



ARCONA CAPITAL



Boyana Residences in Bulgaria

ARCONA PROPERTY FUND N.V. SEMI-ANNUAL REPORT 2020

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1 FOREWORD FROM THE MANAGEMENT

As the summer of 2020 draws to a close the true impact of the Covid 19 pandemic on the economies of the CEE region and the performance of the Fund can begin to be assessed. This assessment can also provide the basis for forecasts of market developments and performance trends.

In relative terms, the Central European countries in which the Fund holds the majority of its portfolio have managed the pandemic well. Total deaths ascribed to the disease in Poland, Czech Republic and Slovakia as of August 2020 remain below 2500, the current fatality rates show no signs of increase and government restrictions on economic activity to prevent contagion have been largely removed. Measures to sustain affected businesses and employment levels have been widespread and effective (at least to date) and the expectation is that the regional recovery will be fairly robust. As it now appears that the Q2 drop in GDP in the countries of Central Europe was relatively mild compared to the rest of the EU-27, there is the hope that the long-term structural damage to the regional economy will not be too severe. A flight from perceived risk at the start of the pandemic led to sharp falls in the regions' currencies relative to the Euro, but the markets have now reassessed these risks and the losses have been substantially recovered.

In the real estate markets, the sectors most negatively affected by the pandemic have been comparison retail, education, hospitality and travel, whereas logistic property, residential housing and supermarkets have sustained a strong performance over the first six months of the year. The investment market slowed down sharply at the start of the pandemic, affected not only by pricing uncertainty but also by travel and access restrictions which impacted international purchasers. Domestic purchasers, however, have remained surprisingly active and there is to date no evidence of a general downward adjustment in property values.

The Fund's significant weightings to the office and supermarket sectors enabled it to maintain occupancy and income collection at levels sufficient to meet its obligations to its lending banks throughout the pandemic without resort to government support measures or loan repayment deferrals. However, the devaluation of the Czech Crown against the Euro and the increased cost of the obligatory interest rate hedging instruments on the Fund's bank debt created a substantial one-off write-down during the reporting period. In addition, the Fund's holdings of student accommodation in Kosice in Slovakia suffered an almost total loss of budgeted income for Q2 when the city's universities were required to close. The successful sale of the vacant Kalisz supermarket in Poland at the end of Q1 improved the operating ratios of the Fund but further planned sales have been delayed by the pandemic and remain a priority for the second half of the year.

Looking forward, Management expects the one-off financial effects of negative exchange rate movements in H1 to be reversed in H2 2020. The expected return of students to higher education in September should lead to a recovery in occupancy and rental receipts in the Slovak subsidiary. Increasing confidence in the banking sector will permit the Fund both to restart its discussions with existing and potential lenders on the refinancing of further tranches of secured debt and to progress the sales of its remaining non-core assets, the successful completion of which will provide the Fund with several positive options for the future.

KEY DATA PER 30-6-2020 AND 30-06-2019

	30-06-2020	30-06-2019
Number of assets	26	24
Fair value Investment Properties (in € 1,000) ¹	98,208	90,710
Total Assets (in € 1,000)	103,822	94,722
Shareholders' Equity (in € 1,000)	46,348	40,356
Total Liabilities (in € 1,000)	57,474	54,366
Bank Debts (in € 1,000)	36,996	34,483
Bonds + other loans (in € 1,000)	48,736	47,329
LTV (%)	48.7 ²	51.3
Share price ultimo (in €)	4.35	6.74
Occupancy (in %)	82.4	86.9
Semi-annual gross Income (in € 1,000)	5,104	5,419

The number of outstanding shares is 3,758,683. The sum of outstanding bank loans decreased by € 1.05 million to € 36.99 million during the reporting period in comparison to 31-12-2019 (€ 38.05 million). The total LTV (including convertible bonds) decreased by 1.3% to 48.7% (31 December 2019: 50.0%).

¹ Including € 17,620,000 assets held for sale

² For the LTV € 1,5mln right-of-use assets are eliminated for the calculation

KEY FIGURES

BALANCE SHEET STATEMENT (in € 1,000)

	H1 2020	H1 2019	2019	2018	2017	2016
Investment properties	80,297	71,297	80,992	89,032	89,798	74,806
Other non-current assets	631	831	929	680	1,385	1,548
Current assets	22,894	22,594	25,577	2,945	7,660	7,598
Total assets	103,822	94,722	107,498	92,657	98,843	83,952
Shareholders' equity	46,348	40,356	48,000	40,911	42,036	36,452
Deferred tax liabilities	4,739	4,678	4,684	4,606	5,157	4,177
Other non-current liabilities	32,477	31,001	33,448	26,519	43,942	25,195
Current liabilities	20,258	18,687	21,366	20,621	7,708	18,128
Total equity and liabilities	103,822	94,722	107,498	92,657	98,843	83,952
Loan-to-Value (in %)	48.7	51.3	50.0	50.5	52.7	49.3

PROFIT AND LOSS STATEMENT (in € 1,000)

	H1 2020	H1 2019	2019	2018	2017	2016
Direct result before tax	-/- 641	634	1,422	1,482	3,161	-/- 325
Indirect result before tax	-/- 238	-/- 281	-/- 905	-/- 1,336	3,250	-/- 208
Total result before tax	-/- 870	353	517	146	6,411	-/- 533
Income tax expense	341	158	424	352	842	-/- 241
Total result after tax	-/- 1,220	195	93	-/- 197	5,569	-/- 292
Occupancy (in %)	82.4	86.9	84.3	86.9	84.0	80.7
Rentable area (in m ²) ³	100,966	103,956	103,561	104,216	104,186	100,673

ISSUED CAPITAL

	H1 2020	H1 2019	2019	2018	2017	2016
Ultimo outstanding shares	3,758,683	3,758,683	3,165,149	3,165,149	3,165,149	3,165,149
Basic earnings per share (€)	-/- 0.32	0.06	0.03	-/- 0.05	1.76	-/- 0.14
Adj. Earnings (€) ⁴	-/- 0.10	0.16	-/- 0.01	-	-	-

DATA PER SHARE

	H1 2020	H1 2019	2019	2018	2017	2016
(Interim-) dividend	-	0.25	0.10	0.10	0.10	-
NAV ⁵	-	-	-	-	13.37	11.69
NNNAV conform ⁶	12.74	13.17	13.14	13.65	14.05	-
Avg. monthly turnover (in €)	48,470	211,502	198,217	260,359	231,240	102,192
Highest price (in €)	6.29	7.48	5.91	7.95	7.40	8.15
Lowest price (in €)	3.98	6.69	7.48	6.79	5.20	5.00
Ultimo price (in €)	4.35	6.74	6.00	7.10	7.40	5.40

³ Without Boyana apartment area in 2019 and H1 2020

⁴ Earnings indicator was introduced in 2018

⁵ Determined based on previous method

⁶ Determined based on market conform method

2 REPORT OF THE MANAGEMENT BOARD

The Management Board hereby presents the semi-annual report of 2020 of Arcona Property Fund N.V. (the **Fund**). The reporting period is from 1 January 2020 to 30 June 2020.

2.1 SUMMARY OF EVENTS DURING THE FIRST HALF OF 2020

Table 1 – Total Return on share price and Net Asset Value during H1 2020

	Based on share price		Based on NNNAV	
	In €	In %	In €	In %
Start period	6.00		13.14	
End period	4.35		12.74	
Return	-/- 1.65		-/- 0.40	
Distribution to shareholders	-		-	
Total Return	-/- 1.65	-/- 27.5	-/- 0.40	-/- 3.0

2.1.1 DEVELOPMENTS DURING H1 2020

The key event during the reporting period was the Covid19 pandemic, which contributed to the lower interim 2020 result (see section 5 and 6).

During this reporting period the DNB loan of EUR 5.9 million and RECE loan of EUR 4.2 million were extended. The total LTV ratio of the Fund decreased from 50.0% to 48.7%.

The weighted occupancy rate of the portfolio over the reporting period decreased to 82.4% (2019: 84.3%) mainly due to the closure of the universities in Kosice, Slovakia and to the consequent slump in demand for student accommodation. The net rental and related income of € 2.17 million over the six-month reporting period was a decrease of 9.8% compared to H1 2019, a decline consistent with the impact of the effects of the Covid19 pandemic. Shareholders' equity (see Section 4) decreased during the reporting period by € 1.65 million to € 46.35 million, reflecting mainly the retained earnings and the reserve currency translation differences (see section 7).

The following events took place during the reporting period:

Arcona Property Fund N.V. acquires Boyana project in Bulgaria (25 February 2020)

On February 25, 2020 the Fund announced it had reached an agreement with Alpha Bank for the extension of the secured bank loan for the Boyana Residence Project in Bulgaria. This met the requirement that the Fund had set for the definitive takeover of the project. The shares and warrants that the Fund had given to the Boyana Foundation ("Stichting Boyana") pending the granting of the secured bank loan have been transferred to Secure Property Development & Investment plc;

The Fund also announced it agreed the sale of apartment 2-A (including 16 parking places) within the Boyana Project in Sofia, Bulgaria, for € 999,000. The proceeds are fully used for the partial repayment of the secured bank loan with Alpha Bank (including accrued interest)

Arcona Property Fund N.V. appoints new listing agent (28 February 2020)

The Fund shared its intention to appoint a new financial institution (ABN Amro) as listing agent and liquidity provider in the short term. This change was required due to the decision by NIBC Markets to cease its capital markets activities with effect from 1 March 2020.

Arcona Property Fund N.V. provides update on Covid -19 impact (17 March 2020)

As the Covid-19 crisis continued to develop, the governments of the countries in which the Fund is invested have introduced a raft of measures to delay the spread of the disease and to mitigate its impact on the health of their populations. The Fund informs its stakeholders on the potential exposure of the Fund to these negative developments and the current and planned actions of Fund Management to mitigate their effects. A detailed company update presentation is available on the Arcona Property Fund website.

Arcona Property Fund N.V. extends AT&T lease and sells Kalisz (20 April 2020)

The Fund agreed with its biggest tenant, AT&T, a 2-year extension of their lease in the Letna 45 property in Kosice, Slovakia till April 30, 2025 as well as an expansion of their leased area by 750 m², to 6,555m². The agreement increased the annual rental income from the property by € 57,000. Some smaller tenants will be relocated to facilitate the AT&T expansion.

The Fund sold a vacant retail project in Kalisz, Poland, for a net amount of € 983,000 to a local retailer. The sale was agreed, documented and completed within three weeks, as the purchaser did not require debt financing.

Arcona Property Fund N.V. reports 2019 annual figures (29 April 2020)

The Fund reported an operating profit of € 2.28 million in 2019, the same total as achieved in 2018. Net rental income increased from € 4.81 million to € 5.22 million, an increase of 8.3%. The Fund grew in size by € 12.1 million, from € 92 million to € 104 million, through acquisitions in Bulgaria and the Ukraine. More than 60% of the Fund's debt financing was renewed or repaid during the course of the year. The overall situation regarding Covid19 was changing and evolving rapidly, however the Management Board and Supervisory Board trust and expect that its diverse tenant base and prudent level of financing will enable Arcona Property Fund N.V. to successfully trade through this challenging market environment.

