162**	**1,297**

15.16.6 Analysis of lease liabilities

Nature of lease liability	Related to property	31-12-2022 In € 1,000	31-12-2021 In € 1,000
Lease liability by Arcona Capital Real Estate Trio Sp. z o.o. (Poland)			
Land lease	Grzymaly Siedleckiego	101	152
Land lease	Kardynala Wyszynskiego	307	354
Land lease	Legionow	754	791
		1,162	**1,297**

15.16.7 Maturity analysis contractual undiscounted cash flows of lease liabilities

	31-12-2022 In € 1,000	31-12-2021 In € 1,000
Less than 1 year	171	174
1 year to 5 years	522	592
More than 5 years	1,330	1,473
	2,023	**2,239**

15.16.8 Statement of changes in other loans and borrowings

	2022 In € 1,000	2021 In € 1,000
Balance as at 1 January	4,604	5,071
Loans advanced	3,100	5,840
Redemptions	-/- 2,900	-/- 6,349
(Amortisation) flat fee and transaction costs	-/- 39	7
Accrued interest	37	27
Exchange rate differences	-/- 14	8
Balance as at 31 December	**4,788**	**4,604**

15.16.9 Analysis of other loans and borrowings

Name of company	Name of counterparty	Secured / unsecured	Date of maturity	31-12-2022		
				Weighted average interest rate In %	Face value In € 1,000	Carrying amount In € 1,000
Aisi Bela LLC	Almaz-Press-Ukraine LLC	Unsecured	-	0.00	53	53
Arcona Capital Real Estate Trio Sp. z o.o.	Bond holder	Secured	29-03-2024	9.67[15]	2,000	1,937
Arcona Property Fund N.V.	Other third party (I)	Unsecured	15-01-2024	9.50	250	250
Arcona Property Fund N.V.	Other third party (II)	Unsecured	30-06-2024	9.00	1,000	980
Arcona Property Fund N.V.	Other third party (III)	Unsecured	30-06-2024	9.00	600	588
Arcona Property Fund N.V.	Other third party (IV)	Unsecured	30-06-2024	9.00	1,000	980
					4,903	**4,788**

Name of company	Name of counterparty	Secured / unsecured	Date of maturity	31-12-2021		
				Weighted average interest rate In %	Face value In € 1,000	Carrying amount In € 1,000
Aisi Bela LLC	Almaz-Press-Ukraine LLC	Unsecured	-	0.00	67	67
Arcona Capital Real Estate Trio Sp. z o.o.	Bond holder	Secured	29-03-2024	8.50[16]	2,150	2,037
Arcona Property Fund N.V.	Other third party (I)	Unsecured	15-01-2024	9.50	250	250
Arcona Property Fund N.V.	Other third party (V)	Secured	31-01-2022	10.00	1,000	1,000
Arcona Property Fund N.V.	Other third party (VI)	Unsecured	31-01-2022	11.00	250	250
Arcona Property Fund N.V.	Other third party (VII)	Unsecured	31-03-2022	10.00	1,000	1,000
					4,717	**4,604**

[15] The weighted average interest rate used amounts 11.78%.
[16] The weighted average interest rate used amounts 10.61%.

15.16.10 Securities provided of other loans and borrowings

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

	bond holders	Other third parties
Financial covenants:		
• Debt Service Coverage Ratio (**DSCR**) (minimum)	1.10	n.a.
• Loan to value (**LTV**) (maximum)	40.00%	n.a.
• Issued shares borrower pledged	Yes	n.a.

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

15.17 TRADE AND OTHER PAYABLES

15.17.1 Analysis of trade and other payables

	31-12-2022 In € 1,000	**31-12-2021** In € 1,000
Non-current part of trade and other payables	-	-
Current part of trade and other payables	3,344	2,590
	3,344	**2,590**

15.17.2 Specification of trade and other payables

	31-12-2022 In € 1,000	**31-12-2021** In € 1,000
Trade payables	346	410
Administrative expenses	1,120	1,099
Accruals	847	643
(Penalty) interest payables and costs Alpha Bank	660	251
Interest payables	228	182
Payable settlement acquisitions	120	-
Other trade and other payables	23	5
	3,344	**2,590**

15.17.3 Specification of administrative expenses

	31-12-2022 In € 1,000	**31-12-2021** In € 1,000
Fund management fee	1,120	1,099
Performance-related remuneration	-	-
	1,120	**1,099**

15.18 DEFERRED INCOME AND TENANT DEPOSITS

15.18.1 Analysis of deferred income and tenant deposits

	31-12-2022 In € 1,000	31-12-2021 In € 1,000
Non-current part of deferred income and tenant deposits	384	410
Current part of deferred income and tenant deposits	159	153
	543	**563**

15.18.2 Specification of deferred income and tenant deposits

	31-12-2022 In € 1,000	31-12-2021 In € 1,000
Deposits received from tenants	523	551
Advance payments received from tenants	20	12
	543	**563**

15.19 DEFERRED TAX LIABILITIES

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

- 15.6.1 “Specification of recognised deferred taxes”;
- 15.6.4 “Statement of changes in recognised deferred taxes”;
- 15.7.1 “Specification of unrecognised deferred taxes”; and
- 15.7.4 “Statement of changes in unrecognised deferred taxes”.

15.20 CONTINGENT ASSETS

As of the Statement of Financial Position’s date, the Fund did not hold any contingent assets that are not included in the Statement of Financial Position, except for unrecognised deferred tax assets, as mentioned in section 15.7 “Unrecognised Deferred Taxes”.

15.21 NON-CONTINGENT ASSETS

As of the Statement of Financial Position’s date, the Fund did not hold any non-contingent assets other than those already recognised in the Statement of Financial Position.

15.22 NON-CONTINGENT LIABILITIES

As of the Statement of Financial Position's date, the Fund had the following non-contingent liabilities, which are not included in the Statement of Financial Position:

A. Arcona Capital RE Slovakia s.r.o. has a non-contingent liability of € 78,000 for repair and maintenance;

B. Boyana Residence E.O.O.D. has a non-contingent liability of € 150,000 to carry out necessary maintenance and improvement works on the real estate mortgaged in favour of Alpha Bank to enhance sales. However, as a result of the refinancing as of January 9, 2023, this non-contingent liability is no longer applicable.

As of the Statement of Financial Position's date, the Fund was not subject to any other contractual obligations, such as investments, repairs, maintenance, or other non-contingent liabilities, that require settlement in a future financial period.

15.23 CONTINGENT LIABILITIES

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

A. Arcona Capital RE Bohemia s.r.o. has a contingent liability for the amount of CZK 4,973,000 (€ 206,000) towards the buyer of the investment property Štefánikova with regard to rent received in advance by Arcona Capital RE Bohemia s.r.o. for usage of the parking places (free of payment) by the lessee of Štefánikova. Based on the agreement (2012) the buyer of Štefánikova will pay the taxes with regard to this rent;

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

- Two development sites in the Kiev region of Ukraine, with a total value of approximately € 1.8 million.

Due to the conflict situation in Ukraine, it is not currently possible to complete the purchase of the two remaining properties (development plots) in and around Kiev, which was agreed in June 2021 at € 1,970,000. This is because the purchase contract contains specific pre-completion conditions, the fulfilment of which require decisions and actions to be taken by Kiev City Council and other Ukrainian public authorities. The Sellers were unable to fulfil these conditions prior to the Russian invasion.

At the start of 2023, all the necessary conditions had been met, and the parties had come to a verbal agreement that a new valuation was required. The acquisition price will be determined based on this valuation, and delivery is expected in the second half of the same year.

C. The Fund has a contingent liability towards 4 Dutch investors who provided loans during December 2022 and January 2023 for an original amount of € 3.6 million. Based on the loan agreements a variable remuneration is payable based on the gross sellable area of 8 pre-selected apartment rights held by Boyana Residence E.O.O.D. The maximum variable remuneration amounts to 4% of the loan originally provided. The fair value of this liability is negligible.

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

Holder	Number of warrants	Date of issue	Expiration date	Required share price	Exercise price
SPDI	67,063	01-11-2019	01-11-2024	€ 8.10	€ 0.00
SPDI	77,201	05-12-2019	01-11-2024	€ 8.10	€ 0.00
SPDI	76,085	29-03-2022	29-03-2027	€ 7.20	€ 0.00
SPDI	39,458	15-06-2022	15-06-2027	€ 7.20	€ 0.00

The exercise date of the outstanding warrants is the trading day immediately following the 10^{th} trading day on which the shares have traded on a regulated market (or system comparable to a regulated market) and for which the volume-weighted average price of a share was € 7.20, € 8.10 or higher (the "required share price"), provided that this warrant may not be exercised within a 12 months period following the issue date, unless a prospectus approved by the Dutch Authority for the Financial Markets (Autoriteit Financiële Markten, the **AFM**) with respect to the warrants and / or the warrant shares is published by the Fund.

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

The statement of changes in warrants is as follows:

	2022 In pieces	**2021** In pieces
Balance as at 1 January	144,264	144,264
Granted during the financial period	115,543	-
Forfeited during the financial period	-	-
Expired during the financial period	-	-
Balance as at 31 December	**259,807**	**144,264**
Exercisable as at 31 December	**-**	**-**

E. On 28 March 2023, the Fund was notified that Hypo Noe had approved a waiver for ACREP and Project 5, addressing the breach of the DSCR forecast covenant. The Fund is responsible for a contingent liability, providing financial resources to ACREP and Project 5 up to a cumulative amount of € 400,000 (€ 250,000 for Project 5 and € 150,000 for ACREP). This funding is intended to address potential gaps in Project 5 for financing the planned fit-out costs at the Maris property and in ACREP for financing the planned fit-out costs of the Słupsk property.

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

15.24 GROSS RENTAL INCOME

15.24.1 General

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

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

15.24.2 Analysis of gross rental income

	2022	**2021**
	In € 1,000	In € 1,000
Gross rental income collected / accrued	6,389	7,349
Amortisation of lease incentives	-/- 224	-/- 252
	6,165	**7,097**

15.24.3 Analysis of gross rental income collected / accrued

	2022	**2021**
	In € 1,000	In € 1,000
Fixed lease payments received	6,165	7,097
Variable lease payments received	-	-
	6,165	**7,097**

15.24.4 Weighted average percentage of the vacant space

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

	31-12-2022	**31-12-2021**
	In %	In %
Buildings (including underground)	8.5	8.6
Land plots	n.a.	n.a.
Investment property under development	100.0	100.0
Inventories	100.0	100.0
Buildings (including underground) held for sale	41.0	23.4
Land plots held for sale	n.a.	n.a.

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

	2022 In %	2021 In %
Buildings (including underground)	10.6	9.4
Land plots	n.a.	n.a.
Investment property under development	100.0	100.0
Inventories	100.0	100.0
Buildings (including underground) held for sale	40.0	33.6
Land plots held for sale	n.a.	n.a.

15.24.5 Non-cancellable leases

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

	31-12-2022 In € 1,000	31-12-2021 In € 1,000
Less than 1 year	5,414	5,896
1 year to 2 years	3,713	4,461
2 years to 3 years	1,981	3,127
3 years to 4 years	1,161	1,489
4 years to 5 years	863	558
More than 5 years	1,041	1,256
	14,173	**16,787**

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

15.25.1 General

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

15.25.2 Analysis of property operating expenses

	2022 In € 1,000	2021 In € 1,000
Property management	452	531
Asset management	581	653
Maintenance expenses in respect of properties	471	708
Property taxes and fees	352	357
Letting fees[17]	-	87
Insurance premiums	44	42
Other property operating expenses	-	2
Subtotal	1,900	2,380
Adjustment property taxes and fees previous year(s)	58	-
Reimbursement from tenants	-/- 22	-
	1,936	**2,380**

15.25.3 Allocation of service charges and property operating expenses

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

	2022 In € 1,000	2021 In € 1,000
For properties let	3,952	4,696
For properties not let	455	470
	4,407	**5,166**

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

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

	31-12-2022 In € 1,000	31-12-2021 In € 1,000
Less than 1 year	-	-
1 to 5 years	-	-
More than 5 years	-	-
	-	**-**

[17] As of January 1, 2022 the letting fees have been classified as an addition to investment property, instead of amortization over the term of the lease (for more information is referred to section 13.4 “Comparison accounting principles with previous year”).

15.26 VALUATION RESULTS OF PROPERTIES

	2022 In € 1,000	2021 In € 1,000
Owned investment property	-/- 3,669	3,647
Right-of-use assets	-/- 103	-/- 97
Investment property under development	-/- 1,341	-/- 7
Owned investment property held for sale	1,135	-/- 707
	-/- 3,978	**2,836**

15.27 RESULTS ON DISPOSALS OF PROPERTIES

15.27.1 Analysis of results on disposals of properties

	2022 In € 1,000	2021 In € 1,000
Owned investment property	-	-/- 25
Owned investment property held for sale	-/- 640	-/- 809
	-/- 640	**-/- 834**

15.27.2 Specification of results on disposals of properties - per building

	2022 In € 1,000	2021 In € 1,000
Pražská 2, Košice (Slovakia)	-/- 427	-
Pražská 4, Košice (Slovakia)	-/- 422	-
VUP, Brno (Czech Republic)	209	-
Land plot Kalinkowa, Grudziadz (Poland)	-	-/- 25
Vural, Košice (Slovakia)	-	-/- 914
Kosmalt, Košice (Slovakia)	-	105
	-/- 640	**-/- 834**

15.27.3 Specification of results on disposals of properties

	2022 In € 1,000	2021 In € 1,000
Realised value adjustments	-/- 341	-/- 661
Transaction costs on sale of properties	290	162
Consultancy fees and legal fees	9	11
Subtotal	299	173
Total	**-/- 640**	**-/- 834**

15.28 RESULTS ON DISPOSALS OF INVENTORIES

15.28.1 Analysis of results on disposals of inventories

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

15.28.2 Analysis of results on disposals of inventories

	2022 In € 1,000	2021 In € 1,000
Settlement charged costs of adjustment refund of Value Added Tax	-/- 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.