Arcona Property Fund N.V. first quarter 2020 figures (14 May 2020)

The Fund saw gross rental income in the first quarter of 2020 increase by 5.2%, in comparison to the same period in 2019, to € 2.21 million. Net rental income increased by 7.6% to € 1.18 million. The increase in rental income was the result of a number of new rental agreements.

Profit before tax was € 176,000 in the first quarter, compared to € 321,000 in the same period of 2019. The profit was lower due to a € 319,000 drop in value of the interest rate swaps and a book loss of ca. €200,000 on the sale of Kalisz.

The occupancy rate increased to 88.2% at the end of March 2020 (December 31, 2019: 84.3%). The loan-to-value ratio was 49.7% at the end of March 2020 (December 31, 2019: 50.0%).

The net asset value based on NNNAV as of March 31, 2020 was € 12.88 per share, compared to € 13.14 per share on December 31, 2019. The decrease of the NNNAV was caused by an 8% devaluation of the Czech Crown.

Arcona Property Fund N.V. extends loans and provides trading update (10 June 2020)

The Fund reached an agreement with financiers to extend two maturing loans. The Fund also reports market conditions improving in Central Europe.

The Fund's secured bank loan from DNB Bank Polska S.A. of € 5,900,000 has been extended until November 30, 2020. The interest rate remains at the current level of 3M-Euribor + 4.0%. The Managing Board is in discussion with another credit institution to refinance the loan. The negotiations were temporarily interrupted by the COVID-19 pandemic, but are now being resumed.

The Fund's secured vendor loan from Real Estate Central Europe AS has been extended until December 2, 2020 at an annual interest rate of 12.0%. The Managing Board plans to repay the loan during Q4 2020 from sales of 5 assets in Slovakia (see also section 11.10 "Assets held for sale")

Arcona Property Fund N.V.'s annual meeting (30 June 2020)

The digital General Meeting of Shareholders adopted the annual accounts of 2019 and granted discharge to the Managing Board and the Supervisory Board.

The shareholders were informed about the impact of the Covid-19 pandemic and the progress of the acquisition of the assets of SPDI. In all markets where the Arcona Property Fund operates, anti-Covid measures eased substantially. The actual loss of rental income to date now appears to be close to the best-case scenario forecast in March 2020 (a 10.5% decrease on an annual basis).

The shareholders were also informed on the progress of the acquisition of land plots in Kiev, Ukraine and two fully-leased office buildings in Bucharest, Romania from SPDI. An update was provided on negotiations with a number of parties for the sale of five of the Fund's holdings in Košice, Slovakia. The priority for the proceeds from the sales will be the repayment of loans. At this stage the management does not consider it opportune to allocate any of these funds for the further expansion of the real estate portfolio.

The Management considers that the refinancing or repayment of all short-term maturing loans and the completion of the SPDI acquisition have priority. Subsequently, possible scenarios can be explored together with the shareholders, such as the sale of the entire fund, the acquisition of new shareholders or the sale of more non-core assets. The management believes that, given the current market conditions, a stable situation must first be created before this process can begin.

Event after balance sheet date.

There are no material events after balance sheet date

2.1.2 NET ASSET VALUE PER SHARE AND SHARE PRICE DEVELOPMENT

The following tables show the development of the Fund's Net Asset Value during the period 1 January 2020 to 30 June 2020.

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

	30-6-2020	30-6-2019
Shareholders' equity in accordance with NAV (in € 1,000)	49,756	43,006
Including: Fair value of financial instruments	-/- 359	-/- 133
Including: Fair value of debt	6	-
Including: Fair value of deferred tax	-/- 1,524	-/- 1,201
Shareholders equity in accordance with NNNAV (in €1,000)	47,879	41,672
Number of ordinary shares in issue	3,758,683	3,165,149
Adjusted NNNAV (in €)	12.74	13.17
Return on NAV YTD (in %)	-/- 3.0	

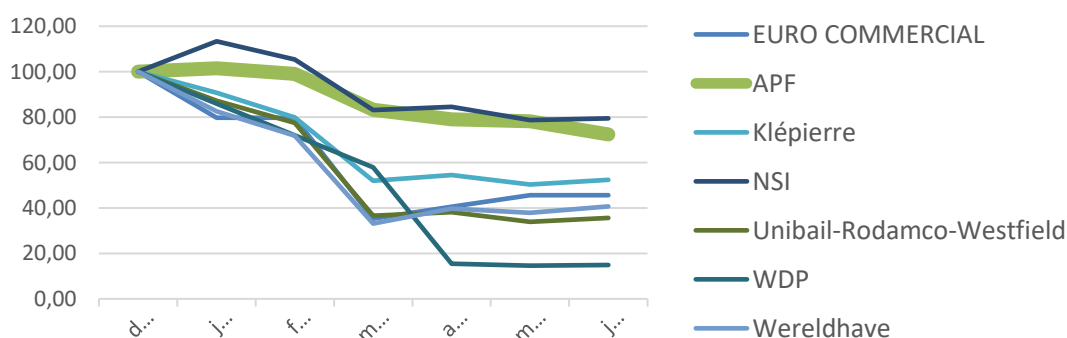
Table 3 – Development of the share price per month in 2020

Period		Opening price	Closing price	Volume	Volume
		begin period	end period	per month	per Quarter
		In €	In €	In pieces	In pieces
2020	January	6.01	6.10	14,998	
	February	6.10	5.95	11,760	38,744
	March	6.00	5.00	11,986	
	April	4.98	4.75	2,776	
	May	4.31	4.70	5,872	10,271
	June	4.65	4.35	1,623	
Average per quarter					24,508

The above table shows an average trading volume of 681 shares per day of trading during the first half of 2020. The stock price traded at € 4.35 at the end of the reporting period, which corresponds to a 65,8% discount on the triple net asset value per share.

During the reporting period all Euronext-listed real estate funds experienced a material decrease in their stock price. In relative terms, the Arcona Property Fund (APF) showed a smaller decline, reflecting its limited exposure to retail property.

Figure 1 – Indexed comparison stock market listed real estate funds



2.1.3 REAL ESTATE PORTFOLIO DEVELOPMENT

Table 4 – Comparative statement of the real estate portfolio

	30-06-2020	31-12-2019	change	%
Fair value (in € 1,000) ⁷	98,208	101,251	-/- 3,043	-/- 3.0
Number of properties	26	27	-/- 1	-/- 3.7
Rentable area (in m ²)	100,966	103,561 ⁸	-/- 2,595	-/- 2.5
Occupancy (in %) ⁹	82.4	84.3	1.9	-/- 2.3

The decrease in fair value (€ 3,043,000) is due to asset sales in Poland (Kalisz) and Bulgaria (part of Boyana apartments) and the devaluation of the Czech Crown against the Euro.

Table 5 – Statement of changes in investment properties

	01-01-2020 to 30-06-2020 in € 1,000	01-01-2019 to 31-12-2019 in € 1,000
Balance as at 1 January	76,432	89,032
Purchases and additions	-	6,165
Exchange rate differences	-/- 974	213
Additions	242	512
Fair value adjustments	99	162
Reclassification (to "Assets held for sale")	-	-/- 19,652
Balance as at 30 June	75,799	76,432

The "Exchange rate differences" of -/- € 974,000 reflect the CZK/EUR exchange rate result. The "Additions" of € 242,000 are capital expenditure within the real estate portfolio. The "Fair value adjustments" for the amount of € 99,000 are revaluations of right of use assets (long leaseholds).

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

	01-01-2020 until 30-06-2020 in € 1,000	01-01-2019 until 30-06-2019 in € 1,000	Change in € 1,000	Change In %
Gross rental income	4,108	4,289	-/- 181	-/- 4,2%
Service cost income	996	1,130	-/- 134	-/- 11,9%
Total income	5,104	5,419	-/- 315	-/- 5,8%
Service costs	-/- 1,630	-/- 1,743	113	-/- 6,5%
Operational costs	-/- 1,300	-/- 1,266	-/- 34	2,7%
Net rental income	2,174	2,410	-/- 236	-/- 9,8%

Total income decreased by 5.8% to € 5.10 million (H1 2019: € 5.41 million). Net rental income decreased by 9.8% to € 2.17 million, due to a net decrease in service and rental income caused by the effects of the Covid-19 pandemic.

⁷ Without right-of-use assets

⁸ Without Boyana apartment area

⁹ Weighted based on fair value

2.2 FINANCIAL HIGHLIGHTS

2.2.1 BALANCE

Table 7 – Balance statement

	30-6-2020	31-12-2019
	in € 1,000	in € 1,000
Investment property	80,297	80,992
Non-current assets	631	929
Current assets	22,894	25,577
Total assets	103,822	107,498
Shareholders' equity	46,348	48,000
Deferred tax liabilities	4,739	4,684
Long-term loans and borrowings	32,477	33,448
Total current liabilities	20,258	21,366
Total shareholders' equity and liabilities	103,822	107,498

The net € 0.7 million change in “*Investment property*” is explained by exchange rate effects, the sale of Kalisz in Poland and sale of part of the Boyana residences project in Bulgaria.

“*Shareholders' equity*” decreased by € 1.65 million, reflecting -/- € 1,059,000 retained earnings, the € 282,000 revaluation result and -/- € 875,000 currency translation differences during the period.

2.2.2 RESULT

The profit for the first half of 2020 after tax (see Section 5) amounted to -/- € 1,220,000 (H1 2019: € 195,000). A detailed summary with comparative figures of the direct and indirect result is provided in the consolidated annual accounts in Section 7 and in the following paragraphs.

Table 8 – Comparative statement of semi-annual results

	1-1-2020	1-1-2019	
Comment on change	until	until	
	30-6-2020	30-6-2019	Change
	In € 1,000	In € 1,000	In € 1,000
Direct result before tax	-/- 641	634	-/- 1,275
Operational income <i>less rental income</i>	2.174	2.410	-/- 236
Financial income <i>less one-off rental income</i>	26	319	-/- 296
Fund level expenses <i>including one-off acquisition costs</i>	1.281	961	320
Financial expenses <i>related to change in fair value of derivatives + additional interest costs</i>	1.560	1.134	426
Indirect result before tax	-/- 238	-/- 281	43
Result before tax	-/- 879	353	-/- 1,232
Tax	-/- 341	-/- 158	-/- 183
Result after tax	-/- 1,220	195	-/- 1,415

The “*direct result before tax*” of -/- € 641.000 was € 1.28 million lower than the comparable previous period. Most of the components behind this decline are one-off or of a temporary nature. The decrease of the direct result is due to lower rental income receipts (-/- € 236.000) due to COVID-19, the change in rent compensation (-/- € 296.000), one-off acquisition expenses (-/- € 320.000), change in fair value of IRS derivative related to the bank financing (-/- € 346,000) and increased interest costs for short-term loans and additional bank financing after refinancing.