15.29 NET RESULTS ON PROPERTIES

	2022 In € 1,000	2021 In € 1,000
Valuation gains	1,941	4,361
Valuation losses	-/- 6,190	-/- 2,239
	-/- 4,249	2,122
Costs on sale of properties	-/- 328	-/- 173
	-/- 4,577	**1,949**

15.30 VALUATION RESULTS OF INVESTMENTS IN ASSOCIATES

	2022 In € 1,000	2021 In € 1,000
Lelar Holdings Limited	-/- 68	-

15.31 FINANCIAL INCOME

	2022 In € 1,000	2021 In € 1,000
Realised currency results on net investments in group companies	27	530
Change in fair value of derivative financial instruments	182	508
Interest income on derivative financial instruments	15	-
Interest on trade receivables	10	25
Foreign exchange and currency gains	8	25
Penalty interest and fees	11	13
Other financial income	9	20
	262	**1,121**

15.32 OTHER OPERATING INCOME

	2022 In € 1,000	2021 In € 1,000
Penalties for early termination of rental contracts	487	5
Other operating income	26	19
	513	**24**

15.33 ADMINISTRATIVE EXPENSES

15.33.1 Specification administrative expenses

	2022 In € 1,000	2021 In € 1,000
Fund management fee	705	648
Performance-related remuneration	-	-
	705	**648**

15.33.2 Management fee

This is the total fee received by the Managing Board (Arcona Capital Fund Management B.V.) for the management it performs. The total management fee consists of the Fund management fee as well as the Asset management fee. The management fee is calculated by percentages on the value of the Fund's total assets at month-end. In accordance with the Fund's prospectus, the Registration Document dated October 19, 2016 and the Security Note dated October 28, 2016 these percentages are:

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

15.33.3 Specification fund management fee

	2022 In € 1,000	2021 In € 1,000
Management fee	1,286	1,301
Less: Asset management fee:		
Arcona Capital Czech Republic s.r.o.	295	406
Arcona Capital Poland Sp. z o.o.	203	185
CEG South East Continent Unique Real Estate Management Limited	83	62
	581[18]	653
Fund management fee (Arcona Capital Fund Management B.V.)	**705**	**648**

15.33.4 Performance-related remuneration

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

The performance-related remuneration consists of three tiers:

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

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

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

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

[18] Reference is made to section 15.25.2 "Analysis of property operating expenses".

15.34 OTHER OPERATING EXPENSES

15.34.1 Specification of other operating expenses

	2022 In € 1,000	2021 In € 1,000
Costs of service providers	1,006	967
Other operating expenses	135	228
	1,141	1,195
Costs of funding and acquisitions	207	86
	1,348	**1,281**

15.34.2 Analysis of costs of service providers

	2022 In € 1,000	2021 In € 1,000
Accounting expenses	257	262
Audit fees	255	236
Consultancy fees	151	207
Court fees	96	-
Custody fees	56	52
Appraisal expenses	47	48
Supervisory Board fees	35	35
Supervisors' expenses	15	22
Insurance AIFMD	18	18
Bank costs	12	19
Marketing expenses	15	12
Listing, Paying and Fund Agent fees	11	11
Other costs of service providers	38	45
	1,006	**967**

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

- the “Accounting expenses” include the expenses in respect of bookkeeping, consolidation activities on a quarterly basis for results announcements and the determination of corresponding Net Asset Value (**NAV**), preparation of (Semi)-Annual Report and other activities to fulfil administrative requirements for the Fund and its subsidiaries;
- the “Audit fees” include the fees for the audit of the Consolidated Financial Statements and Parent Company Financial Statements, as well as audits of accounts of subsidiaries. The fees for the audit of the Consolidated Financial Statements, Parent Company Financial Statements and European Single Electronic Format (**ESEF**) reporting 2022 (Deloitte Netherlands) are estimated at € 88,000 (2021: € 68,000). During the financial period audit fees related to prior years have been booked in an amount of € 17,000 (2021: € 12,000). The audit fees of accounts of subsidiaries (Deloitte other countries) amount to € 150,000 (2021: € 156,000).
  Except for:
  - audit of the Consolidated Financial Statements and Parent Company Financial Statements,
  - audits of accounts of subsidiaries, and
  - audit of ESEF reporting and requirements

  no services of Deloitte have been used.
- the “Consultancy fees”, including legal fees, relate mainly to consultancy fees for tax structuring;
- the “Court fees” relates to a court case towards Alpha Bank, with regard to several (enforcement) costs invoiced by Alpha Bank, since the term of the secured bank loan(s) are already expired;
- the “Custody fees” include the fees for operational activities by the AIFMD Depositary;

- the “Supervisors’ expenses” include expenses for supervision by the Dutch Authority for the Financial Markets (Autoriteit Financiële Markten, the **AFM**) and “De Nederlandsche Bank” (**DNB**);
- the “Other costs of service providers” include, among others, costs of press releases, required software ESEF, Euronext Fund Services (**EFS**) and Prague Stock Exchange (**PSE**).

15.34.3 Analysis of Supervisory Board fees

	2022 In € 1,000	**2021** In € 1,000
Mr. H.H. Kloos RBA (until June 30, 2022)	7	14
Mr. B. Vos M.Sc. (until June 22, 2022)	7	14
Mr. M.P. Beys	14	7
Mrs. A.N. Krol (as of June 22, 2022)	7	-
Mr. J.J. van Heijst MSc. [19]	-	-
	35	**35**

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

15.34.4 Analysis of other operating expenses

	2022 In € 1,000	**2021** In € 1,000
Irrecoverable trade receivables	63	395
Change in provision for doubtful trade receivables	-	-/- 288
Non-refundable value added tax (**VAT**)	60	109
Wages and salaries statutory directors	12	12
	135	**228**

15.34.5 Analysis of costs of funding and acquisitions

	2022 In € 1,000	**2021** In € 1,000
Consultancy fees / legal fees	207	71
Due diligence	-	15
	207	**86**

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

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

15.34.6 Transaction costs

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

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

	2022	2021
	In € 1,000	In € 1,000
Transaction costs on purchase of investments	-	-
Transaction costs on sale of investments	328	173
	328	**173**

15.34.7 Costs of lending financial instruments

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

15.34.8 Remuneration for orders on behalf of the Fund

Neither the Managing Board, the directors of the Managing Board, the Fund, the Depositary of the Fund, nor parties affiliated with these parties, received any remuneration for performing assignments for the Fund, other than as described in section 15.33 “Administrative expenses” and 15.34 “Other operating expenses”.

15.34.9 Outsourcing expenses

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

The related expenses are included in the section accounting expenses, as indicated in section 15.34.2 “Analysis of costs of service providers”.

15.34.10 Comparison of actual costs with prospectus

	2022		2021	
	Actual	**Prospectus**	**Actual**	**Prospectus**
	In € 1,000	In € 1,000	In € 1,000	In € 1,000
Costs of service providers	1,006	900	967	900

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

For the analysis of costs of service providers is referred to section 15.34.2 “Analysis of costs of service providers”.

15.35 PERSONNEL COSTS

The Fund does not employ any personnel, with the exception of statutory directors of the Fund’s subsidiaries. The statutory directors receive a wage, which is specified in other operating expenses (reference is made to section 15.34.4 “Analysis of other operating expenses”).

15.36 FINANCIAL EXPENSES

	2022 In € 1,000	2021 In € 1,000
Interest expense on secured bank loans	1,549	1,091
Interest expense on other loans and borrowings	302	563
Interest expense on convertible bonds	-	217
Interest expense on derivative financial instruments	-	94
Interest expense on lease liabilities	76	84
Penalty interest and costs on secured bank loans	196	42
Interest expense and costs of Tax Authorities	38	15
Withholding tax on loans due to shareholders and other group companies	24	24
Other financial expenses	23	20
	2,208	**2,150**

15.37 ONGOING CHARGES FIGURE

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

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

	2022 In %	2021 In %	2020 In %	2019 In %	2018 In %
OCF	8.02	9.50	9.96	11.13	10.85

In 2022 the OCF decreased as a result of a decrease of the total expenses (including other operating expenses) by approximately 7%, in conjunction with the increase of the average Group equity by approximately 10%.

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

	2022 In %	2021 In %	2020 In %	2019 In %	2018 In %
OCF (without non-regular costs)	7.61	9.31	9.00	10.01	10.72

15.38 INCOME TAX EXPENSE

15.38.1 Tax position

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

15.38.2 Income tax expense recognised in the Consolidated Income Statement

	2022 In € 1,000	**2021** In € 1,000
Current income tax expense		
Current year	649	996
Adjustments related to prior years	-/- 17	19
Subtotal current income tax expense	632	1,015
Deferred income tax expense		
Origination and reversal of taxable temporary differences	-/- 878	150
Recognition of previously unrecognised (derecognition of previously recognised) tax losses	140	-/- 110
Recognition of previously unrecognised (derecognition of previously recognised) other taxable temporary differences	474	-/- 1,159
Change in tax rate	-	-/- 1
Adjustments related to prior years	42	-/- 4
Subtotal deferred income tax expense	-/- 222	-/- 1,124
Total income tax expense	**410**	**-/- 109**

15.38.3 Reconciliation of effective tax rate

	2022 In %	**2022** In € 1,000	**2021** In %	**2021** In € 1,000
Profit before income tax		**-/- 3,940**		**3,025**
Tax using the Parent Company's domestic tax rate	25.8	-/- 1,017	25.0	757
Effect of tax rates in foreign jurisdictions	-/- 12.1	475	-/- 12.6	-/- 381
Change in tax rate	0.0	-	0.0	-/- 1
Tax effect of:				
Non-deductible expenses	-/- 4.4	173	9.2	278
Tax exempt revenues	2.5	-/- 99	-/- 6.5	-/- 196
Tax on phantom results	-/- 0.2	9	10.7	324
Current year losses for which no deferred tax asset is recognised	-/- 5.8	229	12.0	364
Recognition of previously unrecognised (derecognition of previously recognised) tax losses	-/- 3.5	140	-/- 3.6	-/- 110
Recognition of previously unrecognised (derecognition of previously recognised) other taxable temporary differences	-/- 12.1	475	-/- 38.3	-/- 1,159
Adjustments related to prior years	-/- 0.6	25	0.5	15
	-/- 10.4	**410**	**-/- 3.6**	**-/- 109**

15.38.4 Deferred income tax recognised directly in Group equity

	2022 In € 1,000	2021 In € 1,000
Related to receivables from shareholders and other group companies	26	43

15.38.5 Applicable local corporate income tax rates

	2024 In %	2023 In %	2022 In %	2021 In %	2020 In %
The Netherlands					
- first bracket	19.00	19.00	15.00	15.00	16.50
- Second bracket as of € 200,000	25.8	25.80	n.a.	n.a.	25.00
- Second bracket as of € 245,000	n.a.	n.a.	n.a.	25.00	n.a.
- Second bracket as of € 395,000	n.a.	n.a.	25.80	n.a.	n.a.
Czech Republic	19.00	19.00	19.00	19.00	19.00
Poland					
- Regular	19.00	19.00	19.00	19.00	19.00
- Small taxpayers[20]	9.00	9.00	9.00	9.00	9.00
Romania					
- Regular	16.00	16.00	16.00	16.00	16.00
- Micro-companies[21] with at least 1 employee	1.00	1.00	1.00	1.00	1.00
- Micro-companies with no employees	n.a.	n.a.	3.00	3.00	3.00
Slovakia					
- Regular	21.00	21.00	21.00	21.00	21.00
- Micro-taxpayers[22]	15.00	15.00	15.00	15.00	n.a.
Ukraine	18.00	18.00	18.00	18.00	18.00
Bulgaria	10.00	10.00	10.00	10.00	10.00

[20] As of January 1, 2019 a reduced corporate income tax rate was introduced in Poland for so-called “small taxpayers”. Small taxpayers are, for example, entities whose revenues, including value added tax (**VAT**), in a given tax year did not exceed in the preceding tax year the PLN equivalent of € 1.2 million (as of January 1, 2020: € 2 million). The reduced corporate income tax rate will not be available for entities created or involved in certain restructuring activities.

[21] Micro-companies in Romania are corporate taxpayers and entrepreneurs and self-employed individuals that achieve turnover up to € 1 million for the relevant tax period (as of January 1, 2023: up to € 0.5 million). The reduced tax rate of 1.00% is solely appliable if the company has at least one employee with full-time employment contract for an indefinite period.

[22] As of January 1, 2021 a reduced corporate income tax rate was introduced in Slovakia for so-called “micro-taxpayers”. Micro-taxpayers are corporate taxpayers and entrepreneurs and self-employed individuals that achieve taxable income (revenues) up to € 49,790 for the relevant tax period.

15.39 EARNINGS PER SHARE[23]

15.39.1 Calculation of basic earnings per share

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

The weighted average number of shares is adjusted for events, other than the conversion of potential ordinary shares, that have changed the number of ordinary shares outstanding without a corresponding change in resources.
If the number of shares outstanding increases as a result of a capitalisation, bonus issue or share split, or decreases as a result of a reverse share split, the calculation of basic and diluted earnings per share and of the comparative figures is adjusted retrospectively.

15.39.2 Profit for the period attributable to shareholders (basic)

	2022 In € 1,000	2021 In € 1,000
Profit for the financial period	-/- 4,350	3,134

15.39.3 Weighted average number of outstanding shares (basic)

	2022 In pieces	2021 In pieces
Issued shares as at 1 January	3,758,683	3,758,683
Effect of issued shares during the financial period	326,898	-
Effect of treasury shares held during the financial period	-/- 7,846	-
	4,077,735	**3,758,683**

15.39.4 Calculation of diluted earnings per share

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

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

15.39.5 Profit for the period attributable to shareholders (diluted)

	2022 In € 1,000	2021 In € 1,000
Profit for the period	-/- 4,350	3,134
Interest expense on convertible bonds (net of tax)	-	-
	-/- 4,350	**3,134**

[23] The calculation of the earnings per share includes all types of profit-sharing shares (e.g. ordinary and registered shares). Therefore, treasury shares are excluded from the earnings per share.

15.39.6 Weighted average number of outstanding shares (diluted)

	2022 In pieces	2021 In pieces
Weighted average number of outstanding shares outstanding during the financial period (basic)	4,077,735	3,758,683
Effect of conversion of warrants	-	-
Effect of conversion of convertible bonds	-	-
	4,077,735	**3,758,683**

15.40 RISK MANAGEMENT

15.40.1 General

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

The Managing Board of the Fund determines the tactical investment mix. The Managing Board regularly monitors the deviation between the previously determined tactical investment mix and the actual investment mix. The risks are summarised in the table below:

Risk category	Risk	Policy	Notes	Risk appetite	Impact	Likelihood
Strategy	Market	Mitigation	15.40.2	High	Medium	High
	Concentration	Avoidance/control	15.40.6	Low	Medium	Medium
	Economic	Acceptance	15.40.8	High	High	High
Operational	Fraud	Avoidance	15.40.15	Low	Medium	Low
	Internal control	Mitigation	15.40.15	Low	Medium	Low
	Counterparty	Mitigation	15.40.9	Low	Medium	Low
	Integrity	Avoidance	15.40.19	Low	Medium	Low
Financial position	Currency	Mitigation/Avoidance	15.40.3	Medium	Medium	High
	Interest rate	Mitigation	15.40.4	Low	High	High
	Price	Acceptance	15.40.5	High	High	High
	Borrowed money	Avoidance	15.40.7	Low	High	Medium
	Credit	Mitigation	15.40.9	Low	Medium	Low
	Rent	Mitigation	15.40.10	Medium	Medium	High
	Debtor	Mitigation	15.40.11	Medium	Low	High
	Vacancy	Mitigation	15.40.12	Medium	Medium	High
	Liquidity	Avoidance	15.40.14	Low	High	Medium
Financial reporting	Outsourcing	Avoidance	15.40.17	Low	Low	Low
Legal and compliance risk	Regulations	Mitigation	15.40.13	Low	Medium	Medium
	Tax	Mitigation/Acceptance	15.40.16	Low	Medium	High
	Legal	Mitigation	15.40.18	Low	High	High
	ESG	Mitigation/Avoidance	15.40.20	Low	Medium	Medium

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

15.40.2 Market risk

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

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

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

The Fund's policy is *mitigation*. The risk appetite is high. The impact is considered medium, the likelihood is high (reference is made to section 15.2.10 "Sensitivity analysis" of the buildings (including underground)).