The “*Indirect result before tax*” of -/- € 238.000 was comparable to the previous period (-/- € 281.000), related to sales and unrealized value adjustments booked in the current reporting period (see section 11.21).

The “*Tax*” was € 341.000, which includes a € 274.000 increase for deferred tax liabilities in Poland (see section 11.29).

2.2.3 CASH FLOW

The net cash flow of the Fund after operating, investment and financing activities was -/- € 770.000 (H1 2019: -/- € 64,000). The table below provides a summary of the cash flow.

Table 9 – Consolidated cash flow statement

	01-01-2020 to 30-06-2020	01-01-2019 to 30-06-2019
	in € 1,000	in € 1,000
Cash flow from operating activities	-/- 943	239
Cash flow from investing activities	1,533	-/- 110
Cash flow from financing activities	-/- 1,360	-/- 192
Net increase / decrease (-/-) in cash and cash equivalents	-/- 770	-/- 64

The “*Cash flow from operating activities*” is the net cashflow from operating activities minus the interest and income tax payments. In this period especially the increased interest payments (+ € 513,000 in comparison to same period previous year), of which € 346,000 is related to result on IRS derivative held in ACREB.

The “*Cash flow from investing activities*” is the net cash flow from proceeds of sales of properties (Kalisz in Poland and Boyana Residences apartments in Bulgaria) and capital investments into the properties in the portfolio.

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

Table 10 – Statement of recognised income and expense

	H1 2020	H1 2019
	in € 1,000	in € 1,000
Foreign currency exchange differences on net investment in group companies	-/- 457	37
Income tax on foreign currency exchange differences on net investments in group companies	25	4
	-/- 432	41
Net gain/ (loss) recognised directly in shareholders’ equity	-/- 1,220	41
Result for the period	-/- 1,652	+ 195
Total comprehensive income for the period	-/- 1,652	236

2.2.4 BANK LOANS

Table 11 – Overview of interest-bearing loans and borrowings

	30-6-2020	31-12-2019
	in € 1,000	in € 1,000
Secured bank loans	27,261	28,148
Convertible bonds	3,456	3,441
Lease liabilities	1,333	1,429
Subtotal	32,050	33,018
Other long-term liabilities	-	-
Total long-term interest-bearing loans and borrowings	32,050	33,018
Current portion of secured bank loans ¹⁰	9,104	9,900
Current portion other long-term liabilities	7,418	7,538
Current portion lease liabilities	164	171
Current portion of convertible bonds	-	-
Total short-term interest-bearing loans and borrowings	16,686	17,609
Total interest-bearing loans and borrowings	48,736	50,627

Over the past six months the total loan-to-value ratio (**LTV**) of the portfolio has decreased from 50.0% to 48.7%. The Fund Management intends to maintain the total LTV-ratio of the portfolio in the range 40% – 50%, although a Loan-to-Value percentage of up to 60% is possible.

See section 8.21 (“Interest-bearing loans and borrowings”) for more information on the secured bank loans

2.2.5 FOREIGN CURRENCY

	30-06-2020	31-12-2019	30-06-2019
Czech Koruna (EUR / CZK)	26.740	25.408	25.447
% change	-/- 5.2%	1.2%	1.1%
Polish Zloty (EUR / PLN)	4.4560	4.2568	4.2496
% change	-/- 4.7%	1.0%	1.2%
Pound Sterling (EUR / GBP)	n.a	n.a	0.89655
% change	n.a.	n.a.	-/- 0.2%
Bulgarian Lev (EUR / BGN)	1.9558	12.9558	n.a
% Change	0.0	0.0	n.a.
Ukrainian Hryvnia (EUR / UAH)	29.9500	26.4220	n.a
% Change	-/- 13.4%	16.7%	n.a.
US Dollar (EUR / USD)	1.1198	1.1234	1.1450
% change	0.3%	1.9%	

Source: European Central Bank (ECB)

¹⁰ See 12.40.1 “Analysis of interest-bearing loans and borrowings”.

2.3 DIVIDEND

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

2.4 FUND OUTLOOK

At the start of the Covid 19 pandemic the Fund undertook a detailed scenario modelling exercise to assess the potential effects of the pandemic on the Fund's operations and to identify the practical steps to be taken to ensure that the Fund was able to sustain its operations and preserve shareholder value.

The scenario modelling used to assess the effects of the pandemic had the following inputs:

- A base case start point of the net rent received from each market segment of the portfolio during 2019;
- An assessment of the Fund's tenant composition to identify tenants at serious risk, tenants at general risk and tenants at no risk or potentially benefitting from the crisis;
- Current information on the percentage of floorspace closed down by government decree or otherwise not available for tenant use;
- Current information on the percentage of tenants requesting full or part rental discounts;
- An assessment of the likely duration of the effects of the pandemic and of its likely trajectory.

The conclusion of this scenario modelling was that the likely effects of the pandemic would be a drop in annual net income of between € 550,000 and € 1.22 million. It was estimated that the Fund could sustain a drop of ca. € 800,000 in its annual net income before its ability to meet debt service and operational costs (at pre-crisis levels) started to be impaired.

Four months on from this exercise, the Fund now has the benefit of actual Q2 figures for rental income and occupancy and, based on the accumulated experience of the last four months, is able to make a more robust and detailed assessment of the effect of the pandemic on the forecast 2020 performance.

The current planning assumption for the Fund is that the recovery of economic activity presently under way across the region will continue for the rest of 2020. Regardless of whether there is a so-called "second wave" of the virus, governments will avoid extreme countermeasures such as general lockdowns and seek to control outbreaks by track and trace measures and focussed testing regimes. A priority will be given to the reopening of educational facilities and retail premises will be able to trade with minimal restrictions. Travel, entertainment and hospitality operations will remain the areas of economic activity most affected by government restrictions and negative sentiment, but the Fund has no exposure to these sectors. Accordingly, it is anticipated that net income receipts will recover to pre-pandemic levels across the majority of the portfolio during H2, a slight improvement on the "best case" scenario modelled by the Fund in April 2020. This forecast an overall rental drop for 2020 of 10.5%, with regional declines of between 15% and 25% in Q2, improving to a decline of between 10% and 15% in Q3 and to overall -/ 4.6% in Q4. This scenario resulted in a net income result of € 4.68 million for the year, which the Fund now considers to be a conservative estimate.

The Fund therefore expects to be able to continue to meet all its debt service payment obligations on its bank loans and to fulfil all covenants on these loans during the remainder of 2020. In respect of potential valuation movements, the Fund will revalue its portfolio at year-end and the updated valuations will be the basis for the calculation of the loan to value ratios within the local entities. The table below shows the current LTV covenants on each bank loan and the actual status based on the end 2019 valuations:

Bank	LTV Covenant	2019
	In %	In %
Sberbank CZ	70	49
Slovenska Sporitelna	45	35
BNP Paribas	65	45
DNB Nord Bank	75	66
Alpha Bank	n.a.	28

The Fund has an overall loan-to-value ratio of approximately 49% (including loans at fund level). The bank loan-to-value ratio is 37.7%. The loan-to-value ratios of the local entities are still well below the requirements set by the banks and therefore can absorb substantial declines in the market values of the properties, should these occur. In the Czech Republic, the market value of the portfolio can fall by 29% or CZK 130.6 million (€ 5.1 million) before the LTV covenant of Sberbank CZ is breached. In Slovakia, the market values have room to fall by 23% or € 8.7 million before the LTV covenant of Slovenska Sporitelna is breached. In Poland, the LTV covenant of BNP Paribas would be breached if the market value (currently € 17.3 million) were to fall by circa. € 5.3 million (31%). The DNB Nord Bank LTV covenant of 75% would be breached if the market value of the Maris asset were to fall by € 1.1 million or 12%. The view of Management is that there is currently no market evidence of value falls of this magnitude for any of the property sectors or property types in which the Fund is invested.

The Fund is scheduled to refinance a further portion of its loans in H2 2020 (€ 12.6 million). For one loan in Poland (€ 5.9 million) detailed discussions are underway with one of the Fund's existing lenders to refinance this expiring loan and incorporate it within the wider Polish portfolio financing. Three further loans of € 6.7 million in total will expire at the end of this year. The Fund plans to repay these loans from the proceeds of the envisaged sales of up to 5 assets from the portfolio in Košice (Slovakia). Following a formal marketing campaign and the receipt of several offers, sales negotiations have progressed and contracts are expected to be signed within Q3 for part of the portfolio. In parallel, the Fund is in discussion with third-party lenders for the provision of new loan tranches if required.

Based on the above, the Managing Board remains of the opinion that there is no material uncertainty as to the ability of the Fund to continue as a "going concern".

Acquisitions

The Fund intends to complete the acquisition of 5 further assets of SPDI during 2020. This includes 3 development sites in the Ukraine and two fully-leased office properties in Bucharest, Romania. The total value of the assets to be acquired will be ca. € 15 million. The acquisitions will be funded by the issuance of shares at Net Asset Value and by the assumption of existing senior debt arrangements.

Sales

As stated above, the Fund plans to sell up to 5 assets in Kosice, Slovakia, during H2 2020. The 5 assets had an aggregate fair value as at 31 December 2019 of € 17.6 million. Net proceeds from the sales will be utilised largely for the repayment of debt at regional and Fund level.

2.5 RISK MANAGEMENT

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

Risk appetite and risk management

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

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

Internal control framework

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

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

Risk monitoring

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

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

2.6 DECLARATION OF THE MANAGING BOARD

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

Amsterdam, 31 August 2020

*The management, Arcona Capital Fund Management B.V.
G.St.J. Barker LLB FRICS, Managing Director
P.H.J. Mars, M.Sc., Managing Director
H.H. Visscher, Managing Director*

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT 30 JUNE 2020**

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3 PERFORMANCE INDICATORS

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

3.1.1 Earnings

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

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

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

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

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

3.1.2 Calculation of (diluted) Earnings

	Notes	01-01-2020 to 30-06-2020 In € 1,000	01-01-2019 to 30-06-2019 In € 1,000
Earnings per IFRS Consolidated Income Statement	5	-/- 1,220	195
<i>Exclude:</i>			
1. Valuation results of properties and other investments			
a. Owned investment property	11.19.1	-	-
b. Investment property under development		-	-
c. Other investments	11.27	1	-
2. Result on disposals of properties and other investments			
a. Realised currency results on net investments in group companies	11.23	-	-/- 47
3. Tax on results on disposals of properties and other investments		-	-
4. Changes in fair value of financial instruments			
a. Derivatives	11.27	346	129
b. Convertible bonds	11.12.4	15	22
5. Acquisition costs on share deals		-	-
6. Taxes in respect of adjustments		71	-
Earnings		-/- 787	299
Total number of shares in issue entitled to profit		3,758,683	3,165,149
Earnings per share (in €)		-/- 0.21	0.09
Total number of outstanding profit-sharing shares (fully diluted)		3,758,683	3,165,149
Diluted Earnings per share (in €)		-/- 0.21	0.09

3.1.3 Explanation of adjustments calculation of (diluted) Earnings

1. Valuation results of properties and other investments

This adjustment includes the gain or loss in the Consolidated Income Statement arising in the period from the revaluation of owned investment property, investment property under development and other investments at their fair value. Therefore the valuation results of properties held for sale and right-of-use assets are not excluded from Earnings.

2. Results on disposals of properties and other investments

This adjustment includes the profit or loss on disposal of owned investment property, investment property under development and other investments. Therefore the results on disposals of owned investment property held for sale, right-of-use assets and investment property under development held for sale are not excluded from Earnings.

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

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

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

4. *Changes in fair value of financial instruments*

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

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

5. *Acquisition costs on share deals*

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

6. *Taxes in respect of adjustments*

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

3.1.4 Calculation of (diluted) adjusted Earnings

	Notes	01-01-2020 to 30-06-2020 In € 1,000	01-01-2019 to 30-06-2019 In € 1,000
Earnings	3.1.2	-/- 787	299
<i>Exclude:</i>			
1. Valuation results of "owned investment properties held for sale"	11.19.1	-/- 1,053	239
2. Valuation results of "right-of-use assets"	11.19.1	45	42
3. Results on disposals of "owned investment properties held for sale"	11.20.1	1,246	-
4. Results on disposals of "inventories"	11.22	-/- 3	
5. Early termination of rent contracts	11.24	-/- 13	-/- 258
6. Costs of funding and acquisition	11.26.4	231	193
7. Interest expense on lease liabilities	11.27	47	51
8. Other exchange and currency translation results	11.23	-/- 9	28
<i>Include:</i>			
9. Operating leases		-/- 90	-/- 93
Subtotal adjustments (before taxes)		401	202
10. Taxes in respect of above adjustments		2	3
Total adjustments		403	205
Adjusted Earnings		-/- 384	504
Total number of shares in issue entitled to profit		3,758,683	3,165,149
Adjusted Earnings per share (in €)		-/- 0.10	0.16
Total number of outstanding profit-sharing shares (fully diluted)		3,758,683	3,165,149
Diluted adjusted Earnings per share (in €)		-/- 0.10	0.16

3.1.5 Explanation of adjustments calculation of (diluted) adjusted Earnings

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

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

3.1.6 Net Asset Value

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

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

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

3.1.7 Calculation of Net Asset Value

	Notes	30-06-2020 In € 1,000	31-12-2019 In € 1,000
Group equity in accordance with IFRS	4	46,348	48,000
<i>Exclude:</i>			
1. Fair value of financial instruments		359	1
2. Deferred tax	11.4.1	3,049	2,744
Group equity in accordance with NAV		49,756	50,745
Total number of shares in issue entitled to profit		3,758,683	3,758,683
3. Effect of exercise of options, convertibles and other equity interests (fully diluted basis)		-	-
Total number of outstanding profit-sharing shares (fully diluted)		3,758,683	3,758,683
NAV per profit-sharing share (in €)		13.24	13.50

3.1.8 Explanation of adjustments calculation of Net Asset Value

1. Fair value of financial instruments

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

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

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

2. *Deferred tax*

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

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

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

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

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

3.1.9 Triple Net Asset Value

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

3.1.10 Calculation of Triple Net Asset Value

	Notes	30-06-2020 In € 1,000	31-12-2019 In € 1,000
Group equity in accordance with NAV	3.1.7	49,756	50,745
<i>Include:</i>			
1. Fair value of financial instruments		-/- 359	-/- 1
2. Fair value of debt		6	32
3. Fair value of deferred tax		-/- 1,524	-/- 1,372
Group equity in accordance with NNNAV		47,879	49,404
Total number of shares in issue entitled to profit		3,758,683	3,758,683
4. Effect of exercise of options, convertibles and other equity interests (fully diluted basis)		-	-
Total number of outstanding profit-sharing shares (fully diluted)		3,758,683	3,758,683
NNNAV per profit-sharing share (in €)		12.74	13.14

3.1.11 Explanation of adjustments calculation of Triple Net Asset Value

1. *Fair value of financial instruments*

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

2. *Fair value of debt*

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

3. Fair value of deferred tax

This adjustment includes the fair value of the deferred taxes concerning 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 13.29.3 in the Accounting Principles Consolidated Financial Statements 2019.

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

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

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

3.1.12 Specification deferred taxes on the Initial Recognition Exception of assets and liabilities

In the Statement of Financial Position deferred taxes are not recognised with regard to taxable and / or deductible 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”). Therefore these types of deferred taxes are also not included in the calculation of the Triple Net Asset Value. The specification is as follows:

	Unrecognised deferred tax assets In € 1,000	Unrecognised deferred tax liabilities In € 1,000	Total 30-06-2020 In € 1,000
Investment property	-	241	-/- 241
Investment property under development	20	-	20
Inventories	39	1	38
	59	242	-/- 183

	Unrecognised deferred tax assets In € 1,000	Unrecognised deferred tax liabilities In € 1,000	Total 31-12-2019 In € 1,000
Investment property	-	258	-/- 258
Investment property under development	22	-	22
Inventories	49	4	45
	71	262	-/- 191

3.1.13 Calculation of Triple Net Asset Value before distributions to shareholders

	Notes	30-06-2020 In € 1,000	31-12-2019 In € 1,000
Group equity in accordance with NNNAV	3.1.10	47,879	49,404
<i>Exclude:</i>			
1. Cumulative distributions to shareholders		3,120	3,120
Group equity in accordance with NNNAV before distributions to shareholders		50,999	52,524
Total number of shares in issue entitled to profit		3,758,683	3,758,683
2. Effect of exercise of options, convertibles and other equity interests (fully diluted basis)		-	-
Total number of outstanding profit-sharing shares (fully diluted)		3,758,683	3,758,683
NNNAV per profit-sharing share before distributions to shareholders (in €)		13.57	13.97

4 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30-06-2020 In € 1,000	31-12-2019 In € 1,000
Assets			
Investment property	11.1	77,338	78,016
Investment property under development	11.2	2,959	2,976
Deferred tax assets	11.4	190	367
Tax assets	11.9	23	23
Trade and other receivables	11.5	-	2
Prepayments and lease incentives	11.6	160	237
Cash and cash equivalents	11.7	258	300
Total non-current assets		80,928	81,921
Inventories	11.8	1,831	2,823
Other investments	11.3	-	4
Tax assets	11.9	106	121
Trade and other receivables	11.5	960	646
Prepayments and lease incentives	11.6	709	752
Cash and cash equivalents	11.7	1,668	2,446
Assets held for sale	11.10	17,620	18,785
Total current assets		22,894	25,577
Total assets		103,822	107,498
Group equity (attributable to Parent Company shareholders)	11.11	46,348	48,000
Liabilities			
Loans and borrowings	11.12	32,050	33,018
Trade and other payables	11.13	19	33
Deferred income and tenant deposits	11.14	408	397
Deferred tax liabilities	11.15	4,739	4,684
Total non-current liabilities		37,216	38,132
Tax liabilities	11.16	568	326
Loans and borrowings	11.12	16,686	17,609
Trade and other payables	11.13	2,884	3,084
Deferred income and tenant deposits	11.14	120	347
Total current liabilities		20,258	21,366
Total liabilities		57,474	59,498
Total group equity and liabilities		103,822	107,498

5 CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	01-01-2020 to 30-06-2020 In € 1,000	01-01-2019 to 30-06-2019 In € 1,000
Gross rental income	11.17	4,108	4,289
Service charge income		996	1,130
Service charge expenses		-/- 1,630	-/- 1,743
Property operating expenses	11.18	-/- 1,300	-/- 1,266
Net rental and related income		2,174	2,410
Valuation results of properties	11.19	1,008	-/- 281
Results on disposals of properties	11.20	-/- 1,246	
Net results on properties	11.21	-/- 238	-/- 281
Results on disposals of inventories	11.22	3	-
Financial income	11.23	10	52
Other operating income	11.24	13	267
Other income		23	319
Total income		1,962	2,448
Administrative expenses	11.25	341	335
Other operating expenses	11.26	940	626
Net operating result before financial expenses		681	1,487
Financial expenses	11.27	1,560	1,134
Profit before income tax		-/- 879	353
Income tax expense	11.28	341	158
Profit for the period		-/- 1,220	195
Attributable to:			
Parent Company shareholders		-/- 1,220	195
Profit for the period		-/- 1,220	195
Basic earnings per share (€)	11.29.1	-/- 0.32	0.06
Diluted earnings per share (€)	11.29.4	-/- 0.32	0.06

6 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	01-01-2020 to 30-06-2020 In € 1,000	01-01-2019 to 30-06-2019 In € 1,000
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences on net investment in group companies		-/- 457	37
Income tax on foreign currency translation differences on net investments in group companies		25	4
		-/- 432	41
Net gain / loss (-/-) recognised directly in group equity		-/- 432	41
Profit for the period	5	-/- 1,220	195
Total comprehensive income for the period		-/- 1,652	236
Attributable to:			
Parent Company shareholders		-/- 1,652	236
Total comprehensive income for the period		-/- 1,652	236

7 CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY

	Issued capital In € 1,000	Share premium In € 1,000	Revaluation reserve In € 1,000	Reserve currency translation differences In € 1,000	Equity component convertible bonds In € 1,000	Retained earnings In € 1,000	Total shareholders' equity In € 1,000
Balance as at January 1, 2020	18,794	19,310	7,059	2,204	144	489	48,000
Total comprehensive income	-	-	-	-/- 432	-	-/- 1,220	-/- 1,652
Balance as at June 30, 2020	18,794	19,310	7,059	1,772	144	-/- 731	46,348
Balance as at January 1, 2019	15,826	15,350	7,661	2,136	210	-/- 272	40,911
Total comprehensive income	-	-	-	41	-	195	236
Distributions to shareholders	-	-/- 791	-	-	-	-	-/- 791
Balance as at June 30, 2019	15,826	14,559	7,661	2,177	210	-/- 77	40,356

8 CONSOLIDATED STATEMENT OF CASH FLOW

	<i>Notes</i>	01-01-2020 to 30-06-2020 In € 1,000	01-01-2019 to 30-06-2019 In € 1,000
Cash flow from operating activities			
Profit for the period	5	-/- 1,220	195
<i>Adjustments for:</i>			
Valuation results of properties	11.19	-/- 1,008	281
Results on disposals of properties ¹	11.20.2	1,245	-
Results on disposals of inventories ¹	11.22	-/- 7	-
Financial income	11.23	-/- 10	-/- 52
Financial expenses	11.27	1,560	1,134
Income tax expense		341	158
<i>Changes in:</i>			
Tax assets		-/- 26	2
Trade and other receivables		-/- 510	-/- 198
Prepayments and lease incentives		114	-/- 220
Tax liabilities		225	101
Trade and other payables		-/- 291	-/- 336
Deferred income and tenant deposits		-/- 20	43
Cash generated from operating activities		393	1,108
Interest received		1	5
Interest paid		-/- 1,325	-/- 812
Income tax paid / income tax received		-/- 12	-/- 63
Net cash from / used in (-/-) operating activities		-/- 943	238
Cash flow from investing activities			
Proceeds from the sale of assets held for sale		983	-
Proceeds from the sale of inventories		799	-
Proceeds from the sale of other investments		3	-
Acquisition of / additions to properties		-/- 242	-/- 110
Acquisition of / additions to assets held for sale		-/- 10	-
Net cash from / used in (-/-) investing activities		1,533	-/- 110
Cash flow from financing activities			
Proceeds from secured bank loans		378	1,661
Repayment of secured bank loans		-/- 1,659	-/- 969
Payment of lease liabilities		-/- 79	-/- 93
Distributions to shareholders		-	-/- 791
Net cash from / used in (-/-) financing activities		-/- 1,360	-/- 192
Net increase / decrease (-/-) in cash and cash equivalents		-/- 770	-/- 64
Cash and cash equivalents as at 1 January	11.7	2,746	1,994
Effect of exchange and currency translation result on cash held		-/- 50	10
Cash and cash equivalents as at 30 June	11.7	1,926	1,940

¹ Transaction costs excluded.