15.40.3 Currency risk

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

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

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

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

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

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

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

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

As at Statement of Financial Position's date the Fund had the following exposure with regard to financial assets. The percentages are based on the carrying amount of financial assets.

	31-12-2022	31-12-2021
	In %	In %
Euro (EUR)	67.3	47.3
Polish Zloty (PLN)	10.3	32.2
Czech Koruna (CZK)	20.9	20.4
Romanian Leu (RON)	1.4	0.0
US Dollar (USD)	0.0	0.0
Ukrainian Hryvnia (UAH)	0.0	0.1
Bulgarian Lev (BGN)	0.1	0.0
	100.0	**100.0**

The following table sets out the Fund's total exposure to currency risk and the net exposure to currencies of the monetary assets and liabilities. The amounts are based on the carrying amount of monetary assets and liabilities.

In € 1,000	31-12-2022		
	Monetary assets	**Monetary liabilities**	**Net exposure**
Euro (EUR)	3,656	31,690	-/- 28,034
Czech Koruna (CZK)	2,380	6,306	-/- 3,926
Polish Zloty (PLN)	1,023	1,552	-/- 529
Bulgarian Lev (BGN)	6	416	-/- 410
Romanian Leu (RON)	155	74	81
Ukrainian Hryvnia (UAH)	-	66	-/- 66
US Dollar (USD)		5	-/- 5
	7,220	**40,109**	**-/- 32,889**

	31-12-2021		
	Monetary assets	**Monetary liabilities**	**Net exposure**
Euro (EUR)	1,633	29,322	-/- 27,689
Czech Koruna (CZK)	670	8,581	-/- 7,911
Polish Zloty (PLN)	947	1,661	-/- 714
Bulgarian Lev (BGN)	-	193	-/- 193
Ukrainian Hryvnia (UAH)	1	75	-/- 74
US Dollar (USD)	-	-	-
	3,251	**39,832**	**-/- 36,581**

If the Euro had weakened by 5.0% in relation to one of the other currencies, with all variables held constant, net assets attributable to shareholders per the Consolidated Income Statement and equity would have decreased by the amounts shown below:

	31-12-2022	31-12-2021
	In € 1,000	In € 1,000
Czech Koruna (CZK)	196	396
Polish Zloty (PLN)	26	36
Bulgarian Lev (BGN)	21	10
Romanian Leu (RON)	-/- 4	-
Ukrainian Hryvnia (UAH)	3	4
US Dollar (USD)	-	-

A 5% strengthening of the Euro against the above currencies would have resulted in an equal but opposite effect on the above Financial Statement amounts, on the basis that all other variables remain constant.

The Fund's policy is mitigation / avoidance. The risk appetite is medium, the impact is medium and the likelihood high.

15.40.4 Interest rate risk

General

The interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's investment policy allows loans to be taken up. For reasons of control of liquidity, the Fund holds limited cash and cash equivalents. The Fund has the possibility of investing these funds in short-term deposits.

The Fund manages its interest rate risk with the objective of reducing the cash flow interest rate risk by the use of derivative financial instruments. As at Statement of Financial Position's date the Fund has contracted into the following derivative financial instruments for the loans contracted in the Czech Republic (Interest rate swap I) and Poland (Interest rate swap II). In the Czech Republic, Sberbank CZ asserts that on September 27, 2022, they terminated the swap as part of the insolvency process, thus reducing its value to zero. On February 9, 2023, Sberbank CZ rejected the objections of ACREB regarding the zero value of the interest rate swap. The Fund is currently consulting with external legal counsel to determine the viability of defending the position of the Fund.

	31-12-2022					
	Nominal amount	**Average fixed interest rate**	**Termination date**	**Assets**	**Liabilities**	**Line item in the SFP where the hedging instrument is included**
	In € 1,000	In %		In € 1,000	In € 1,000	
Interest rate swap I	n.a.	1.995	25-10-2022	78	-	Trade and other receivables
Interest rate swap II	9,212	1.480	31-03-2026	479	-	Derivative financial instruments

	31-12-2021					
	Nominal amount	**Average fixed interest rate**	**Termination date**	**Assets**	**Liabilities**	**Line item in the SFP where the hedging instrument is included**
	In € 1,000	In %		In € 1,000	In € 1,000	
Interest rate swap I	5,990	1.995	29-03-2024	293	-	Derivative financial instruments

Exposure to interest rate risk

The following table details the Fund's exposure to interest rate risks. It includes the Fund's financial assets and financial liabilities, categorised by the earlier of contractual re-pricing or maturity date measured by the carrying amount of the financial assets and financial liabilities.

In € 1,000	31-12-2022						
	Less than 1 month	**1 month to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**More than 5 years**	**Non-interest bearing**	**Total**
Investments in associates	-	-	-	-	-	3,587	3,587
Derivative financial instruments	-	-	479	-	-	-	479
Tax assets	-	-	-	-	-	563	563
Trade and other receivables	650	-	-	-	-	1,346	1,996
Prepayments and deferred expenses	-	-	-	-	-	214	214
Cash and cash equivalents	4,739	-	-	-	-	1	4,740
Financial assets	**5,389**	**-**	**479**	**-**	**-**	**5,711**	**11,579**
Loans and borrowings	2,353	17,133	15,191	881	795	53	36,406
Effect of interest rate swaps	-	-	-/- 9,212	-	-	-	-/- 9,212
Tax liabilities	226	-	-	-	-	283	509
Trade and other payables	-	-	-	-	-	3,344	3,344
Deferred income and tenant deposits	-	-	-	-	-	543	543
Financial liabilities	**2,579**	**17,133**	**5,979**	**881**	**795**	**4,224**	**31,590**
Total interest sensitivity gap	**2,810**	**-/- 17,133**	**-/- 5,500**	**-/- 881**	**-/- 795**	**1,487**	**-/- 21,499**

In € 1,000	31-12-2021						
	Less than 1 month	**1 month to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**More than 5 years**	**Non-interest bearing**	**Total**
Derivative financial instruments	-	293	-	-	-	-	293
Tax assets	-	-	-	-	-	87	87
Trade and other receivables	490	-	-	-	-	709	1,199
Prepayments and deferred expenses	-	-	-	-	-	350	350
Cash and cash equivalents	1,741	-	-	-	-	3	1,744
Financial assets	**2,231**	**293**	**-**	**-**	**-**	**1,149**	**3,673**
Loans and borrowings	4,577	22,955	8,035	507	876	67	37,017
Effect of interest rate swaps	-	-/- 5,990	-	-	-	-	-/- 5,990
Tax liabilities	-	-	-	-	-	700	700
Trade and other payables	-	-	-	-	-	2,590	2,590
Deferred income and tenant deposits	-	-	-	-	-	563	563
Financial liabilities	**4,577**	**16,965**	**8,035**	**507**	**876**	**3,920**	**34,880**
Total interest sensitivity gap	**-/- 2,346**	**-/- 16,672**	**-/- 8,035**	**-/- 507**	**-/- 876**	**-/- 2,771**	**-/- 28,436**

Fair value sensitivity analysis for fixed-rate instruments
An increase of 100 basis points in interest rates as at Statement of Financial Position's date would have decreased Group equity and profit for the period by € 215,000 (2021: € 284,000).
A decrease of 100 basis points in interest rates as at Statement of Financial Position's date would have increased Group equity and profit for the period by € 215,000 (2021: € 284,000).

This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

Cash flow value sensitivity analysis for variable-rate instruments
A reasonably possible change of 100 basis points (**bp**) in interest rates as at Statement of Financial Position's date would have increased and / or decreased profit for the period by the amounts shown below.

This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

In € 1,000	**31-12-2022**		**31-12-2021**	
	100 bp increase	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Variable rate instruments	-/- 235	272	-/- 144	69
Interest rate swaps	78	-/- 78	49	-/- 49
Cash flow sensitivity (net)	**-/- 157**	**194**	**-/- 95**	**20**

Weighted average interest rate of loans and borrowings
The main part of the financial liabilities represents loans and borrowings. As at Statement of Financial Position's date the weighted average interest rate of loans and borrowings is as follows:

	31-12-2022	**31-12-2021**
	In %	In %
Weighted average interest rate of loans and borrowings	6.13	4.15

The Fund's policy is *mitigation.* The risk appetite is low. The impact of interest rate risk is high, the likelihood of the risk is high.

15.40.5 Price risk
The price risk can be defined as the risk that the value of the investments will fluctuate as a result of changes in market prices (other than those arising from currency risk or interest rate risk), caused by factors specific to the individual investment or the issuing institution or factors applicable to the market as a whole.

Rental risk includes the risk of loss of rental income due to vacancies, the lettability of space and movements in market rents.

Property value risk includes the risk of loss of property value due to changing economic circumstances, economic decline and / or oversupply of comparable real estate.

Since the Fund's properties are stated at fair value, with both realised and unrealised value adjustments being recognised directly in the Income Statement, a change in market conditions impacts directly on the Fund's investment result. The price risk is managed by the Fund by constructing a portfolio such that optimum diversification across sectors and markets is achieved.

The Fund's risk policy towards price risk is *Acceptance.* The risk appetite is high. The impact of this risk is high, the likelihood is also high.

For the sensitivity analysis of the buildings (including underground) is referred to section 15.2.10 "Sensitivity analysis".

15.40.6 Concentration risk

The concentration risk is the risk that can occur if the Fund has a large concentration of investments in certain regions or types of properties or if the Fund depends on a limited number of large tenants. To reduce this risk, investments of the Fund are spread across different types of properties in several regions in Central Europe and the portfolio has many small and medium-sized tenants. The Fund has decreased its concentration in Košice, Slovakia by selling during 2022 a further two of the eight properties it originally owned in the city, reducing the holding to a single property (Letna).

The Fund’s policy towards this risk is *Avoidance / control.* The risk appetite is low. The impact of this risk is medium, the likelihood is medium.

15.40.7 Risk associated with investing with borrowed money

The risk associated with investing with borrowed money lies in the fact that shareholders might lose their investment because the lender has a priority call on the proceeds of realisation. The investments are indeed used as a security for the (bank) loans. However, this risk is limited to the equity within the borrower subsidiary as there is no cross collateralisation and no parent entity guarantee. If the “Loan-to-Value” (**LTV**) ratio is too high according to the bank covenants it is possible that the Fund needs to sell property to improve LTV. The Fund manages this risk by keeping the LTV below 60% and preferably around 50%. For the LTV reference is made to section 15.15.4 “Securities provided, bank covenants and ratios secured bank loans”.

The Fund’s policy towards this risk is *Avoidance.* The risk appetite is low. The impact of this risk is high, the likelihood is medium.

15.40.8 Economic risk

Economic risk is derived from direct financial factors (developments in interest rates and inflation) and market developments (changes in for example GDP growth and employment). The former tends to affect capital values, the latter occupancy rates and rental levels. Economic risk is managed by the Fund through focussing the Fund’s investments on flexible assets in economically stable regional centres, and managing these assets through local professional teams closely attuned to developments in local market conditions.

The Fund’s policy towards this risk is *Acceptance.* The risk appetite is high. The impact of economic risk is high, the likelihood is also high.

15.40.9 Counterpart risk (credit risk)

The credit risk can be defined as the risk of a counterparty being unable to fulfil its obligation to the Fund associated with monetary assets. The Fund has a credit policy, and the counterpart risk is monitored and controlled on a continuous basis. The risk is presumed to be low, given the short settlement period of most of such monetary assets. The Fund does business with various parties; the most important are banks, tenants and the local administrators of the properties. The Fund will mitigate this risk by regular contact with these counterparties. If credits rise above certain risk limits, measures will be taken to reduce the risk for the Fund.

The carrying amount of monetary assets best represents the maximum credit risk exposure as at Statement of Financial Position's date. As this date, the Fund's monetary assets exposed to credit risk amounted to the following, related to the Fund's net assets attributable to the holders of redeemable ordinary registered and treasury shares:

	31-12-2022	31-12-2022	31-12-2021	31-12-2021
	In € 1,000	In %	In € 1,000	In %
Derivative financial instruments	479	1.0	293	0.6
Tax assets[24]	5	0.0	15	0.0
Trade and other receivables	1,996	4.3	1,199	2.6
Cash and cash equivalents	4,740	10.2	1,744	3.8
	7,220	**15.5**	**3,251**	**7.0**

Other than the above-mentioned items, there were no significant concentrations of credit risk to counterparties as at Statement of Financial Position's date. No individual financial investment exceeded 10% of the net assets attributable to the holders of redeemable ordinary and registered shares either as at Statement of Financial Position's date.

The following table sets out the ageing analysis of the Fund's monetary assets. The amounts are based on the carrying amount of monetary assets.

In € 1,000	31-12-2022					
	Current (not past due)	**Up to 1 month past due**	**1 to 3 months past due**	**3 months to 1 year past due**	**More than 1 year past due**	**Total**
Gross monetary assets						
Derivative financial instruments	479	-	-	-	-	479
Tax assets[18]	5	-	-	-	-	5
Trade and other receivables	1,741	112	122	31	436	2,442
Cash and cash equivalents	4,740	-	-	-	-	4,740
	6,965	**112**	**122**	**31**	**436**	**7,666**
Impairment of monetary assets						
Derivative financial instruments	-	-	-	-	-	-
Tax assets[18]	-	-	-	-	-	-
Trade and other receivables	5	4	4	9	424	446
Cash and cash equivalents	-	-	-	-	-	-
	5	**4**	**4**	**9**	**424**	**446**
Net monetary assets						
Derivative financial instruments	479	-	-	-	-	479
Tax assets[18]	5	-	-	-	-	5
Trade and other receivables	1,736	108	118	22	12	1,996
Cash and cash equivalents	4,740	-	-	-	-	4,740
	6,960	**108**	**118**	**22**	**12**	**7,220**

[24] Exclusive of corporate income tax (**CIT**).

In € 1,000	31-12-2021					
	Current (not past due)	Up to 1 month past due	1 to 3 months past due	3 months to 1 year past due	More than 1 year past due	Total
Gross monetary assets						
Derivative financial instruments	293	-	-	-	-	293
Tax assets[25]	15	-	-	-	-	15
Trade and other receivables	851	121	151	120	397	1,640
Cash and cash equivalents	1,744	-	-	-	-	1,744
	2,903	**121**	**151**	**120**	**397**	**3,692**
Impairment of monetary assets						
Derivative financial instruments	-	-	-	-	-	-
Tax assets[18]	-	-	-	-	-	-
Trade and other receivables	8	4	11	21	397	441
Cash and cash equivalents	-	-	-	-	-	-
	8	**4**	**11**	**21**	**397**	**441**
Net monetary assets						
Derivative financial instruments	293	-	-	-	-	293
Tax assets[18]	15	-	-	-	-	15
Trade and other receivables	843	117	140	99	-	1,199
Cash and cash equivalents	1,744	-	-	-	-	1,744
	2,895	**117**	**140**	**99**	**-**	**3,251**

The impairment with regard to trade and other receivables relates entirely to trade receivables. For further details with regard to this amount is referred to section 15.8 “Trade and other receivables” in the “Notes to the Consolidated Financial Statements”. The following table sets out the pledges of the Fund’s financial assets.