9 ACCOUNTING PRINCIPLES CONSOLIDATED INTERIM FINANCIAL STATEMENTS

9.1 REPORTING ENTITY

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

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

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

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

9.2 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

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

9.3 STATEMENT OF COMPLIANCE AND FUTURE RELATED ASSUMPTIONS

The Fund has applied the significant accounting principles as set out in the Consolidated Financial Statements 2019 section 13.2 to 13.29. The Managing Board authorised the Consolidated Interim Financial Statements for issue on August 31, 2020.

As at June 30, 2020, group equity of the Fund is positive and available liquidity resources are sufficient to meet operating obligations. Therefore, these Consolidated Interim Financial Statements are based on assumptions of going concern.

9.4 SIGNIFICANT EVENTS AND TRANSACTIONS

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

1. COVID-19 pandemic
From mid-March 2020 the Fund's portfolio has been affected by the economic impact of the global COVID-19 pandemic and by the actions instituted by government authorities to limit the spread of the disease. In most of the countries in which the Fund operates these actions have included the closure of certain retail, hospitality, educational and sporting/fitness facilities. This has resulted in delayed and reduced rental payments across the Fund's portfolio during Q2.
2. Extension secured bank loan Alpha Bank
On February 25, 2020 the Fund announced it had reached an agreement with Alpha Bank for the extension of the secured bank loan for the acquired Boyana Residence Project in Bulgaria. This meets the requirements that the Fund had set for the definitive takeover of the project. The shares and warrants that the Fund had given to the Boyana Foundation ("Stichting Boyana") pending the granting of the secured bank loan have been transferred to Secure Property Development & Investment plc;
3. Sale of apartment block 2-A Boyana Project
On February 25, 2020 the Fund announced it had agreed the sale of apartment block 2-A (including 16 parking places) within the Boyana Project in Sofia, Bulgaria, for € 999,000. The entire proceeds were used for the partial repayment of the secured bank loan with Alpha Bank (including accrued interest);
4. Sale of Graniczna
On March 30, 2020 the Polish property Graniczna 80-82, Kalisz was sold for PLN 4,357,000 (€ 983,000);
5. Extension and expansion of lease agreement with AT&T
On April 20, 2020 the Fund agreed with its biggest tenant, AT&T, a 2-year extension of their lease in the Letna 45 property in Kosice, Slovakia to April 30, 2025 as well as an expansion of their leased area by 745 m², to 6,555 m². The agreement increases the annual rental income from the property by € 57,000;
6. Extension secured bank loan from DNB Bank Polska
On June 10, 2020 the Fund's secured bank loan from DNB Bank Polska S.A. of € 5,900,000 was extended until November 30, 2020. The interest rate remains at the current level of 3M-Euribor + 4.0%. The Managing Board is in discussion with another credit institution to refinance the loan. The negotiations were temporary interrupted by the COVID-19 pandemic, but are now being resumed;
7. Extension secured vendor loan from Real Estate Central Europe AS
On June 16, 2020, the Fund's secured vendor loan from Real Estate Central Europe AS was until December 2, 2020 at an annual interest rate of 12.0%. The Managing Board plans to repay the loan during Q4 2020 from sales of 5 assets in Slovakia (see also section 11.10 "Assets held for sale");

9.5 BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

9.5.1 General

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

- investment property;
- investment property under development; and
- assets held for sale, which are recognised at fair value, as well as:
- financial assets at fair value through profit or loss; and
- financial liabilities at fair value through profit or loss.

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

The accounting policies are equal to those applied in the Consolidated Financial Statements 2019 (section 13.2 to 13.29). The accounting principles have been consistently applied to the results, other gains and losses, assets, liabilities and cash flows of entities included in the Consolidated Interim Financial Statements and are consistent with those used in the prior period, with the exception of the application of new and amended IFRSs as mentioned in section 9.5.3.

Income tax expense is recognised at an amount determined by multiplying the profit (or loss) before tax for the interim reporting period by management's best estimate of the weighted-average annual income tax rate expected for the full financial year, adjusted for the tax effect of certain items recognised in full in the interim financial period. As such, the effective tax rate in the Interim Consolidated Financial Statements may differ from management's estimate of the effective tax rate for the Consolidated Financial Statements 2019.

9.5.2 Judgements, assumptions and estimation uncertainties

9.4.2.1 General

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

9.4.2.2 Judgements and estimates

The significant judgements made by the Managing Board in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the Consolidated Financial Statements 2019.

9.5.3 New and amended IFRS standards and interpretations that are effective for the current period

A number of new standards, changes to standards and interpretations are applied in these Consolidated Interim Financial Statements. New standards that might be relevant for the Fund are set out in the Consolidated Financial Statements 2019. The new standards have no material effect on the Fund's results and financial position.

9.5.4 New and revised IFRS standards and interpretations not yet applied

A number of new standards, changes to standards and interpretations have only taken effect after January 1, 2020 and therefore have not been applied to these Consolidated Interim Financial Statements. New standards that might be relevant for the Fund are set out in the Consolidated Financial Statements 2019. The Fund does not plan to apply early adoption of these standards.

9.6 EXCHANGE RATES

9.6.1 Exchange rates used for the Consolidated Statement of Financial Position

	30-06-2020	31-12-2019
Bulgarian Lev (EUR / BGN)	1.95580	1.95580
% change	0.0%	0.0%
Czech Koruna (EUR / CZK)	26.74000	25.40800
% change	-/ 5.2%	1.2%
Polish Zloty (EUR / PLN)	4.45600	4.25680
% change	-/ 4.7%	1.0%
Ukrainian Hryvnia (EUR / UAH)	29.95000	26.42200
% change	-/ 13.4%	16.7%
US Dollar (EUR / USD)	1.11980	1.12340
% change	0.3%	1.9%

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

9.6.2 Average exchange rates used for the Consolidated Income Statement

	01-01-2020 to 30-06-2020	01-01-2019 to 30-06-2019
Bulgarian Lev (EUR / BGN)	1.95580	n.a.
Czech Koruna (EUR / CZK)	26.44500	25.68083
Polish Zloty (EUR / PLN)	4.43608	4.28397
Ukrainian Hryvnia (EUR / UAH)	29.03042	n.a.
US Dollar (EUR / USD)	1.10325	n.a.

9.7 FINANCIAL INSTRUMENTS

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

All the Fund's financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. The carrying amount of the financial liabilities is a reasonable approximation of the fair value.

10 SEGMENT INFORMATION

For the segmentation criteria we refer to the Consolidated Financial Statements 2019 section 14.3.

10.1 SEGMENT RESULTS

10.1.1 Overview of segment result (overview A)

Segment	Gross rental income		Service charge income		Service charge expenses		Property operating expenses		Subtotal net rental & related income	
	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019
	in € 1,000		in € 1,000		in € 1,000		in € 1,000		in € 1,000	
Czech Republic:										
Palmovka	122	132	54	54	-/- 41	-/- 43	-/- 41	-/- 41	94	102
Karlin	219	203	87	90	-/- 72	-/- 73	-/- 64	-/- 83	170	137
VUP	105	106	89	81	-/- 75	-/- 83	-/- 37	-/- 36	82	68
PV 10	135	157	66	82	-/- 56	-/- 59	-/- 41	-/- 55	104	125
Total Czech Republic	581	598	296	307	-/- 244	-/- 258	-/- 183	-/- 215	450	432
Slovakia:										
Záhradnicka	184	187	5	5	-/- 42	-/- 51	-/- 55	-/- 45	92	96
Pražská 2	211	256	3	5	-/- 100	-/- 100	-/- 63	-/- 80	51	81
Pražská 4	195	183	2	2	-/- 64	-/- 64	-/- 59	-/- 71	74	50
Krivá 18	215	201	3	4	-/- 55	-/- 56	-/- 56	-/- 53	107	96
Krivá 23	221	216	3	4	-/- 59	-/- 63	-/- 56	-/- 59	109	98
Letná	586	606	7	10	-/- 89	-/- 92	-/- 161	-/- 121	343	403
Vural	232	236	33	43	-/- 123	-/- 127	-/- 77	-/- 76	65	76
Kosmalt	343	500	6	5	-/- 185	-/- 197	-/- 121	-/- 136	43	172
Total Slovakia	2,187	2,385	62	78	-/- 717	-/- 750	-/- 648	-/- 641	884	1,072
Poland:										
Laubitza	77	95	27	38	-/- 31	-/- 39	-/- 33	-/- 30	40	64
Lecia Inowroclawia	103	131	55	65	-/- 42	-/- 60	-/- 33	-/- 33	83	103
Krzemowa	110	119	55	69	-/- 55	-/- 67	-/- 36	-/- 41	74	80
Plutona	22	68	7	52	-/- 20	-/- 41	-/- 20	-/- 24	-/- 11	55
Kalinkowa	91	92	65	76	-/- 68	-/- 81	-/- 43	-/- 39	45	48
Wojska Polskiego	122	119	78	86	-/- 71	-/- 77	-/- 42	-/- 43	87	85
Wolnosci	79	79	41	32	-/- 41	-/- 43	-/- 32	-/- 31	47	37
Graniczna	-	-	-	-	-/- 21	-/- 23	-/- 12	-/- 20	-/- 33	-/- 43
Grzymaly Siedleckiego	113	21	40	45	-/- 51	-/- 40	-/- 12	-/- 14	90	12
Kardyn. Wyszynskiego	106	118	51	55	-/- 68	-/- 69	-/- 18	-/- 21	71	83
Legionow	148	92	60	71	-/- 76	-/- 76	-/- 22	-/- 22	110	65
Maris	368	372	159	156	-/- 125	-/- 119	-/- 76	-/- 92	326	317
Total Poland	1,339	1,306	638	745	-/- 669	-/- 735	-/- 379	-/- 410	929	906
Ukraine:										
Aisi Bela	-	n.a.	-	n.a.	-	n.a.	-/- 26	n.a.	-/- 26	n.a.
Bulgaria:										
Boyana	-	n.a.	-	n.a.	-	n.a.	-/- 48	n.a.	-/- 48	n.a.
Inventories	1	n.a.	-	n.a.	-	n.a.	-/- 16	n.a.	-/- 15	n.a.
Total Bulgaria	1	n.a.	-	n.a.	-	n.a.	-	n.a.	-/- 63	n.a.
Grand total	4,108	4,289	996	1,130	-/- 1,630	-/- 1,743	-/- 1,300	-/- 1,266	2,174	2,410

Segment	Subtotal net rental & related income		Net results on properties & inventories		Other operating income		Financial expenses		Total segment result	
	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019
	in € 1,000		in € 1,000		in € 1,000		in € 1,000		in € 1,000	
Czech Republic:										
Palmovka	94	102	-	-	-	-	-	-	94	102
Karlin	170	137	-	-	1	-	-	-	171	137
VUP	82	68	-	-	-	-	-	-	82	68
PV 10	104	125	-	-	12	-	-	-	116	125
Total Czech Republic	450	432	-	-	13	-	-	-	463	432
Slovakia:										
Záhradnicka	92	96	-	-	-	-	-	-	92	96
Pražská 2	51	81	-	-	-	-	-	-	51	81
Pražská 4	74	50	-	-	-	-	-	-	74	50
Krivá 18	107	96	-	-	-	-	-	-	107	96
Krivá 23	109	98	-	-	-	-	-	-	109	98
Letná	343	403	-	-	-	-	-	-	343	403
Vural	65	76	-	-	-	-	-	-	65	76
Kosmalt	43	172	-	-	-	-	-	-	43	172
Total Slovakia	884	1,072	-	-	-	-	-	-	884	1,072
Poland:										
Laubitz	40	64	-	-	-	-	-	-	40	64
Lecia Inowroclawia	83	103	-	-	-	-	-	-	83	103
Krzemowa	74	80	-	-	-	-	-	-	74	80
Plutona	-/- 11	55	-	-	-	39	-	-	-/- 11	94
Kalinkowa	45	48	-	-	-	-	-	-	45	48
Wojska Polskiego	87	85	-	-	-	-	-	-	87	85
Wolnosci	47	37	-	-	-	-	-	-	47	37
Graniczna	-/- 33	-/- 43	-/- 193	-/- 239	-	-	-	-	-/- 226	-/- 282
Grzymaly Siedleckiego	90	12	-/- 22	-/- 20	-	116	7	8	61	100
Kardyn. Wyszynskiego	71	83	-/- 17	-/- 16	-	-	13	15	41	52
Legionow	110	65	-/- 6	-/- 6	-	103	27	28	77	134
Maris	326	317	-	-	-	-	-	-	326	317
Total Poland	929	906	-/- 238	-/- 281	-	258	47	51	644	832
Ukraine:										
Aisi Bela	-/- 26	n.a.	-	n.a.	-	n.a.	-	n.a.	-/- 26	n.a.
Bulgaria:										
Boyana	-/- 48	n.a.	-	n.a.	-	n.a.	-	n.a.	-/- 48	n.a.
Inventories Boyana	-/- 15	n.a.	3	n.a.	-	n.a.	-	n.a.	-/- 12	n.a.
Total Bulgaria	-/- 63	n.a.	-	n.a.	-	n.a.	-	n.a.	-/- 60	n.a.
Grand total	2,174	2,410	-/- 235	-/- 281	13	258	47	51	1,905	2,336

10.1.2 Reconciliation segment result with profit for the period

The reconciliation between the total segment results as calculated in section 10.1.1 with the profit for the period, mentioned in the Consolidated Income Statement, is made below.

	01-01-2020 to 30-06-2020 in € 1,000	01-01-2019 to 30-06-2019 in € 1,000
Total segment result (overview A)	1,905	2,336
Unallocated income	10	61
Unallocated expenses	2,794	2,044
Profit before income tax	-/- 879	353
Income tax expense	341	158
Profit for the period	-/- 1,220	195

10.1.3 Overview carrying amount of type of property per segment² (overview B)

Segment	Carrying amount	Carrying amount
	30-06-2020	31-12-2019
Office:		
Palmovka	3,104	3,219
Karlin	5,667	5,910
VUP	2,486	2,598
PV 10	5,435	5,713
Záhradnicka	4,497	4,497
Pražská 2	2,799	2,799
Pražská 4	2,506	2,506
Krivá 18	2,914	2,914
Krivá 23	3,369	3,359
Letná	11,010	11,010
Vural	4,556	4,554
Maris	9,267	9,149
Total office	57,610	58,228
Retail:		
Laubitz 8	2,138	2,138
800-lecia Inowroclawia	2,820	2,820
Krzemowa	3,062	3,062
Plutona	1,658	1,658
Kalinkowa	2,630	2,630
Wojska Polskiego	3,553	3,553
Wolnosci	1,397	1,397
Graniczna	Sold	1,175
Grzymaly Siedleckiego	1,611	1,611
Kardyn. Wyszynskiego	1,868	1,868
Legionow	2,849	2,849
Total retail	23,586	24,761
Residential:		
Kosmalt	6,032	6,032
Inventories Boyana	1,831	2,823
Total residential	7,863	8,855
Land:		
Aisi Bela	3,815	3,837
Boyana	5,335	5,335
Total land	9,150	9,172
Grand total	98,209	101,016

² Based on main purpose of the property.

10.1.4 Overview of geographic assets (overview C)

	Czech Republic		Slovakia		Poland		Ukraine		Subtotal	
	30-06-2020	31-12-2019	30-06-2020	31-12-2019	30-06-2020	31-12-2019	30-06-2020	31-12-2019	30-06-2020	31-12-2019
	in € 1,000		in € 1,000		in € 1,000		in € 1,000		in € 1,000	
Investment property	16,692	17,440	20,063	20,061	34,392	34,319	856	861	72,003	72,681
Investment property under development	-	-	-	-	-	-	2,959	2,976	2,959	2,976
Other investments	-	4	-	-	-	-	-	-	-	4
Deferred tax assets	-	-	-	-	23	176	99	130	122	306
Inventories	-	-	-	-	-	-	-	-	-	-
Tax assets	-	-	-	-	129	143	-	-	129	143
Trade and other receivables	72	57	381	136	391	259	-	-	844	452
Prepayments and lease incentives	143	220	443	440	232	250	-	-	818	910
Cash and cash equivalents	753	460	261	610	783	1,067	39	-	1,836	2,137
Assets held for sale	-	-	17,620	17,610	-	1,175	-	-	17,620	18,785
	17,660	18,181	38,768	38,857	35,950	37,389	3,953	3,967	96,331	98,394

	Subtotal (transfer)		Bulgaria		Netherlands		Other countries		Grand total	
	30-06-2020	31-12-2019	30-06-2020	31-12-2019	30-06-2020	31-12-2019	30-06-2020	31-12-2019	30-06-2020	31-12-2019
	in € 1,000		in € 1,000		in € 1,000		in € 1,000		in € 1,000	
Investment property	72,003	72,681	5,335	5,335	-	-	-	-	77,338	78,016
Investment property under development	2,959	2,976	-	-	-	-	-	-	2,959	2,976
Other investments	-	4	-	-	-	-	-	-	-	4
Deferred tax assets	122	306	68	61	-	-	-	-	190	367
Inventories	-	-	1,831	2,823	-	-	-	-	1,831	2,823
Tax assets	129	143	-	1	-	-	-	-	129	144
Trade and other receivables	844	452	2	2	-	-	114	194	960	648
Prepayments and lease incentives	818	910	1	1	50	78	-	-	869	989
Cash and cash equivalents	1,836	2,137	6	199	84	410	-	-	1,926	2,746
Assets held for sale	17,620	18,785	-	-	-	-	-	-	17,620	18,785
	96,331	98,394	7,243	8,422	134	488	114	194	103,822	107,498

11 NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

11.1 INVESTMENT PROPERTY

11.1.1 Analysis of investment property

	30-06-2020	31-12-2019
	In € 1,000	In € 1,000
Owned investment property	75,799	76,432
Right-of-use assets	1,539	1,584
	77,338	78,016

11.1.2 Analysis of owned investment property

	30-06-2020	31-12-2019
	In € 1,000	In € 1,000
Buildings (including underground)	69,608	70,236
Land plots	6,191	6,196
	75,799	76,432

11.1.3 Specification of owned investment property

Name of property	Address	30-06-2020	31-12-2019
		In € 1,000	In € 1,000
In ownership of Arcona Capital RE Bohemia s.r.o. (Czech Republic)			
Palmovka	Na Žertvách 34, Prague	3,104	3,219
Karlin	Prvního Pluku 621/8a, Prague	5,667	5,910
VUP	Šujanovo náměstí 3, Brno	2,486	2,598
PV 10	Politických Vězňů 10, Prague	5,435	5,713
Subtotal		16,692	17,440
In ownership of Arcona Capital RE Slovakia s.r.o. (Slovakia)			
Záhradnícka	Záhradnícka 46, Bratislava	4,497	4,497
Letná	Letná 45, Košice	11,010	11,010
Vural	Alexandra Rudnaya 21, Žilina	4,556	4,554
Subtotal		20,063	20,061
In ownership of Arcona Capital Real Estate Poland Sp. z o.o. (Poland)			
Laubitz	Laubitz 8, Inowrocław	2,138	2,138
Lecia Inowrocławia	800-lecia Inowrocławia 27, Inowrocław	2,820	2,820
Krzemowa	Krzemowa 1, Gdansk	3,062	3,062
Plutona	Plutona 1, Glogow	1,658	1,658
Kalinkowa	Kalinkowa 82, Grudziadz	2,630	2,630
Wojska Polskiego	Wojska Polskiego 137, Piotrkow Trybunalski	3,553	3,553
Wolnosc	Wolnosc 6, Slupsk	1,397	1,397
Subtotal		17,258	17,258
In ownership of Arcona Capital Real Estate Trio Sp. z o.o. (Poland)			
Grzymaly Siedleckiego	Grzymaly Siedleckiego 20, Bydgoszcz	1,611	1,611
Kardynala Wyszyńskiego	Kardynala Wyszyńskiego 107, Lodz	1,868	1,868
Legionow	Legionow 216, Torun	2,849	2,849
Subtotal		6,328	6,328
In ownership of Arcona Capital Poland B.V. Project 5 Sp.k. (Poland)			
Maris	Holdu Pruskiego 9 & 12 Malopolska 12, Szczecin	9,267	9,149
In ownership of Aisi Bela LLC (Ukraine)			
Balabino Project	Territory of Balabynska Village Council, Zaporizkyi District, Zaporizhzhia Region	856	861
In ownership of Boyana Residence E.O.O.D. (Bulgaria)			
Boyana	Gardova Glava, Boyana	5,335	5,335
		75,799	76,432

11.1.4 Statement of changes in owned investment property

	01-01-2020 to 30-06-2020	01-01-2019 to 31-12-2019
	In € 1,000	In € 1,000
Balance as at 1 January	76,432	89,032
Acquisitions	-	6,165
Additions	242	512
Fair value adjustments	-	162
Exchange rate differences	-/- 875	213
Reclassification (to "Assets held for sale")	-	-/- 19,652
Balance as at 30 June / 31 December	75,799	76,432

11.1.5 Valuation of investment property owned by the Fund

The investment properties owned by the Fund, listed under section 11.1.3 "Specification of owned investment property", were not valued by an external, independent appraiser as at Statement of Financial Position's date.