In € 1,000	31-12-2022		
	Guarantee deposits from tenants	Other pledge	Total
Trade and other receivables	225	-	225
Prepayments and deferred expenses	40	-	40
	265	**-**	**265**

In € 1,000	31-12-2021		
	Guarantee deposits from tenants	Other pledge	Total
Trade and other receivables	175	-	175
Prepayments and deferred expenses	57	-	57
	232	**-**	**232**

The Fund’s policy towards this risk is *Mitigation.* The risk appetite is low. The impact is medium, the likelihood is low.

15.40.10 Rent risk

Rent levels may be subject to downward pressure in periods of economic weakness. In the market, vacancy rates can increase and rents will drop. This can also occur at other points of the economic cycle when new development creates supply that temporarily exceeds demand. Rental risk can be best mitigated by professional, active local asset management with the ability to deploy cash resources to modernise assets and

[25] Exclusive of corporate income tax (**CIT**).

fund tenant incentives. It is also mitigated by ensuring diversification in lease contract expiry dates, to avoid a number of contracts expiring contemporaneously into a weak market.

The Fund's policy towards the risk is *Mitigation.* The risk appetite is medium. The impact of the rent risk is medium, the likelihood is high.

15.40.11 Debtor risk

Debtor risk is the risk that arises from the possibility that a specific counterparty is unable to meet its obligations to the Fund. The policy of the Fund is to reduce the default risk by applying a capital adequacy ratio to (potential) tenants and by ensuring a diverse tenant base across industries (e.g. Food Retail, Financial Services, Communications, Healthcare, Technology, Government, Transportation & Logistics) so that an exposure to certain sectors is limited.

The Fund's policy towards this risk is *Mitigation*. The risk appetite is medium. The impact of this risk is, due to tenant base low, the likelihood is high.

15.40.12 Vacancy risk

The occupancy of properties may decrease by lease termination or bankruptcy of tenants. This risk is mitigated and most effectively managed by the Fund by active local asset management and by a regular programme of capital investment at asset level. For information about non-cancellable leases reference is made to section 15.24.5 “non-cancellable leases”.

The Fund's policy towards this risk is *Mitigation.* The risk appetite is medium. The impact of this risk is medium, the likelihood is high.

15.40.13 Risks with regard to regulations

Political decisions to change the law on, for example, soil pollution, zoning, rent control and taxation can affect the yield of the Fund. This risk is mitigated by the undertaking of detailed analysis of potentially relevant risks (due diligence) before an acquisition. The Fund also follows new developments and adjusts its policy if necessary, based on changes in laws and regulations.

The Fund's policy is *Mitigation*. The risk appetite is low. The impact of this risk is medium, the likelihood also is medium.

15.40.14 Liquidity risk

The liquidity risk can be defined as the risk of the Fund being unable to fulfil its obligation to counterparties associated with monetary liabilities.

The Fund invests in real estate, a characteristic of which is its relative illiquidity; typically, the sale of real estate takes time and this could potentially affect the liquidity position of the Fund. The Fund will continuously monitor and manage liquidity to meet its obligations.

The following table shows the contractual, undiscounted cash flows of the Fund's monetary liabilities. The loans and borrowings include the payable interest. The payable interest is calculated by using the weighted average interest rate of loans and borrowings as at Statement of Financial Position's date.

In € 1,000	31-12-2022						
	Less than 1 month	**1 month to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**More than 5 years**	**No stated maturity**	**Total**
Non-derivative liabilities							
Tax liabilities[26]	359	-	-	-	-	-	359
Loans & borrowings	2,584	973	4,910	29,223	2,831	-	40,521
Trade and other payables	3,191	153	-	-	-	-	3,344
	6,134	1,126	4,910	29,223	2,831	-	44,224
Derivative liabilities							
Interest rate swaps	-	-	-	-	-	-	-
Monetary liabilities	**6,134**	**1,126**	**4,910**	**29,223**	**2,831**	**-**	**44,224**

In € 1,000	31-12-2021						
	Less than 1 month	**1 month to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**More than 5 years**	**No stated maturity**	**Total**
Non-derivative liabilities							
Tax liabilities[19]	225	-	-	-	-	-	225
Loans & borrowings	4,113	1,761	1,988	31,337	1,258	-	40,457
Trade and other payables	2,471	119	-	-	-	-	2,590
	6,809	1,880	1,988	31,337	1,258	-	43,272
Derivative liabilities							
Interest rate swaps	-	-	-	-	-	-	-
Monetary liabilities	**6,809**	**1,880**	**1,988**	**31,337**	**1,258**	**-**	**43,272**

Weighted remaining maturity of loans and borrowings

The main part of the financial liabilities represents loans and borrowings. As at Statement of Financial Position's date the weighted remaining maturity of loans and borrowings is as follows:

	31-12-2022	**31-12-2021**
	In years	In years
Weighted remaining maturity of loans and borrowings	3.21	3.38

[26] Exclusive of Corporate Income Tax (**CIT**).

Withdrawable credit facilities

As at Statement of Financial Position's date the withdrawable credit facilities of the Fund are as follows:

	31-12-2022	**31-12-2021**
	In € 1,000	In € 1,000
Withdrawable credit facilities	-	250

The Fund's policy towards this risk is *Avoidance.* The risk appetite is low. The Fund works with budgets where the debt service obligation towards banks is carefully monitored. The impact of this risk can be high, the likelihood medium.

15.40.15 Operational risk

Operational risk is the risk of losses coming from failed internal processes, people or systems or from external operational events. Examples of operational risk incidents are fraud, claims, losses, errors, violation of laws and system failure. During the financial period no material operational risks materialised.

The risk appetite is low. The Fund's policy towards operational risks is *Avoidance* / *Mitigation.* The Fund for example does not tolerate fraud, executes an extensive supplier due diligence / know your customer analysis for service contracts and for transactions and asks for Supervisory Board approval for the purchase or sale of real estate. The impact of these risks is medium, the likelihood is low.

15.40.16 Tax risk

Tax risk is the risk associated with possible changes in tax laws or changing interpretations and effects of government policy and regulation.

The Fund's policy towards this risk is *Mitigation / Acceptance.* The Fund tries to mitigate this risk by using local specialists on regulation and taxation. The risk appetite is low. The impact of this risk is medium, the likelihood is high.

15.40.17 Outsourcing risk

Risk of outsourcing activities brings with it the risk that the counterparty does not fulfil its contractual obligations or makes mistakes. The Fund periodically assesses the compliance of the agreements and takes action as it deems necessary, e.g. when mistakes occur.

The Fund's policy towards this risk is *Avoidance*. The risk appetite, impact and likelihood are low.

15.40.18 Legal risk

Legal risk is the risk associated with possible changes in legislation or changing interpretations. In normal times legislative changes are proposed by governments and made subject to comment by interested parties before finally being passed into law. This enables drafting errors and unintended consequences to be identified and removed and market participants to prepare themselves carefully for the impact of such changes. The COVID-19 pandemic has led to a wave of emergency legislation from governments across the region in which the Fund invests. This legislation has not been subject to the usual consultation and review processes. As a result, there is a significantly increased risk that such legislation will impact negatively on the interests of the Fund and its subsidiaries. In particular, there is a risk that cancellation or deferment of lease obligations, ostensibly to help retail tenants affected by the pandemic, will lead to a long-term diminution of value in some of the Fund´s properties. The Managing Board will carefully assess all such legislation and seek to mitigate its negative effects to the fullest extent possible by active asset management and by specific legal action.

The Fund's policy is therefore *Mitigation*. The risk appetite is low. The impact can be high, the likelihood is high.

15.40.19 Integrity risk

Within organizations there is a risk that people harm organizations by committing fraud or theft. The Managing Board therefore evaluates the reliability and integrity of its staff. All staff in key positions employed the Managing Board will be screened by "Pre-Employment Screening of Dutch Securities Institute" (**DSI**).

The Fund's policy towards the integrity risk is *Avoidance*. The risk appetite is low. The impact of the risk is medium, the likelihood low.

15.40.20 ESG risk

ESG risk refers to the risk of non-compliance with ESG standards for properties, which can have adverse effects. To mitigate this risk, the Fund actively strives to meet ESG standards by investing in energy-saving measures, enhancing real estate, and fostering a positive social environment for tenants. As of now, the Fund does not perceive significant ESG risks, such as refinancing of expiring loans in 2024 and beyond. However, this may change in the future if banks establish higher ESG standards, which they presently do not.

The Fund's policy for managing this risk is *Mitigation/avoidance*, with a low risk appetite. The impact of this risk is considered medium, while the likelihood is medium.

15.40.21 Offsetting financial assets and financial liabilities

As at Statement of Financial Position's date the Fund has set-off the following financial assets and / or financial liabilities:

In € 1,000	31-12-2022		
	Gross amounts before set-off	**Gross amounts set-off**	**Net amounts presented in SFP**
Trade and other receivables	2,079	-/- 83	1,996
Trade and other payables	3,427	-/- 83	3,344

In € 1,000	31-12-2021		
	Gross amounts before set-off	**Gross amounts set-off**	**Net amounts presented in SFP**
Trade and other receivables	792	-/- 83	709
Trade and other payables	2,673	-/- 83	2,590

The above set-off relates to a receivable towards SDPI for the amount of € 83,000, with regard to penalty interest of Alpha Bank. The receivable for € 83,000 has been set-off against the liability towards Alpha Bank with regard to accrued penalty interest. In case Alpha Bank will charge the penalty interest SPDI will bear the burden for an amount of € 83,000.

The Fund does not intend to set-off other financial assets and / or financial liabilities and / or does not have the legally enforceable right to do so in the business as usual.

15.41 DISCLOSURES LEASES

15.41.1 Impact as at Statement of Financial Position's date

The following table present the impact of the application of IFRS 16 as at Statement of Financial Position's date:

	31-12-2022 In € 1,000	31-12-2021 In € 1,000
Right-of-use assets	1,294	1,397
Total assets	**1,294**	**1,397**
Non-current lease liabilities	991	1,134
Current lease liabilities	171	163
Total liabilities	**1,162**	**1,297**

For the specification and statement of changes in right-of-use assets is referred to sections:

- 15.2.6 "Specification of right-of-use assets"; and
- 15.2.7 "Statement of changes in right-of-use assets".

For the statement of changes, analysis, and maturity analysis of undiscounted cash flows of lease liabilities is referred to sections:

- 15.16.5 "Statement of changes in lease liabilities";
- 15.16.6 "Analysis of lease liabilities; and
- 15.16.7 "Maturity analysis contractual undiscounted cash flows of lease liabilities".

15.41.2 Amounts recognised in Consolidated Income Statement

The following table present the impacts of the application of IFRS 16 in the Consolidated Income Statement:

	31-12-2022 In € 1,000	31-12-2021 In € 1,000
Valuation losses of right-of-use assets	103	97
Interest expense on lease liabilities	76	84
Foreign exchange and currency results of lease liabilities	-/- 23	11
Expenses relating to short-term leases	-	-
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	-	-
	156	**192**

15.41.3 Amounts recognised in Consolidated Statement of Cashflows

The following table present the impacts of the application of IFRS 16 in the Consolidated Statement of Cashflows:

	31-12-2022 In € 1,000	31-12-2021 In € 1,000
Payment of lease liabilities	188	186

15.41.4 Analysis of lease payments

	31-12-2022 In € 1,000	31-12-2021 In € 1,000
Fixed lease payments	188	186
Variable lease payments	-	-
	188	**186**

15.42 DISCLOSURES CONSOLIDATED STATEMENT OF CASH FLOWS

15.42.1 Changes in cash flows arising from investing activities

The following table shows the changes in cash flows arising from investing activities, including:

- changes arising from cash flows; and
- non-cash changes.

In € 1,000	2022		
Investing activities	**Cash changes**	**Non-cash changes**	**Total**
Acquisition of subsidiaries, net of cash acquired	50	-	50
Acquisitions of / additions to owned investment property	-/- 298	-/- 4,709	-/- 5,007
Acquisitions of investments in associates	-	-/- 3,655	-/- 3,655
Acquisitions of / additions to assets held for sale	-/- 55	-/- 16	-/- 71
Proceeds from the sale of assets held for sale	8,024	876	8,900
Fair value adjustments of owned investment property	-	3,737	3,737
Fair value adjustments right-of-use assets	-	103	103
Fair value adjustments of investment property under development	-	1,341	1,341
Fair value adjustments investments in associates	-	68	68
Fair value adjustments of assets held for sale	-	-/- 795	-/- 795
(Reversal) of impairment of inventories	-	-/- 70	-/- 70
Effect of changes in exchange rate of owned investment property	-	-/- 458	-/- 458
Effect of changes in exchange rate of property under development	-	400	400
Reclassification (to assets held for sale)	-	10,261	10,261
Reclassification (from owned investment property)	-	-/- 10,261	-/- 10,261
	7,721	**-/- 3,178**	**4,543**

In € 1,000	2021		
Investing activities	**Cash changes**	**Non-cash changes**	**Total**
Acquisitions of / additions to owned investment property	-/- 346	-/- 9	-/- 355
Acquisitions of / additions to assets held for sale	-/- 172	-	-/- 172
Proceeds from the sale of owned investment property	-	9	9
Proceeds from the sale of assets held for sale	8,860	-	8,860
Fair value adjustments of owned investment property	-	-/- 3,508	-/- 3,508
Fair value adjustments right-of-use assets	-	97	97
Fair value adjustments of investment property under development	-	7	7
Fair value adjustments of assets held for sale	-	1,343	1,343
(Reversal) of impairment of inventories	-	53	53
Effect of changes in exchange rate of owned investment property	-	-/- 1,069	-/- 1,069
Effect of changes in exchange rate of property under development	-	-/- 297	-/- 297
Reclassification (to assets held for sale)	-	4,720	4,720
Reclassification (from owned investment property)	-	-/- 4,720	-/- 4,720
	8,342	**-/- 3,374**	**4,968**

15.42.2 Changes in cash flows arising from financing activities

The following table shows the changes in cash flows arising from financing activities, including:

- changes arising from cash flows; and
- non-cash changes.

In € 1,000	2022		
Financing activities	**Cash changes**	**Non-cash changes**	**Total**
Share buy-back (treasury shares)	-/- 346	-/- 11	-/- 357
Proceeds from / acquisitions of secured bank loans	-	3,276	3,276
Proceeds from other loans and borrowings	3,100		3,100
Repayments of secured bank loans	-/- 4,260	-	-/- 4,260
Repayments of other loans and borrowings	-/- 2,900	-	-/- 2,900
Payments of lease liabilities	-/- 188	-	-/- 188
(Amortisation) flat fee and transaction costs secured bank loans	-	52	52
(Amortisation) flat fee and transaction costs other loans and borrowings	-	-/- 39	-/- 39
Accreted interest of lease liabilities		76	76
Accreted interest of other loans and borrowings	-	37	37
Effect of changes in exchange rate of secured bank loans	-	212	212
Effect of changes in exchange rate of lease liabilities	-	-/- 23	-/- 23
Effect of changes in exchange rate of other loans and borrowings	-	-/- 14	-/- 14
	-/- 4,594	**3,566**	**-/- 1,028**

In € 1,000	2021		
Financing activities	**Cash changes**	**Non-cash changes**	**Total**
Proceeds from secured bank loans	14,009	-	14,009
Proceeds from other loans and borrowings	2,340	3,500	5,840
Repayments of secured bank loans	-/- 16,810	-	-/- 16,810
Repayments of convertible bonds	-	-/- 3,500	-/- 3,500
Repayments of other loans and borrowings	-/- 6,349	-	-/- 6,349
Payments of lease liabilities	-/- 186	-	-/- 186
(Amortisation) flat fee and transaction costs secured bank loans	-/- 241	105	-/- 136
(Amortisation) flat fee and transaction costs other loans and borrowings	-/- 90	97	7
Accreted interest of convertible bonds	-	28	28
Accreted interest of lease liabilities	-	84	84
Accreted interest of other loans and borrowings	-	27	27
Effect of changes in exchange rate of secured bank loans	-	454	454
Effect of changes in exchange rate of lease liabilities	-	-/- 11	-/- 11
Effect of changes in exchange rate of other loans and borrowings	-	8	8
	-/- 7,327	**792**	**-/- 6,535**

15.43 RELATED PARTIES

15.43.1 Identity of related parties

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

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

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

15.43.2 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 received a remuneration (management fee) for an amount of € 1,286,000 (2021: € 1,301,000);
B. the Managing Board reduced 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 € 295,000 (2021: € 406,000);
C. the Managing Board reduced 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 € 203,000 (2021: € 185,000);
D. the Managing Board reduced its own management fee by an amount equivalent to the asset management fees paid by the Fund (and / or its subsidiaries) to CEG South East Continent Unique Real Estate Management Limited for the amount of € 83,000 (2021: € 62,000);
E. the Supervisory Board received a remuneration for an amount of € 35,000 (2021: € 35,000).

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 reference is made to section 20.3 “Personal interests”.

For the remuneration of the Managing Board reference is made to section 15.33 “Administrative expenses”.

For the remuneration of the Supervisory Board and the remuneration of the statutory directors reference is made to section 15.34.3 “Analysis of Supervisory Board fees” and section 5.34.4 “Analysis of other operating expenses”.

15.43.3 Specification major investors

As at Statement of Financial Position’s date the Fund identified the following major investors:

Name	Type of share	Direct real voting rights	Indirect real voting rights	Direct potential voting rights	Total
		In %	In %	In %	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.

15.43.4 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	Kind of transaction	2022 Amount of transaction In € 1,000	31-12-2022 Carrying amount In € 1,000
SPDI	Acquisition 21.18%-share in Lelar Holding Ltd.	3,173	57
SPDI	Acquisition 3.17%-share in Lelar Holding Ltd.	482	16
SPDI	Acquisition 100%-share in N-E Real Estate Park First Phase S.r.l.	1,473	47
SPDI	Receivable / current account	-	8

Name	Kind of transaction	2021 Amount of transaction In € 1,000	31-12-2021 Carrying amount In € 1,000
H.M. van Heijst	Conversion convertible bonds into loan provided	2,000	1,000
H.M. van Heijst	Payable interest loan provided	23	15
H.M. van Heijst	Payable interest convertible bonds	108	-

15.43.5 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	Kind of transaction	Other information	2022 Amount of transaction In € 1,000	31-12-2022 Carrying amount In € 1,000
Arcona Capital Czech Republic s.r.o.	Asset management fee	-	295	-
Arcona Capital Poland Sp. z o.o.	Asset management fee	-	203	-
			498	-
Arcona Capital Czech Republic s.r.o.	Advisory services	-	11	-
Several	Rental income	268 m^2	57	-
Statutory directors	Wages and salaries	-	12	6

Name of other related party	Kind of transaction	Other information	2021 Amount of transaction In € 1,000	31-12-2021 Carrying amount In € 1,000
Arcona Capital Czech Republic s.r.o.	Asset management fee	-	406	-
Arcona Capital Poland Sp. z o.o.	Asset management fee	-	185	-
			591	-
Arcona Capital Czech Republic s.r.o.	Advisory services	-	37	-
Several	Rental income	268 m^2	52	-
Statutory directors	Wages and salaries	-	12	4

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

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

15.43.7 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	Kind of transaction	2022	31-12-2022
		Amount of transaction	Carrying amount
		In € 1,000	In € 1,000
R.J. Barker	Providing unsecured loan	-	250
R.J. Barker	Payable interest unsecured loan provided	24	6

Name	Kind of transaction	2021	31-12-2021
		Amount of transaction	Carrying amount
		In € 1,000	In € 1,000
R.J. Barker	Providing unsecured loan	250	250
R.J. Barker	Payable interest unsecured loan provided	21	6

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

15.43.8 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.

15.44 EVENTS AFTER STATEMENT OF FINANCIAL POSITION’S DATE

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

A. On January 10, 2023 the Fund announced it has successfully refinanced the Boyana Residence project in Bulgaria with a new loans for an amount of € 3.6 million. The new loans from Dutch investors replaces two expired loans from Alpha Bank. This refinancing makes it possible to fully repay Alpha Bank, pay historical taxes and renovate apartments in accordance with the original business plan. Alpha Bank had not permitted the separate sale of the development land or the sale of individual apartments, thus limiting the realization of potential additional value from the project;

B. In the period from January 1, 2023 to March 15, 2023 the Parent Company has repurchased 60,976 ordinary shares of the Parent Company at an average price of € 6.43 per share. The total acquired amount in cash terms is € 392,050. These shares have been acquired as part of the share buy-back programme announced on September 14, 2022, for an amount up to € 1.5 million. The ordinary shares are proposed for partial cancellation in due course upon a resolution of the Shareholders’ Meeting to reduce the Parent Company’s capital;

C. On 28 March 2023, the Fund was notified that Hypo Noe had approved a waiver for ACREP and Project 5, addressing the breach of the DSCR forecast covenant.

D. On April 4, 2023, it was announced that Sberbank CZ (as an enterprise) had been sold to Česká Spořitelna based on publicly available information. The Sberbank CZ loan book with a nominal value of CZK 47.1 billion was transferred. Česká Spořitelna purchased it for CZK 41.053 billion. Throughout April 2023, the technical transfer of data from Sberbank CZ to Česká Spořitelna will take place.

For more information is referred to section 13.3 “Statement of compliance and future related assumptions”.

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

PARENT COMPANY FINANCIAL STATEMENTS 2022

16 PARENT COMPANY BALANCE SHEET

After proposal result appropriation	***Notes***	**31-12-2022** In € 1,000	**31-12-2021** In € 1,000
Investments			
Investments in group companies	*19.1*	31,981	35,146
Receivables from group companies	*19.2*	22,549	17,327
		54,530	**52,473**
Receivables			
Other receivables	*19.3*	1,149	1,131
Deferred expenses	*19.4*	3	3
		1,152	**1,134**
Other assets			
Cash at bank	*19.7*	1,814	205
Total assets		**57,496**	**53,812**
Shareholders' equity	*19.8*		
Issued capital	*19.9*	21,190	18,794
Share premium	*19.10*	21,922	19,310
Revaluation reserve	*19.8.1*	7,911	8,725
Reserve currency translation differences	*19.8.1*	1,073	1,262
Reserve investments in group companies	*19.8.1*	9,157	7,989
Retained earnings	*19.8.1*	-/- 14,738	-/- 9,677
		46,515	**46,403**
Provisions			
Investments in group companies	*19.11*	38	12
Long-term liabilities			
Private loans	*19.13*	668	250
Debts to group companies	*19.14*	6,717	2,153
		7,385	**2,403**
Current liabilities			
Private loans	*19.13*	2,130	2,250
Debts to group companies	*19.14*	-	1,384
Tax liabilities	*19.15*	6	7
Other liabilities	*19.16*	69	55
Accruals	*19.17*	1,353	1,298
Total current liabilities		**3,558**	**4,994**
Total shareholders' equity and liabilities		**57,496**	**53,812**

17 PARENT COMPANY PROFIT AND LOSS ACCOUNT

	Notes	2022 In € 1,000	2021 In € 1,000
Income from investments			
Interest	*19.20*	1,165	761
Realised valuation results of investments			
Investments in group companies	*19.21*	27	527
Receivables from group companies	*19.22*	-	3
		27	530
Unrealised valuation results of investments			
Investments in group companies	*19.23*	-/- 1,910	3,726
Receivables from group companies	*19.24*	-/- 1,923	-
		-/- 3,833	3,726
Total income		**-/- 2,641**	**5,017**
Administrative expenses	*19.25*	705	648
Other operating expenses	*19.26*	633	524
Interest expenses	*19.28*	397	754
Total expenses		**1,735**	**1,926**
Result before income tax		**-/- 4,376**	**3,091**
Income tax expense	*19.29*	-/- 26	-/- 43
Result after income tax		**-/- 4,350**	**3,134**

18 ACCOUNTING PRINCIPLES PARENT COMPANY FINANCIAL STATEMENTS

18.1 GENERAL

The Parent Company Financial Statements for the financial period are part of the Consolidated Financial Statements for the financial period.

18.2 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The Parent Company Financial Statements have been prepared in accordance with the provisions of Part 9 of Book 2 of the Dutch Civil Code (Titel 9, Boek 2 van het Burgerlijk Wetboek). For the purpose of determining the principles of valuation of assets and liabilities and the determination of results for its Parent Company Financial Statements, the Parent Company makes use of the option offered in Book 2, article 2:362 (8) of the Dutch Civil Code. This means that the principles of valuation of assets and liabilities and determination of results (hereinafter referred to as the "principles of valuation") of the Fund's Parent Company Financial Statements are identical to those that have been applied for the Consolidated Financial Statements. In this context investment in group companies, on which significant influence is exercised, are valued at Net Asset Value. The Consolidated Financial Statements have been prepared in accordance with the standards adopted by the International Accounting Standards Board ("**IASB**") and accepted by the European Union (hereinafter referred to as "EU-IFRS"). Reference is made to sections 13.5 "Basis of preparation of the consolidated financial statements" to 13.41 "Income tax expense", inclusive for a description of those principles.

18.3 BASIS OF PREPARATION OF THE PARENT COMPANY FINANCIAL STATEMENTS

18.3.1 Investments in group companies

Investments in group companies in which the Parent Company either exercises voting control or effective management responsibility are valued at Net Asset Value. The initial recognition in the accounts and valuations at balance sheet dates is made at Net Asset Value. The value is adjusted with the share of the Parent Company in the results of the group company, based on the principles for determining results as applied in the Consolidated Financial Statements and with the share in the other movements in equity of the group company with effect from the date on which control commences.

In case the value of the group company is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the Parent Company has incurred legal or constructive obligations or made payments on behalf of the group company. If the group company subsequently reports profits, the Parent Company resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The Net Asset Value of the foreign group companies is translated into Euros at the exchange rate as at the balance sheet date. The results of foreign group companies are translated into Euros at the exchange rates at the dates of the transactions. For practical reasons, the average monthly exchange rates for the financial period are used to approximate the exchange rates at the dates of the transactions, as long as the exchange rates have not fluctuated significantly.

18.3.2 Receivables from group companies

Receivables from group companies are initially measured at fair value and subsequently measured at amortised cost. As at balance sheet date the receivables from group companies are translated into Euros at the exchange rate as at the balance sheet date. The recognition and determination of impairments takes place in a forward-looking manner based on the expected credit loss model (**ECL**). The ECL model applies to the receivables from group companies. Due to the fact that investments in group companies are considered as a combination of assets and liabilities, this means in general that expected credit losses on receivables from group companies are eliminated. The elimination is recognised in the carrying amount of the receivables from group companies.

18.3.3 Acquisitions by share-based payments

In case the Fund acquires investments in group companies, receivables from group companies, investments in associates or other assets by share-based payments (IFRS 2), the difference between the fair value of those assets and the purchase price agreed is recognised directly into the share premium.

18.3.4 Issued capital

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

When equity shares are repurchased, the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. The Parent Company classifies the repurchased shares as treasury shares at the payment date to its liquidity provider and charges them to the retained earnings, including directly attributable costs. If the treasury shares are sold or reissued later, the amount received is recognized as an increase in equity, and any surplus or deficit resulting from the transaction is presented within share premium. There is no impact on the profit and loss account when the company buys back, sells, issues, or cancels its own shares.

18.3.5 Share premium

The share premium comprises the amount paid in by the shareholders on ordinary and registered shares of the Parent Company over and above the nominal value. The uplift received on issuance of own ordinary and registered shares or the reduction applied on redemption of own ordinary and registered shares is recognised directly into the share premium.

18.3.6 Revaluation reserve

The legal revaluation reserve comprises the cumulative unrealised positive net changes in the fair value of the properties held by the investments in group companies (owned investment property, investment property under development as well as properties classified as assets held for sale), less the related deferred tax liabilities. The deferred tax liabilities are deducted in accordance with the principles of valuation for deferred taxes.
In case of sale of property the cumulative unrealised positive net change in the fair value of the property sold, as well as the related deferred tax liabilities, are no longer stated in the revaluation reserve but recognised under retained earnings.

18.3.7 Reserve currency translation differences

Results arising from translation of net investments in group companies outside the Euro-zone into the Parent Company's functional currency (Euro) are recognised directly in the shareholders' equity in reserve currency translation differences. In the event of reduction or sale of the net investment in group companies the cumulative exchange differences related to that group company are (proportionally) transferred to the retained earnings.

18.3.8 Reserve investments in group companies

The Parent Company maintains a legal reserve ("Reserve investments in group companies") for the amount of its share in the positive result in its group companies and of its share in direct increases in equity since the initial recognition of the group company was made. Negative cumulative results in a group company since its first valuation are not taken into account.

The reserve investments in group companies will be reduced by:

- distributions to which the Parent Company, until the moment of adoption of its own Financial Statement, has acquired an entitlement;
- direct decreases in equity of the group company;
- distributions which the Parent Company may affect without restrictions.

The distributions as mentioned in this section do not include distributions made in the form of shares.

18.3.9 Result from investments in group companies

The share of the results from investments in group companies comprises the Parent Company’s share in the results of the group companies, including the revaluation results of the assets held by the group companies. The result from investments in group companies has been determined on the basis of the principles of valuation adopted by the Parent Company. Results from transactions between the Parent Company and the group companies, as well as between the group companies themselves, are recognised insofar as they are realised. If the group companies have been acquired in the course of the financial period, the Parent Company accounts for the results from investments in group companies with effect from the date on which control commenced.

18.4 SIZE AND COMPOSITION OF THE EQUITY AND RESULTS IN THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS

As the Parent Company makes use of the option provided in Book 2, article 2:362 (8) of the Dutch Civil Code, the size of the Group equity (in the Consolidated Statement of Financial Position) and the shareholders‘ equity (in the Parent Company Balance Sheet) is identical.