The Managing Board reviewed the appraised values of investment property owned by the Fund. The applied valuation method was the same as used by the external, independent appraiser as described in the Consolidated Financial Statements 2019. The Managing Board would adjust the fair value of an investment property (in local currency) under the following conditions:

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

These conditions were not met. Therefore, the Managing Board used the most recent external valuation (as at December 31, 2019), adjusted to include the sum of capital expenditure made during the financial period. The measurement of the fair value is set out in the Consolidated Financial Statements 2019 section 13.9.

There were no transfers from Level 2 to Level 1 during the financial period and no transfers in either direction during the financial period.

11.1.6 Specification of right-of-use assets

Nature of right-of-use asset	Related to owned investment property	30-06-2020	31-12-2019
		In € 1,000	In € 1,000
Right-of-use by Arcona Capital Real Estate Trio Sp. z o.o. (Poland)			
Land lease	Grzymaly Siedleckiego	234	256
Land lease	Kardynala Wyszynskiego	435	452
Land lease	Legionow	870	876
		1,539	1,584

11.1.7 Statement of changes in right-of-use assets

	01-01-2020 to 30-06-2020 In € 1,000	01-01-2019 to 31-12-2019 In € 1,000
Balance as at 1 January	1,584	n.a.
Effect of change accounting principles	-	1,669
Fair value adjustments	-/- 45	-/- 85
Balance as at 31 December	1,539	1,584

11.1.8 Valuation of right-of-use assets

The right-of-use assets, stated under section 11.1.6 "Specification of right-of-use assets", were not valued by an external, independent appraiser as at Statement of Financial Position's date. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments, as well as foreign currency translation differences. The Managing Board is of the opinion the above method is the most appropriate approach to the valuation of right-of-use assets as required by IFRS 16.

11.2 INVESTMENT PROPERTY UNDER DEVELOPMENT

11.2.1 Specification of investment property under development

Name of property	Address	30-06-2020 In € 1,000	31-12-2019 In € 1,000
In ownership of Aisi Bela LLC (Ukraine)			
Bela Logistic Park	Territory of Nerubaiske Village Council, Biliayivskyi District, Odesa Region	2,959	2,976

11.2.2 Statement of changes in investment property under development

	01-01-2020 to 30-06-2020 In € 1,000	01-01-2019 to 31-12-2019 In € 1,000
Balance as at 1 January	2,976	n.a.
Acquisitions	-	3,016
Fair value adjustments	-	-/- 42
Exchange rate differences	-/- 17	2
Balance as at 30 June / 31 December	2,959	2,976

11.3 OTHER INVESTMENTS

11.3.1 Specification of other investments

Name of other investment	Proportion of shares held by the group 30-06-2020 In %	Proportion of shares held by the group 31-12-2019 In %
Yellow Properties, s.r.o., v likvidaci ³	Liquidated	5.0

³ V likvidaci: in liquidation.

11.3.2 Analysis of other investments

	30-06-2020 In € 1,000	31-12-2019 In € 1,000
Non-current part of other investments	-	-
Current part of other investments	-	4
	-	4

11.3.3 Statement of changes in other investments

	01-01-2020 to 30-06-2020 In € 1,000	01-01-2019 to 31-12-2019 In € 1,000
Balance as at 1 January	4	5
Disposals	-/- 3	-
Fair value adjustments	-/- 1	-/- 1
Balance as at 31 December	-	4

On March 30, 2020 Yellow Properties, s.r.o. v likvidaci was deleted from the local commercial register, thus concluding the liquidation process.

11.4 RECOGNISED DEFERRED TAXES

11.4.1 Specification of recognised deferred taxes

	Recognised deferred tax assets In € 1,000	Recognised deferred tax liabilities In € 1,000	Total 30-06-2020 In € 1,000
Investment property	161	3,168	-/- 3,007
Investment property under development	-	20	-/- 20
Receivables from shareholders and other group companies	-	22	-/- 22
Subtotal non-current investments	161	3,210	-/- 3,049
Tax losses (carried forward)	326	-	326
Trade and other receivables	40	12	28
Prepayments and lease incentives	40	16	24
Cash and cash equivalents	-	2	-/- 2
Assets held for sale	-	2,029	-/- 2,029
Loans due to shareholders and other group companies	2	-	2
Trade and other payables	125	-	125
Current liabilities due to shareholders and other group companies	26	-	26
Deferred taxes before set-off	720	5,269	-/- 4,549
Set-off deferred taxes	-/- 530	-/- 530	-
	190	4,739	-/- 4,549

	Recognised deferred tax assets In € 1,000	Recognised deferred tax liabilities In € 1,000	Total 31-12-2019 In € 1,000
Investment property	295	2,970	-/- 2,675
Investment property under development	-	22	-/- 22
Receivables from shareholders and other group companies	-	47	-/- 47
Subtotal non-current investments	295	3,039	-/- 2,744
Tax losses (carried forward)	283	-	283
Trade and other receivables	20	15	5
Prepayments and lease incentives	25	31	-/- 6
Cash and cash equivalents	1	-	1
Assets held for sale	197	1,996	-/- 1,799
Tax liabilities	3	-	3
Secured bank loans	-	67	-/- 67
Loans due to shareholders and other group companies	-	84	-/- 84
Trade and other payables	79	-	79
Current liabilities due to shareholders and other group companies	12	-	12
Deferred taxes before set-off	915	5,232	-/- 4,317
Set-off deferred taxes	-/- 548	-/- 548	-
	367	4,684	-/- 4,317

11.4.2 Statement of changes in recognised deferred taxes

	01-01-2020 to 30-06-2020	01-01-2019 to 31-12-2019
	In € 1,000	In € 1,000
Balance as at 1 January	-/- 4,317	-/- 4,370
Adjustments related to prior years	-/- 5	221
Additions as a result of acquisitions	-	224
Additions / withdrawals	-/- 244	-/- 386
Exchange rate differences	17	-/- 6
Balance as at 30 June / 31 December	-/- 4,549	-/- 4,317

11.5 TRADE AND OTHER RECEIVABLES

11.5.1 Analysis of trade and other receivables

	30-06-2020	31-12-2019
	In € 1,000	In € 1,000
Non-current part of trade and other receivables	-	2
Current part of trade and other receivables	960	646
	960	648

11.5.2 Specification of trade and other receivables

	30-06-2020	31-12-2019
	In € 1,000	In € 1,000
Trade receivables	811	360
Receivables SPDI	-	194
Receivables Secure Management	114	-
Invoiceable amounts	3	31
Interest rate swaps used for hedging	-	13
Other receivables	32	50
	960	648

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

11.5.3 Analysis of trade receivables

	30-06-2020	31-12-2019
	In € 1,000	In € 1,000
Trade receivables (gross)	1,718	1,201
Total expected credit losses for trade receivables	-/- 907	-/- 841
	811	360

11.5.4 Expected credit losses for trade receivables

The methodology for the calculation of the collective and individually assessed credit losses of trade receivables is the same as described in the Consolidated Financial Statements 2019, with the exception of outstanding trade receivables with regards to some Slovak tenants.

During June 2020, the Slovak Parliament granted approval to proposals by the Economy Ministry to mitigate the negative effects of restrictive measures against the COVID-19 pandemic on business entities in the Slovak

Republic. These proposals include limited rent subsidies to affected businesses. The amount of Government rent subsidy will be linked to the rental discount percentage agreed between landlords and tenants in affected properties, but will not exceed 50% of rent for the period of restricted use.

The Fund intends to provide a rental discount of 30% to Slovak lessees who have asked to make use of this support measure. Accordingly the Managing Board has decided to increase the expected credit losses for trade receivables by an amount of € 50,000.

11.6 PREPAYMENTS AND LEASE INCENTIVES

11.6.1 Analysis of prepayments and lease incentives

	30-06-2020	31-12-2019
	In € 1,000	In € 1,000
Non-current part of prepayments and lease incentives	160	237
Current part of prepayments and lease incentives	709	752
	869	989

11.6.2 Specification of prepayments and lease incentives

	30-06-2020	31-12-2019
	In € 1,000	In € 1,000
Deferred expenses	284	297
Prepayments	336	418
Lease incentives	249	274
	869	989

An amount of € 110,000 (31 December 2019: € 219,000) of the "Prepayments" are acquisition-related costs (e.g. advisory costs, legal fees and costs of due diligence) for assets of Secure Property Development & Investment plc (SPDI), which are expected to be acquired during H2 2020.

11.7 CASH AND CASH EQUIVALENTS

11.7.1 Analysis of cash and cash equivalents

	30-06-2020	31-12-2019
	In € 1,000	In € 1,000
Non-current part of cash and cash equivalents	258	300
Current part of cash and cash equivalents	1,668	2,446
	1,926	2,746

11.7.2 Specification of cash and cash equivalents

	30-06-2020	31-12-2019
	In € 1,000	In € 1,000
Bank balances	1,621	2,442
Deposits	301	301
Cash	4	3
	1,926	2,746

11.8 INVENTORIES

11.8.1 Analysis of inventories

Name of inventory	Address	Quantity	Carrying amount	Quantity	Carrying amount
		30-06-2020	30-06-2020 In € 1,000	31-12-2019	31-12-2019 In € 1,000
In ownership of Boyana Residence E.O.O.D. (Bulgaria)					
Apartment 1-D	Residential Complex Gardova Glava, Boyana	13	367	13	367
Apartment 2-A	Residential Complex Gardova Glava, Boyana	Sold	Sold	28	927
Apartment 3-C	Residential Complex Gardova Glava, Boyana	16	426	16	426
Apartment 7-D	Residential Complex Gardova Glava, Boyana	11	305	11	305
Apartment 8-E	Residential Complex Gardova Glava, Boyana	11	482	11	482
Parking places	Residential Complex Gardova Glava, Boyana	61	251	77	316
			1,831		2,823

11.8.2 Statement of changes in inventories

	2020 In € 1,000	2019 In € 1,000
Balance as at 1 January	2,823	n.a.
Acquisitions	-	2,823
Disposals	-/- 992	-
Balance as at 30 June / 31 December	1,831	2,823

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

11.9 TAX ASSETS

11.9.1 Specification of tax assets

	30-06-2020 In € 1,000	31-12-2019 In € 1,000
Non-current part of tax assets	23	23
Current part of tax assets	106	121
	129	144

11.9.2 Specification of tax assets

	30-06-2020	31-12-2019
	In € 1,000	In € 1,000
Corporate Income Tax (CIT)	92	132
Value Added Tax (VAT)	37	12
	129	144

11.10 ASSETS HELD FOR SALE

11.10.1 Analysis of assets held for sale

Name of property	Address	30-06-2020	31-12-2019
		In € 1,000	In € 1,000
In ownership of Arcona Capital RE Slovakia s.r.o. (Slovakia)			
Pražská 2	Pražská 2, Košice	2,799	2,799
Pražská 4	Pražská 4, Košice	2,506	2,506
Krivá 18	Krivá 18, Košice	2,914	2,914
Krivá 23	Krivá 23, Košice	3,369	3,359
Kosmalt	Kysucká 16, Košice	6,032	6,032
Subtotal		17,620	17,610
In ownership of Arcona Capital Real Estate Poland Sp. z o.o. (Poland)			
Graniczna	Graniczna 80-82, Kalisz	Sold	1,175
		17,620	18,785

The Fund has recognised the 5 properties shown above in ownership of Arcona Capital RE Slovakia s.r.o. as “Properties held for sale”. The Managing Board expects to complete the sale of Krivá 18 and Krivá 23 within 6 months from statement of financial position’s date. The Fund is currently negotiating with a number of parties who are interested in the Pražská 2, Pražská 4 and Kosmalt buildings.