The composition of the equity (in the Consolidated Statement of Financial Position) and the shareholders‘ equity (in the Parent Company Balance Sheet) is not identical.

Since the Parent Company makes use of the option provided in Book 2, article 2:362 (8) of the Dutch Civil Code, the profit for the period in the Consolidated Income Statement and profit for the period in the Parent Company Profit and Loss Account is identical.

19 NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

19.1 INVESTMENTS IN GROUP COMPANIES

19.1.1 Analysis of investments in group companies

	31-12-2022 In € 1,000	31-12-2021 In € 1,000
Arcona Capital RE Bohemia s.r.o.	7,788	7,208
Arcona Capital RE Slovakia s.r.o.	13,422	13,612
Arcona Capital Real Estate Poland Sp. z o.o.	2,818	2,786
Arcona Capital Real Estate Trio Sp. z o.o.	6,309	6,565
Arcona Real Estate B.V.	894	885
Aisi Bela LLC	750	3,332
Boyana Residence E.O.O.D.	-	758
Arcona Capital Real Estate Bulgaria Ltd.	-	-
Arcona Black Sea Real Estate B.V.	-	-
	31,981	**35,146**

The companies indicated above are included in the Consolidated Financial Statements. For further analysis of the investments in group companies reference is made to section 15.1.1 “Consolidated subsidiaries”.

19.1.2 Statement of changes in investments in group companies

	2022 In € 1,000	2021 In € 1,000
Balance as at 1 January	35,146	35,434
Share in result of group companies	-/- 1,910	3,726
Distributions	-/- 372	-/- 4,744
Exchange rate differences	-/- 234	719
Other movements directly in shareholders’ equity	-/- 675	-
Reclassifications (to provision investments in group companies)	26	11
Balance as at 31 December	**31,981**	**35,146**

The negative amount of € 372,000 in "Distributions" represents dividend distributions from Arcona Capital RE Slovakia s.r.o.

The negative amount of € 675,000 in “Other movements directly in shareholders’ equity” includes the following items:

- A result on acquisition of € 40,000 related to the acquisition of 100% shares in N-E Real Estate Park First Phase S.r.l. by Arcona Black Sea Real Estate B.V.
- A IFRS 2.10 negative booking effect of € 711,000 related to the acquisition of a 24.35% share in Lelar Holding Ltd. by Arcona Black Sea Real Estate B.V. (for further information is referred to section 15.4.1 “Specification of investments in associates”).
- Exchange rate differences of € 4,000 related to net investments in group companies held by Arcona Black Sea Real Estate B.V.

19.1.3 Securities provided

As at balance sheet date the following securities were provided:

- The issued shares of Arcona Capital RE Bohemia s.r.o. are pledged to Sberbank CZ;
- the issued shares of Arcona Capital Real Estate Poland Sp. z o.o. are pledged to Hypo Noe;
- the issued shares of Arcona Capital Real Estate Trio Sp. z o.o. are pledged to the holders of secured series A bearer bonds;
- the issued shares of Boyana Residence E.O.O.D. are pledged to Alpha Bank.

For further information on the pledges to credit institutions and bank covenants reference is made to section 15.16.4 “Securities provided, bank covenants and ratios secured bank loans”.

19.2 RECEIVABLES FROM GROUP COMPANIES

19.2.1 Analysis of receivables from group companies

	31-12-2022	31-12-2021
	In € 1,000	In € 1,000
Loans to group companies	22,542	17,327

19.2.2 Analysis of loans to companies

	31-12-2022	31-12-2021
	In € 1,000	In € 1,000
Arcona Capital Real Estate Poland Sp. z o.o.	7,950	7,500
Arcona Capital Black Sea Real Estate B.V.	5,670	-
Arcona Capital RE Bohemia s.r.o.	3,325	3,093
Arcona Real Estate B.V.	3,305	3,104
Boyana Residence E.O.O.D.	2,143	3,583
Aisi Bela LLC	149	47
	22,542	**17,327**

As at balance sheet date the weighted average interest rate on all receivables from group companies is 5.46% per annum (December 31, 2021: 4.57% per annum).

19.2.3 Statement of changes in loans to group companies

	2022	2021
	In € 1,000	In € 1,000
Balance as at 1 January	17,327	16,334
Loans advanced	7,036	1,300
Redemption on loans advanced	-	-/- 476
Exchange rate differences	102	169
Provision	-/- 1,923	-
Balance as at 31 December	**22,542**	**17,327**

19.3 OTHER RECEIVABLES

This covers other receivables with a payment term within one year.

19.3.1 Analysis of other receivables

	31-12-2022 In € 1,000	31-12-2021 In € 1,000
Interest on loans to group companies	281	135
Dividend from investments in group companies	785	799
Receivables SPDI	83	83
Receivables Secure Management S.r.l.	-	114
	1,149	**1,131**

For further information with regard to “Receivables SPDI” for the amount of € 83,000 reference is made to section 15.40.20 “Offsetting financial assets and financial liabilities”.

19.3.2 Specification of interest on loans to group companies

	31-12-2022 In € 1,000	31-12-2021 In € 1,000
Arcona Capital RE Bohemia s.r.o.	281	132
Aisi Bela LLC	-	3
	281	**135**

19.3.3 Specification of dividend from investments in group companies

	31-12-2022 In € 1,000	31-12-2021 In € 1,000
Arcona Capital Real Estate Trio Sp. z o.o.	785	799

19.4 DEFERRED EXPENSES

This covers deferred expenses with a maturity within one year.

19.4.1 Analysis of deferred expenses

	31-12-2022 In € 1,000	31-12-2021 In € 1,000
Prepayments	3	3

19.5 RECOGNISED DEFERRED TAXES

19.5.1 Specification of recognised deferred taxes

	31-12-2022		
	Recognised deferred tax assets In € 1,000	**Recognised deferred tax liabilities** In € 1,000	**Total deferred taxes** In € 1,000
Receivables from group companies	-	97	-/- 97
Tax losses (carried forward)	97	-	97
Deferred taxes before set-off	97	97	-
Set-off deferred taxes	-/- 97	-/- 97	-
	-	**-**	**-**

	31-12-2021		
	Recognised deferred tax assets In € 1,000	**Recognised deferred tax liabilities** In € 1,000	**Total deferred taxes** In € 1,000
Receivables from group companies	-	71	-/- 71
Tax losses (carried forward)	71	-	71
Deferred taxes before set-off	71	71	-
Set-off deferred taxes	-/- 71	-/- 71	-
	-	**-**	**-**

19.5.2 Analysis of recognised deferred taxes

	31-12-2022 In € 1,000	**31-12-2021** In € 1,000
Will expire	-	-
Will never expire	-	-
	-	**-**

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

	31-12-2022 In € 1,000	**31-12-2021** In € 1,000
Will expire	-	-
Will never expire	97	71
	97	**71**

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

19.6 UNRECOGNISED DEFERRED TAXES

19.6.1 Specification of unrecognised deferred taxes

	31-12-2022		
	Unrecognised deferred tax assets	**Unrecognised deferred tax liabilities**	**Total**
	In € 1,000	In € 1,000	In € 1,000
Tax losses (carried forward)	1,766	-	1,766
Receivables from group companies	512	-	512
	2,278	**-**	**2,278**

	31-12-2021		
	Unrecognised deferred tax assets	**Unrecognised deferred tax liabilities**	**Total**
	In € 1,000	In € 1,000	In € 1,000
Tax losses (carried forward)	1,634	-	1,634
Receivables from group companies	1	-	1
	1,635	**-**	**1,635**

19.6.2 Analysis of unrecognised deferred taxes

	31-12-2022	**31-12-2021**
	In € 1,000	In € 1,000
Will expire	-	-
Will never expire	1,766	1,635
	1,766	**1,635**

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

19.6.3 Statement of changes in unrecognised deferred taxes

	2022	**2021**
	In € 1,000	In € 1,000
Balance as at 1 January	1,635	1,360
Adjustments related to prior years	13	13
Additions / withdrawals	630	211
Change in tax rate	-	51
Balance as at 31 December	**2,278**	**1,635**

19.7 CASH AT BANK

Cash at bank is entirely at the free disposal of the Parent Company.

19.8 SHAREHOLDERS' EQUITY

19.8.1 Statement of changes in shareholders' equity

	Issued capital In € 1,000	Share premium In € 1,000	Revaluation reserve In € 1,000	Reserve currency translation differences In € 1,000	Reserve investments in group companies In € 1,000	Equity component convertible bonds In € 1,000	Retained earnings In € 1,000	Share-holders' equity In € 1,000
Balance as at January 1, 2022	18,794	19,310	8,725	1,262	7,989	-	-/- 9,677	46,403
Result after income tax	-	-		-	-	-	-/- 4,350	-/- 4,350
Change in revaluation reserve	-	-	-/- 814	-	-	-	814	-
Change in reserve currency translation differences	-	-	-	-/- 189	-	-	-	-/- 189
Change in reserve investments in group companies	-	-	-	-	1,168	-	-/- 1,168	-
Own shares issued	2,396	2,612	-	-	-	-	-	5,008
Treasury shares repurchased	-	-	-	-	-	-	-/- 357	-/- 357
Balance as at December 31, 2022	**21,190**	**21,922**	**7,911**	**1,073**	**9,157**	**-**	**-/- 14,738**	**46,515**
Balance as at January 1, 2021	18,794	19,310	6,691	947	7,137	144	-/- 10,069	42,954
Result after income tax	-	-		-	-	-	3,134	3,134
Change in revaluation reserve	-	-	2,034	-	-	-	-/- 2,034	-
Change in reserve currency translation differences	-	-	-	315	-	-	-	315
Change in reserve investments in group companies	-	-	-	-	852	-	-/- 852	-
Change in equity component convertible bonds	-	-	-	-	-	-/- 144	144	-
Balance as at December 31, 2021	**18,794**	**19,310**	**8,725**	**1,262**	**7,989**	**-**	**-/- 9,677**	**46,403**

19.9 ISSUED CAPITAL

19.9.1 Analysis of issued capital

	31-12-2022 In pieces	**31-12-2022** In € 1,000	**31-12-2021** In pieces	**31-12-2021** In € 1,000
Ordinary shares (at € 5.00 each)	3,113,074	15,565	3,165,149	15,826
Registered shares (at € 5.00 each)	1,072,910	5,364	593,534	2,968
Subtotal profit-sharing shares (at € 5.00 each)	4,185,984	20,929	3,758,683	18,794
Treasury shares (at € 5.00 each)	52,075	261	-	-
Priority shares (at € 5.00 each)	1	-	1	-
	4,238,060	**21,190**	**3,758,684**	**18,794**

19.9.2 Ordinary shares

The holders of ordinary shares are entitled to dividends, the distribution of which has been resolved by the General Meeting of Shareholders. The holders of ordinary shares are entitled to exercise one vote per ordinary share at the General Meeting of Shareholders.

	2022	2022	2021	2021
	In pieces	In € 1,000	In pieces	In € 1,000
Balance in issue as at 1 January	3,165,149	15,826	3,138,158	15,691
Conversion registered shares	-	-	26,991	135
Share buy-back	-/- 52,075	-/- 261	-	-
Balance in issue as at 31 December fully paid	**3,113,074**	**15,565**	**3,165,149**	**15,826**

19.9.3 Registered shares

The registered shares are currently restricted from trading on Euronext Fund Services (EFS) in Amsterdam and the Prague Stock Exchange (PSE).

	2022	2022	2021	2021
	In pieces	In € 1,000	In pieces	In € 1,000
Balance in issue as at 1 January	593,534	2,968	620,525	3,103
Issued during the financial period	479,376	2,396	-	-
Conversion into ordinary shares	-	-	-/- 26,991	-/- 135
Balance in issue as at 31 December fully paid	**1,072,910**	**5,364**	**593,534**	**2,968**

19.9.4 Treasury shares

The treasury shares are held by the Parent Company.

	2022	2022	2021	2021
	In pieces	In € 1,000	In pieces	In € 1,000
Balance in issue as at 1 January	-	-	-	-
Share buy-back	52,075	261	-	-
Balance in issue as at 31 December fully paid	**52,075**	**261**	**-**	**-**

As at September 14, 2022 the Parent Company announced it would repurchase ordinary shares for a maximum of € 1.5 million. The buy-back programme will be executed in the period between September 15, 2022 up to and including March 15, 2023, or until € 1.5 million in ordinary shares has been purchased. The ordinary shares acquired will be cancelled subsequently following a resolution of the shareholders meeting.

19.9.5 Priority shares

From the profit earned in a financial period, primarily and as far as possible a dividend is distributed on the priority shares amounting to seven per cent (7%) on an annual basis, calculated over the nominal value of the priority shares. No further distributions are made on the priority shares.

	2022	2022	2021	2021
	In pieces	In € 1,000	In pieces	In € 1,000
Balance in issue as at 1 January	1	-	1	-
Issued during the financial period	-	-	-	-
Redeemed during the financial period	-	-	-	-
Balance in issue as at 31 December fully paid	**1**	**-**	**1**	**-**

19.9.6 Analysis of authorised share capital

	31-12-2022	31-12-2022	31-12-2021	31-12-2021
	In pieces	In € 1,000	In pieces	In € 1,000
Ordinary shares (at € 5.00 each)	4,999,999	25,000	4,999,999	25,000
Priority shares (at € 5.00 each)	1	-	1	-
	5,000,000	**25,000**	**5,000,000**	**25,000**

19.9.7 Acquisitions through share-based payments

During the financial period the Fund acquired the following subsidiaries (investments in group companies), through share-based payments:

- N-E Real Estate Park First Phase S.r.l. (through Arcona Black Sea Real Estate B.V.): issuance of 10 registered shares for a total amount of € 1,000.

During the financial period the Fund acquired the following associates (investments in associates), through share-based payments:

- 24,35%-share in Lelar Holdings Limited (through Arcona Black Sea Real Estate B.V.): issuance of 362,688 registered shares for a total amount of € 3,582,000.
  Besides the Fund has a payable with regard to the final settlement of the acquisition for an amount of € 73,000. The Fund intends to settle this payable in the near future by the issuance of additional registered shares of the Parent Company.

During the financial period the Fund acquired the following loans to subsidiaries (receivables from group companies), through share-based payments:

- Loan to N-E Real Estate Park First Phase S.r.l. (through Arcona Black Sea Real Estate B.V.): issuance of 116,678 registered shares for a total amount of € 1,425,000.
  Besides the Fund has a payable with regard to the final settlement of the acquisition for an amount of € 47,000. The Fund intends to settle this payable in the near future by the issuance of additional registered shares of the Parent Company.

For a specification of the subsidiaries´ assets acquired and liabilities assumed reference is made to section 15.1.3 “Subsidiaries acquired during the financial period”.

19.10 SHARE PREMIUM

For the statement of changes in share premium reference is made to section 19.8.1 “Statement of changes in shareholders’ equity”.

The paid-up share premium for tax purposes as at December 31, 2022 was € 25,525,000 (December 31, 2021: € 22,430,000).

19.11 PROVISIONS

19.11.1 Analysis of provisions

	31-12-2022	31-12-2021
	In € 1,000	In € 1,000
Investments in group companies	38	12

19.11.2 Specification of provisions investments in group companies

	31-12-2022 In € 1,000	31-12-2021 In € 1,000
Arcona Capital Real Estate Bulgaria Ltd.	38	10
Arcona Black Sea Real Estate B.V.	-	2
	38	**12**

19.11.3 Statement of changes in provisions investments in group companies

	2022 In € 1,000	2021 In € 1,000
Balance as at 1 January	12	1
Additions	26	11
Balance as at 31 December	**38**	**12**

19.12 DEFERRED TAX LIABILITIES

For the specification and analysis of the (un)recognised deferred tax liabilities reference is made to section 19.5 “Recognised deferred taxes and section 19.6 “Unrecognised deferred taxes”.

19.13 PRIVATE LOANS

19.13.1 Analysis of private loans

	31-12-2022 In € 1,000	31-12-2021 In € 1,000
(Un)secured loans third parties	2,798	2,500

19.13.2 Statement of changes in private loans

	2022 In € 1,000	2021 In € 1,000
Balance as at 1 January	2,500	4,373
Loans advanced	3,100	3,750
Redemptions	-/- 2,750	-/- 5,660
(Amortisation) flat fee and transaction costs	-/- 52	37
Balance as at 31 December	**2,798**	**2,500**

For the conditions and securities provided of the private loans reference is made to section 15.16.9 “Analysis of other loans and borrowings” and section 15.16.10 “Securities provided of other loans and borrowings”.

19.13.3 Maturity analysis of private loans

	31-12-2022 In € 1,000	31-12-2021 In € 1,000
Less than 1 year	2,130	2,250
1 to 5 years	668	250
More than 5 years	-	-
	2,798	**2,500**

19.14 DEBTS TO GROUP COMPANIES

19.14.1 Analysis of debts to group companies

	31-12-2022 In € 1,000	31-12-2021 In € 1,000
Loans due to group companies	6,237	3,359
Interest on loans due to group companies	480	178
	6,717	**3,537**

19.14.2 Maturity analysis of debts due to group companies

	31-12-2022		
	Loans due to group companies In € 1,000	Interest on loans due to group companies In € 1,000	Total In € 1,000
Less than 1 year	-	-	-
1 to 5 years	6,237	480	6,717
More than 5 years	-	-	-
	6,267	**480**	**6,717**

	31-12-2021		
	Loans due to group companies In € 1,000	Interest on loans due to group companies In € 1,000	Total In € 1,000
Less than 1 year	1,346	38	1,384
1 to 5 years	2,013	140	2,153
More than 5 years	-	-	-
	3,359	**178**	**3,537**

19.14.3 Specification of loans due to group companies

	31-12-2022 In € 1,000	31-12-2021 In € 1,000
Arcona Capital Real Estate Trio Sp. z o.o.	2,013	2,013
Arcona Capital RE Slovakia s.r.o.	3,623	745
Arcona Capital Real Estate Bulgaria Ltd.	601	601
	6,237	**3,359**

As at balance sheet date the weighted average interest rate on all loans due to group companies is 4.98% per annum (December 31, 2021: 7.10%).

19.14.4 Statement of changes in loans due to group companies

	2022 In € 1,000	2021 In € 1,000
Balance as at 1 January	3,359	601
Loans advanced	3,450	2,758
Redemptions	-/- 572	-
Balance as at 31 December	**6,237**	**3,359**

19.14.5 Specification of interest on loans due to group companies

	31-12-2022 In € 1,000	31-12-2021 In € 1,000
Arcona Capital RE Slovakia s.r.o.	90	1
Arcona Capital Real Estate Trio Sp. z o.o.	337	140
Arcona Capital Real Estate Bulgaria Ltd.	53	37
	480	**178**

19.15 TAX LIABILITIES

	31-12-2022 In € 1,000	31-12-2021 In € 1,000
Value Added Tax (**VAT**)	6	7

19.16 OTHER LIABILITIES

This covers other liabilities with a payment term within one year.

19.16.1 Analysis of other liabilities

	31-12-2022 In € 1,000	31-12-2021 In € 1,000
Trade payables	69	55

19.17 ACCRUALS

This covers accruals with a payment term within one year.

19.17.1 Analysis of accruals

	31-12-2022 In € 1,000	31-12-2021 In € 1,000
Administrative expenses	1,120	1,099
Other operating expenses	227	145
Interest payables	6	54
	1,422	**1,298**

19.18 NON-CONTINGENT LIABILITIES

As at balance sheet date the Parent Company was not subject to any contractual obligation concerning for example investments or other non-contingent liabilities that require settlement in a future financial period.

19.19 CONTINGENT LIABILITIES

As at balance sheet date the Parent Company has the following contingent liabilities:

A. As of January 1, 2022 the Parent Company is at the head of the fiscal unity for corporate income tax (**CIT**) purposes with Arcona Black Sea Real Estate B.V. On this basis, the Parent Company is jointly and severally liable for the corporate income tax liability of the fiscal unity as a whole.

B. The Parent Company has a contingent liability to issue ordinary shares arising from the outstanding warrants. For further information reference is made to section 15.24 “Contingent liabilities”.

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

- Two development sites in the Kiev region of Ukraine, with a total value of approximately € 1.8 million.

Due to the conflict situation in Ukraine, it is not currently possible to complete the purchase of the two remaining properties (development plots) in and around Kiev, which was agreed in June 2021 at € 1,970,000. This is because the purchase contract contains specific pre-completion conditions, the fulfilment of which require decisions and actions to be taken by Kiev City Council and other Ukrainian public authorities. The Sellers were unable to fulfil these conditions prior to the Russian invasion.

At the start of 2023, all the necessary conditions had been met, and the parties had come to a verbal agreement that a new valuation was required. The acquisition price will be determined based on this valuation, and delivery is expected in the second half of the same year.

D. On 28 March 2023, the Fund was notified that Hypo Noe had approved a waiver for ACREP and Project 5, addressing the breach of the DSCR forecast covenant. The Fund is responsible for a contingent liability, providing financial resources to ACREP and Project 5 up to a cumulative amount of € 400,000 (€ 250,000 for Project 5 and € 150,000 for ACREP). This funding is intended to address potential gaps in Project 5 for financing the planned fit-out costs at the Maris property and in ACREP for financing the planned fit-out costs of the Słupsk property.

As at balance sheet date the Parent Company was not subject to any other contingent liabilities, including any obligations that result from security transactions related to (exchange) rate risk in connection with investments.

19.20 INCOME FROM INVESTMENTS

The income from investments concerns the interest from receivables from group companies. The specification is as follows:

	2022	**2021**
	In € 1,000	In € 1,000
Arcona Capital Real Estate Poland Sp. z o.o.	450	432
Arcona Capital RE Bohemia s.r.o.	277	138
Arcona Black Sea Real Estate B.V.	232	-
Arcona Real Estate B.V.	202	189
Aisi Bela LLC	4	2
	1,165	**761**

19.21 REALISED VALUATION RESULTS OF INVESTMENTS IN GROUP COMPANIES

	2022 In € 1,000	2021 In € 1,000
Realised currency results Arcona Capital RE Slovakia s.r.o.	27	527

The "Realised currency results Arcona Capital RE Slovakia s.r.o." for the amount of € 27,000 concerns realised currency results as a result of dividend distributions from Arcona Capital RE Slovakia s.r.o. for the amount of € 372,000.

19.22 REALISED VALUATION RESULTS OF RECEIVABLES FROM GROUP COMPANIES

	2022 In € 1,000	2021 In € 1,000
Realised currency results Arcona Capital RE Bohemia s.r.o.	-	3

19.23 UNREALISED VALUATION RESULTS OF INVESTMENTS IN GROUP COMPANIES

The unrealised valuation results of investments in group companies contain the share in the results from investments in group companies. The specification is as follows:

	2022 In € 1,000	2021 In € 1,000
Arcona Capital RE Bohemia s.r.o.	353	1,686
Arcona Capital RE Slovakia s.r.o.	183	-/- 804
Arcona Capital Real Estate Poland Sp. z o.o.	32	1,534
Arcona Capital Real Estate Trio Sp. z o.o.	-/- 257	1,262
Arcona Real Estate B.V.	9	517
Aisi Bela LLC	-/- 2,120	-/- 129
Boyana Residence E.O.O.D.	-/- 758	-/- 329
Arcona Capital Real Estate Bulgaria Ltd.	-/- 29	-/- 9
Arcona Black Sea Real Estate B.V.	677	-/- 2
	-/- 1,910	**3,726**

19.24 UNREALISED VALUATION RESULTS OF RECEIVABLES FROM GROUP COMPANIES

The unrealised valuation results of receivables from group companies contain the provision loan to group companies, in case the carrying amount of the corresponding investment in group company is negative and the Parent Company has provided a loan to the corresponding group company. The specification is as follows:

	2022 In € 1,000	2021 In € 1,000
Boyana Residence E.O.O.D.	1,654	-
Arcona Black Sea Real Estate B.V.	269	-
	-/- 1,923	**-**

19.25 ADMINISTRATIVE EXPENSES

For the remuneration of the Managing Board reference is made to section 15.33 “Administrative expenses”.

19.26 OTHER OPERATING EXPENSES

19.26.1 Specification of other operating expenses

	2022 In € 1,000	2021 In € 1,000
Costs of service providers	426	438
Costs of funding and acquisition	207	86
	633	**524**

19.26.2 Analysis of costs of service providers

	2022 In € 1,000	2021 In € 1,000
Audit fees	125	97
Accounting expenses	108	122
Custody fees	56	52
Supervisory Board fees	35	35
Insurance AIFMD	18	18
Supervisors’ expenses	15	22
Marketing expenses	14	12
Listing, Paying and Fund Agent fees	11	11
Consultancy fees	7	40
Other costs of service providers	37	29
	426	**438**

19.26.3 Audit fees

The “Audit fees” for the amount of € 125,000 include the fees for the audit of the Consolidated Financial Statements and Parent Company Statements and European Single Electronic Format (**ESEF**) reporting 2022, as well as an estimated amount of € 19,000 (2021: € 17,000) for the audit of the figures of the Bulgarian and Ukrainian subsidiaries. During the financial period audit fees for prior years have been booked in an amount of € 17,000 (2021: € 12,000).

19.26.4 Analysis of Supervisory Board fees

For the analysis of the Supervisory Board fees reference is made to section 15.34.3 “Analysis of Supervisory Board fees”.

19.26.5 Analysis of costs of funding and acquisition

For the analysis of the cost of funding and acquisition reference is made to section 15.34.5 “Analysis of funding and acquisition”.

19.26.6 Supervisors’ expenses

The “Supervisors’ expenses” include expenses for supervision by the Dutch Authority for the Financial Markets (Autoriteit Financiële Markten, the **AFM**) and “De Nederlandsche Bank” (**DNB**).

19.26.7 Other costs of service providers

The “Other costs of service providers” include, among others, costs of press releases, required software European Single Electronic Format (**ESEF**), Euronext Fund Services (**EFS**) and Prague Stock Exchange (**PSE**).

19.26.8 Costs of funding and acquisitions

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

19.27 PERSONNEL COSTS

The Parent Company does not employ any personnel (2021: nil).

19.28 INTEREST EXPENSES

	2022 In € 1,000	**2021** In € 1,000
Interest expense on loans due to group companies	317	170
Interest expenses on private loans	69	361
Interest expenses on convertible bonds	-	217
Foreign exchange and currency losses	9	2
Other interest expenses	2	4
	397	**754**

19.29 INCOME TAX EXPENSE

The results of the Parent Company are subject to corporate income tax (**CIT**).

19.29.1 Income tax expense recognised in the Parent Company profit and loss account

	2022 In € 1,000	**2021** In € 1,000
Current income tax expense		
Current year	-	-
Adjustments related to prior years	-	-
	-	-
Deferred income tax expense		
Origination and reversal of taxable temporary differences	-/- 4	8
Recognition of previously unrecognised (derecognition of previously recognised) tax losses	-/- 26	-/- 49
Recognition of previously unrecognised (derecognition of previously recognised) other taxable temporary differences	4	-
Change in tax rate	-	-/- 2
Adjustments related to prior years	-	-
	-/- 26	-/- 43
Total	**-/- 26**	**-/- 43**

19.29.2 Deferred income tax recognised directly in shareholders' equity

	2022 In € 1,000	2021 In € 1,000
Related to receivables from group companies	26	43

19.30 RELATED PARTIES

For the definition of related parties reference is made to section 15.45 "Related parties".

In addition to section 15.43 "Related parties" the Parent Company entered into or maintained the following transactions with group companies, part of other related parties:

A. Dividends received from group companies, as described in section 19.1.2 "Statement of changes in investments in group companies";

B. Loans advanced and redemption on loans to group companies, as described in section 19.2.3 "Statement of changes in loans to group companies";

C. Loans advanced and redemption on loans due to group companies, as described in section 19.14.4 "Statement of changes loans due to group companies".

19.31 PROPOSAL FOR THE PARENT COMPANY RESULT APPROPRIATION

The Parent Company´s result for the financial period amounts to € 4,350,000 negative. Recognising the mandatory:

- net deduction of € 814,000 from the revaluation reserve; and
- net addition of € 1,168,000 to the reserve investments in group companies;

the remaining loss for the financial period was € 4,704,000. It is proposed to the General Meeting of Shareholders to deduct the whole of the remaining loss for the financial period from the retained earnings.

This proposal has already been recognised in the Parent Company balance sheet.

19.32 DETERMINING OF PARENT COMPANY RESULT FOR THE PREVIOUS FINANCIAL PERIOD

During the General Meeting of Shareholders (**GM**) of the Parent Company as at June 22, 2022, the GM approved the result appropriation proposal of the Managing Board as stated in the Annual Report of the previous year.

19.33 EVENTS AFTER BALANCE SHEET DATE

The following material events have occurred after balance sheet date:

A. On January 10, 2023 the Parent Company announced it has successfully refinanced the Boyana Residence project in Bulgaria with new loans for an amount of € 3.6 million. The new loans from Dutch investors replace two expired loans from Alpha Bank. This refinancing makes it possible to fully repay Alpha Bank, pay historical taxes and renovate apartments in accordance with the original business plan. Alpha Bank had not permitted the separate sale of the development land or the sale of individual apartments, thus limiting the realization of potential additional value from the project;

B. In the period from January 1, 2023 to March 15, 2023 the Parent Company has repurchased 60,976 ordinary shares of the Parent Company at an average price of € 6.43 per share. The total acquired amount in cash terms is € 392,050. These shares have been acquired as part of the share buy-back programme announced on September 14, 2022, for an amount up to € 1.5 million. The ordinary shares are proposed for partial cancellation in due course upon a resolution of the Shareholders' Meeting to reduce the Parent Company's capital;

C. On 28 March 2023, the Fund was notified that Hypo Noe had approved a waiver for ACREP and Project 5, addressing the breach of the DSCR forecast covenant.

D. On April 4, 2023, it was announced that Sberbank CZ (as an enterprise) had been sold to Česká Spořitelna based on publicly available information. The Sberbank CZ loan book with a nominal value of CZK 47.1 billion was transferred. Česká Spořitelna purchased it for CZK 41.053 billion. Throughout April 2023, the technical transfer of data from Sberbank CZ to Česká Spořitelna will take place.

For more information reference is made to section 13.3 "Statement of compliance and future related assumptions".

No further material events have occurred after balance sheet date.

Amsterdam, April 28, 2023

The Managing Board:

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

G.St.J. Barker LLB	P.H.J. Mars M.Sc	M. Van der Laan B.Sc	M.T.H. Blokland BBA
Managing director	*Managing director*	*Managing director*	*Managing director*

The Supervisory Board:

Mr. drs. A.N. Krol	Dr. J.J. van Heijst	M.P. Beys, Esq.
Chairperson	*Member*	*Member*

20 OTHER INFORMATION

20.1 GENERAL PROVISIONS OF THE ARTICLES OF ASSOCIATION CONCERNING RESULT APPROPRIATION

In accordance with Article 28 of the Articles of Association dated September 21, 2016, profits are determined and distributed as follows:

28.1 From the profit earned in a financial period in so far as possible a dividend is first distributed on the priority share, the amount of which dividend is equal to seven per cent (7%) on an annual basis, calculated on the nominal value of the priority share. No further distributions are made on the priority share.

28.2 The priority shareholder determines annually what part of the profit remaining after application of article 28.1 above is added to the reserves.

28.3 It is the prerogative of the general meeting of shareholders to allocate the profit remaining after application of articles 28.1 and 28.2 above.

28.4 Distribution of profit occurs after adoption of the Financial Statements evidencing that this is permitted.

28.5 The priority shareholder may resolve to make interim distributions on ordinary shares and / or distributions on ordinary shares charged to a Parent Company reserve.

28.6 Distributions on shares may only take place up to a maximum of the amount of the distributable shareholders' equity.

28.7 Unless the body that decides on distribution determines another time, distributions on shares are payable immediately after declaration.

28.8 In calculating the amount of any distribution on shares the shares held by the Parent Company in its own capital are not included.

20.2 DECREE ON THE DUTCH ACT ON FINANCIAL SUPERVISION

Arcona Capital Fund Management B.V. has a permit from the AFM under the Dutch Act on Financial Supervision (Wet op het financieel toezicht, the **Wft**) to act as the management company of the Parent Company.

20.3 PERSONAL INTERESTS

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

- Mr. 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 working for the Stichting Value Partners Family office who 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.

20.4 SPECIAL CONTROLLING RIGHTS

Special rights in respect of control of the Parent Company have been granted to the holders of priority shares. The priority shares are bearer shares. As provided by the Articles of Association the priority shares entitle the Foundation:

- to determine the number of members of the Managing Board and Supervisory Board;
- to make binding nominations for appointment of the members of the Managing Board and the members of the Supervisory Board;
- to make the proposal to the General Meeting of Shareholders to suspend or dismiss a Managing Board member and / or a Supervisory Board member;
- to make the proposal to the Supervisory Board for the remuneration of the members of the Supervisory Board;
- to determine which part of the profits remaining after priority dividend (reference is made to section 20.1) shall be reserved;
- to make interim distributions on ordinary shares and / or distributions on ordinary shares charged to a Parent Company reserve;
- to make the proposal to the General Meeting of Shareholders to amend the Articles of Association of the Parent Company;
- to make the proposal to the General Meeting of Shareholders for statutory merger or statutory demerger of the Parent Company;
- to make the proposal to the General Meeting of Shareholders for dissolution of the Parent Company.

The General Meeting of Shareholders needs the approval of the Foundation for decisions of the Managing Board concerning the reduction of the issued share capital.

20.5 INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the shareholders and the supervisory board of Arcona Property Fund N.V.

Report on the audit of the financial statements 2022 included in THE ANNUAL ACCOUNTS

Our opinion

We have audited the financial statements 2022 of Arcona Property Fund N.V., based in Amsterdam. The financial statements comprise the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Arcona Property Fund N.V. as at 31 December 2022, and of its result and its cash flows for 2022 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

- The accompanying company financial statements give a true and fair view of the financial position of Arcona Property Fund N.V. as at 31 December 2022, and of its result for 2022 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. The consolidated statement of financial position as at 31 December 2022.

2. The following statements for 2022: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows.

3. The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. The company balance sheet as at 31 December 2022.

2. The company profit and loss account for 2022.

3. The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

Deloitte Accountants B.V. is registered with the Trade Register of the Chamber of Commerce and Industry in Rotterdam number 24362853.
Deloitte Accountants B.V. is a Netherlands affiliate of Deloitte NSE LLP, a member firm of Deloitte Touche Tohmatsu Limited.

We are independent of Arcona Property Fund N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at € 750,000. The materiality is based on 1% of total assets. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the supervisory board that misstatements in excess of € 37,500, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Arcona Property Fund N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Arcona Property Fund N.V..

Our group audit mainly focused on significant group entities based in Czech Republic, Slovakia, Poland, Ukraine, Bulgaria and Romania, covering 100% of total revenues and 100% of total investment properties.

In establishing the overall group audit strategy and plan, we determined the type of work that needed to be performed at the components by the group engagement team and by component auditors from other Deloitte network firms. Where the work was performed by components auditors, we determined the level of involvement we needed to have in the audit work at those components so as to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the group financial statements as a whole. For each component we determined whether we require an audit of their complete financial information or whether other procedures would be sufficient.

For the group entities in Czech Republic, Slovakia, and Poland we determined that a full audit of the financial information was required. For the components in the Ukraine, Romania and Bulgaria we performed an audit of specific account balances.

The group engagement team directed the planning, reviewed the work performed by component auditors and assessed and discussed the results and findings with the component auditors.

The group engagement team held multiple meetings, including site visits, with all the individual component auditors, and management of the relevant group entities, and participated in the component auditor closing calls. For all component auditors, file reviews were conducted to evaluate the work undertaken and to assess their findings.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Audit approach fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the entity and its environment and the components of the system of internal control, including the risk assessment process and management's process for responding to the risks of fraud and monitoring the system of internal control and how the supervisory board exercises oversight, as well as the outcomes.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as among others the code of conduct, whistle blower procedures and incident registration. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness, of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption in close co-operation with our forensic specialists. We evaluated whether these factors indicate that a risk of material misstatement due fraud is present.

We identified the following fraud risks and performed the following specific procedures:

Management override of controls

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or noncompliance.

We considered available information and made enquiries of relevant executives and the supervisory board.

We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

We evaluated whether the selection and application of accounting policies by the group, particularly those related to subjective measurements and complex transactions, may be indicative of fraudulent financial reporting.

We evaluated whether the judgments and decisions made by management in making the accounting estimates included in the financial statements indicate a possible bias that may represent a risk of material misstatement due to fraud. Management insights, estimates and assumptions that might have a major impact on the financial statements are disclosed in note 13.10 of the financial statements. We performed a retrospective review of management judgments and assumptions related to significant accounting estimates reflected in prior year financial statements. Valuation of investment property is a significant area to our audit as the valuation is inherently judgmental in nature, due to the use of assumptions that are highly sensitive, any change in assumption may have a significant effect on the outcome given the relative size of the investment property balance.

For significant transactions such as disposals of investment property we evaluated whether the business rationale of the transactions suggests that they may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets.

This did not lead to indications for fraud potentially resulting in material misstatements.

Audit approach compliance with laws and regulations

We assessed the laws and regulations relevant to the Company through discussion with the Managing Board, reading minutes.

As a result of our risk assessment procedures, and while realizing that the effects from non-compliance could considerably vary, we considered the following laws and regulations: adherence to (corporate) tax law and financial reporting regulations, the requirements under the International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and Part 9 of Book 2 of the Dutch Civil Code with a direct effect on the financial statements as an integrated part of our audit procedures, to the extent material for the related financial statements.

We obtained sufficient appropriate audit evidence regarding provisions of those laws and regulations generally recognized to have a direct effect on the financial statements.

Apart from these, Arcona Property Fund N.V. is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts and/or disclosures in the financial statements, for instance, through imposing fines or litigation.

Naturally, we remained alert to indications of (suspected) non-compliance throughout the audit. Finally, we obtained written representations that all known instances of (suspected) fraud or non-compliance with laws and regulations have been disclosed to us.

Audit approach going concern

Management made a specific assessment of the company’s ability to continue as a going concern and to continue its operations for at least the next 12 months. We discussed and evaluated the assessment with management exercising professional judgment and maintaining professional skepticism. We considered whether management’s going concern assessment, based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, contains all events or conditions that may cast significant doubt on the company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

Based on our procedures performed, we did not identify serious doubts on Arcona Property Fund’s ability to continue as a going concern for the next 12 months. Our conclusions are based on the audit evidence obtained up to the date of our independent audito’s report. However, future events or conditions may cause a company to cease to continue as a going concern.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<u>Valuation of investment properties</u>

Key audit matter:

As at December 31, 2022 the Company held as portfolio of investment property with a fair value of € 75.4 million (December 31, 2022: € 81.8 million) and investment property under construction of € 1.0 million (December 31, 2021: € 2.7 million).

At the end of each reporting period, the management board determines the fair value of its investment property portfolio in accordance with the requirements of IAS 40 and IFRS 13. The Company uses external valuation reports issued by external independent professionally qualified appraisers to determine the fair value of its investment property.

As the valuation of investment property is inherently judgmental in nature, due to the use of assumptions that are highly sensitive, any change in assumptions may have a significant effect on the outcome given the relative size of the investment property balance.

The most significant assumptions and parameters involved, given the sensitivity and impact on the outcome, are the capitalization rate and market rent levels and the market-derived discount rate.

Furthermore, on February 24, 2022, Russian troop invaded Ukraine. As disclosed in note 15.2.5 to the financial statements, the Fund owns two land plots (under development) in Ukraine. The land plots are located in the regions Odessa and Zaporizhzhia. The Zaporizhzia land plot has been written down to zero during 2022, the Odessa land plot has a fair value of € 1.0 million. The current political and market conditions create a higher degree of uncertainty regarding the reported value.

The uncertainties over the current economic environment in Ukraine, caused by the outbreak of the war, has had a negative impact on the valuation of the Company’s land plots during 2022. As most active markets are currently closed in Ukraine, there is limited to no market information available to support the current valuation of the assets based in Ukraine.

Due to the magnitude and related estimation uncertainty, valuation of investment property is considered a key audit matter.

How the key audit matter was addressed in the audit:

Our audit procedures included, among others, the following:

- We have gained understanding of the valuation process and tested the design and implementation of the Company’s relevant controls with respect to the data used in the valuation of the property portfolio;

- We evaluated the competence of the Company’s external appraiser, which included consideration of their qualifications and expertise;

- We have further evaluated and challenged the assumptions made in respect to the creditworthiness of significant tenants, lease incentives and vacancy periods in the valuation calculations.

In relation to the significant assumptions used in the valuation of investment property we have:

- determined that the valuation methods as applied by the management board, as included in the valuation reports, are appropriate;

- we have evaluated and challenged the significant assumptions used (such as capitalisation rate, market rental income, market-derived discount rate) against relevant market data. We have involved our internal real estate valuation experts in these assessments;

- we assessed and challenged the judgements made by the external appraiser in light of the valuation uncertainties they highlight in their report in respect of the limited transactional evidence that can be used to form their opinion of fair value in certain classes of assets. We have involved our internal real estate valuation experts in these assessments;

- we assessed the sensitivity analysis on the key input data and assumptions (a.o. gross rental income and net yield) to understand the impact of reasonable changes in assumptions on the valuation and other key performance indicators (i.e. loan covenants);

- we have assessed the appropriateness of the disclosures notes 13.10 and 15.2/15.3 to the consolidated financial statements, relating to the assumptions used in the valuations and sensitivity analysis in the notes to the consolidated financial statements.

- we evaluated management's assessment of what impact the Ukraine-Russia situation has on the valuation of the owned land plots. To test assumptions of management we have taken into consideration the geographical location of each landplot in Ukraine and we evaluated the assumptions and considerations incorporated in the external specialist report used by management to determine the valuation of the land plot in Odessa.

- we assessed the adequacy of the disclosures included in notes 13.3, 15.2.5, 15.23, 15.43 and 19.19 to the financial statements regarding the Ukrainian land plots, including the increased estimation uncertainty of the valuations due to the current ongoing crises, based on the applicable financial reporting standards.

Observation:

We found that, with the (significant) assumptions used in the valuation reports, the valuation of the investment property is valued within a reasonable range in the light of the valuation uncertainty for level 3 valuations.

Report on the other information included in the annual accounts

In addition to the financial statements and our auditor's report thereon, the annual accounts contain other information.

The other information consists of:

- Report of the managing board.
- Other Information as required by Part 9 of Book 2 of the Dutch Civil Code.
- Foreword from the managing board.
- Arcona Property Fund in brief.
- Pre-advice of the supervisory board.
- The real estate portfolio.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements.
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the Management Board's Report in accordance with Part 9 of Book 2 of the Dutch Civil Code, and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements and ESEF

Engagement

We were engaged by the supervisory board as auditor of Arcona Property Fund N.V. on May 18, 2017, as of the audit for the year 2017 and have operated as statutory auditor ever since that financial year.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

European Single Electronic reporting Format (ESEF)

Arcona Property Fund N.V. has prepared its annual report in ESEF. The requirements for this are set out in the Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (hereinafter: the RTS on ESEF).

In our opinion, the annual report, prepared in XHTML-formaat, including the partially marked-up consolidated financial statements, as included in the reporting package by Arcona Property Fund N.V. complies in all material respects with the RTS on ESEF.

Management is responsible for preparing the annual report including the financial statements in accordance with the RTS on ESEF, whereby management combines the various components into a single reporting package.

Our responsibility is to obtain reasonable assurance for our opinion whether the annual report in this reporting package complies with the RTS on ESEF.

We performed our examation in accordance with Dutch law, including Dutch Standard 3950N "Assurance-opdrachten inzake het voldoen aan de criteria voor het opstellen van een digitaal verantwoordingsdocument' (assurance engagements relating to compliance with criteria for digital reporting).

Our examination included amongst others:

- Obtaining an understanding of the company's financial reporting process, including the preparation of the reporting package.

- Identifying and assessing the risks that the annual report does not comply in all material aspects with the RTS on ESEF and designing and performing further assurance procedures responsive to those risks to provide a basis for our opinion, including:

    - Obtaining the reporting package and performing validations to determine whether the reporting package containing the Inline XBRL instance and the XBRL extension taxonomy files has been prepared in accordance with the technical specifications as included in the RTS on ESEF.

    - Examining the information related to the consolidated financial statements in the reporting package to determine whether all required mark-ups have been applied and whether these are in accordance with the RTS on ESEF.

Description of responsibilities regarding the financial statements

Responsibilities of management and the supervisory board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.

- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Rotterdam, April 28, 2023

Initials for identification purposes:

J. van den Akker