Graniczna was sold on March 30, 2020 for PLN 4,357,000 (€ 983,000).

11.10.2 Statement of changes in assets held for sale

	01-01-2020	01-01-2019
	to	to
	30-06-2020	31-12-2019
	In € 1,000	In € 1,000
Balance as at 1 January	18,785	n.a.
Reclassification (from “Owned investment property”)	-	19,652
Additions	10	73
Disposals	-/- 983	-
Fair value adjustments	-/- 192	-/- 940
Balance as at 30 June / 31 December	17,620	18,785

11.10.3 Valuation of assets held for sale

The assets held for sale, stated under section 11.10.1 "Analysis of assets held for sale", were not valued by an external, independent appraiser as at Statement of Financial Position's date. The assets held for sale are valued at fair value, without deduction of costs of sale.

The Managing Board has reviewed the appraised values of assets held for sale. The applied valuation method was the same as used by the external, independent appraiser, as described in the Consolidated Financial Statements 2019. The Managing Board would adjust the fair value of an asset held for sale (in local currency) under the following conditions:

- if the estimated rental value (ERV) determined by the external, independent valuer changes by more than 10%;
- unforeseen circumstances occurred the financial period, such as fire or water damage to an asset held for sale.

These conditions were not met. Therefore, the Managing Board has used the most recent external valuation (as at December 31, 2019), adjusted where applicable for capital expenditure made during the financial period.

There were no transfers from Level 2 to Level 1 during the financial period and no transfers in either direction during the financial period.

11.11 GROUP EQUITY

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

11.12 LOANS AND BORROWINGS

11.12.1 Analysis of loans and borrowings

	Non-current liabilities 30-06-2020 In € 1,000	Current liabilities 30-06-2020 In € 1,000	Total 30-06-2020 In € 1,000
Secured bank loans	27,261	9,104	36,365
Convertible bonds	3,456	-	3,456
Lease liabilities	1,333	164	1,497
Other loans and borrowings	-	7,418	7,418
	32,050	16,686	48,736

	Non-current liabilities 31-12-2019 In € 1,000	Current liabilities 31-12-2019 In € 1,000	Total 31-12-2019 In € 1,000
Secured bank loans	28,148	9,900	38,048
Convertible bonds	3,441	-	3,441
Lease liabilities	1,429	171	1,600
Other loans and borrowings	-	7,538	7,538
	33,018	17,609	50,627

11.12.2 Statement of changes in secured bank loans

	01-01-2020 to 30-06-2020 In € 1,000	01-01-2019 to 31-12-2019 In € 1,000
Balance as at 1 January	38,048	33,671
Additions as a result of acquisitions	-	2,258
Loans advanced	378	22,019
Redemptions	-/- 1,659	-/- 20,037
(Amortisation) flat fee	29	35
Exchange rate differences	-/- 431	102
Balance as at 30 June / 31 December	36,365	38,048

11.12.3 Analysis of convertible bonds

Date of issue	Convertible as of	Date of maturity	Nominal interest rate In %	Interest rate used⁴ In %	Conversion price In €	Face value In € 1,000	Carrying amount 30-06-2020 In € 1,000	Carrying amount 31-12-2019 In € 1,000
17-10-2016	01-11-2016	31-10-2021	6.50	7.50	8.76	3,500	3,456	3,441

⁴ The interest rate used is based on the estimated interest rate to be paid on comparable non-convertible bonds.

11.12.4 Statement of changes in convertible bonds

	01-01-2020 to 30-06-2020 In € 1,000	01-01-2019 to 31-12-2019 In € 1,000
Balance as at 1 January	3,441	4,468
Redemptions	-	-/- 1,070
Accrued interest	15	43
Balance as at 30 June / 31 December	3,456	3,441

11.12.5 Statement of changes in lease liabilities

	01-01-2020 to 30-06-2020 In € 1,000	01-01-2019 to 31-12-2019 In € 1,000
Balance as at 1 January	1,600	n.a.
Effect of change in accounting principles	-	1,669
Redemptions	-/- 79	-/- 185
Accrued interest	47	100
Exchange rate differences	-/- 71	16
Balance as at 30 June / 31 December	1,497	1,600

11.12.6 Analysis of lease liabilities

Nature of lease liability	Related to property	30-06-2020 In € 1,000	31-12-2019 In € 1,000
Lease liability by Arcona Capital Real Estate Trio Sp. z o.o. (Poland)			
Land lease	Grzymaly Siedleckiego	237	259
Land lease	Kardynala Wyszynskiego	420	456
Land lease	Legionow	840	885
		1,497	1,600

11.12.7 Analysis of other loans and borrowings

	30-06-2020 In € 1,000	31-12-2019 In € 1,000
Secured vendor loan Real Estate Central Europe AS	4,210	4,210
Unsecured loan 1	2,000	2,000
Unsecured vendor loan Secure Property Development & Investment plc	639	750
Unsecured loan 2	500	500
Unsecured loan Almaz-Press-Ukraine LLC	69	78
	7,418	7,538

11.12.8 Statement of changes in other loans and borrowings

	01-01-2020 to 30-06-2020 In € 1,000	01-01-2019 to 31-12-2019 In € 1,000
Balance as at 1 January	7,538	6,710
Additions as a result of acquisitions	-	78
Loans advanced	-	3,250
Redemptions	-/- 111	-/- 2,500
Exchange rate differences	-/- 9	-
Balance as at 30 June / 31 December	7,418	7,538

11.13 TRADE AND OTHER PAYABLES

11.13.1 Analysis of trade and other payables

	30-06-2020 In € 1,000	31-12-2019 In € 1,000
Non-current part of trade and other payables	19	33
Current part of trade and other payables	2,884	3,084
	2,903	3,117

11.13.2 Specification of trade and other payables

	30-06-2020 In € 1,000	31-12-2019 In € 1,000
Trade payables	340	522
Accruals	630	636
Administrative expenses	737	595
Interest rate swaps used for hedging	403	73
Interest payables	89	140
Interest payables Alpha Bank	141	376
Secured bank loan Alpha Bank to be taken over	550	666
Interest payables secured bank loan Alpha Bank to be taken over	13	109
	2,903	3,117

The “Interest payables Alpha Bank” relates to the subsidiary Boyana Residence E.O.O.D. acquired during December 2019.

The “Secured bank loan Alpha Bank to be taken over” and “Interest payables secured bank loan Alpha Bank to be taken over” relates to the subsidiary Boyana Residence E.O.O.D. acquired during December 2019.

11.13.3 Specification of administrative expenses

	30-06-2020 In € 1,000	31-12-2019 In € 1,000
Fund Management fee	737	595
Performance-related remuneration	-	-
	737	595

11.14 DEFERRED INCOME AND TENANT DEPOSITS

11.14.1 Analysis of deferred income and tenant deposits

	30-06-2020 In € 1,000	31-12-2019 In € 1,000
Non-current part of deferred income and tenant deposits	408	397
Current part of deferred income and tenant deposits	120	347
	528	744

11.14.2 Specification of deferred income and tenant deposits

	30-06-2020 In € 1,000	31-12-2019 In € 1,000
Deposits received from tenants	527	544
Advance payments received from tenants	1	-
Advance payments sale of inventories	-	200
	528	744

11.15 DEFERRED TAX LIABILITIES

For the specification of the recognised deferred tax liabilities see section 11.4.1.

11.16 TAX LIABILITIES

11.16.1 Specification of tax liabilities

	30-06-2020 In € 1,000	31-12-2019 In € 1,000
Non-current part of tax liabilities	-	-
Current part of tax liabilities	568	326
	568	326

11.16.2 Analysis of tax liabilities

	30-06-2020 In € 1,000	31-12-2019 In € 1,000
Property tax	182	136
Value Added Tax (VAT)	274	85
Corporate Income Tax (CIT)	98	83
Withholding Tax (WHT)	14	22
	568	326

11.17 GROSS RENTAL INCOME

	01-01-2020 to 30-06-2020 In € 1,000	01-01-2019 to 30-06-2019 In € 1,000
Gross rental income collected / accrued	4,136	4,329
Amortisation lease incentives	-/- 28	-/- 40
	4,108	4,289

11.18 PROPERTY OPERATING EXPENSES

	01-01-2020 to 30-06-2020 In € 1,000	01-01-2019 to 30-06-2019 In € 1,000
Property management	274	268
Asset management	374	326
Maintenance expenses in respect of investment properties	316	412
Taxes on investment properties and inventories	258	180
Commission fees	50	52
Insurance premiums	26	26
Other property operating expenses	2	2
	1,300	1,266

11.19 VALUATION RESULTS OF PROPERTIES

11.19.1 Analysis of valuation results of properties

	01-01-2020 to 30-06-2020 In € 1,000	01-01-2019 to 30-06-2019 In € 1,000
Right-of-use assets	-/- 45	-/- 42
Owned investment properties held for sale	1,053	-/- 239
	1,008	-/- 281

11.19.2 Specification of valuation results of properties

	01-01-2020 to 30-06-2020 In € 1,000	01-01-2019 to 30-06-2019 In € 1,000
Unrealised value adjustments booked in current year	-/- 45	-/- 281
Unrealised value adjustments booked in prior years	1,053	-
	1,008	-/- 281

11.20 RESULTS ON DISPOSALS OF PROPERTIES

11.20.1 Analysis of results on disposals of properties

	01-01-2020 to 30-06-2020 In € 1,000	01-01-2019 to 30-06-2019 In € 1,000
Owned investment properties held for sale	-/- 1,246	-

11.20.2 Specification of results on disposals of properties

	01-01-2020 to 30-06-2020 In € 1,000	01-01-2019 to 30-06-2019 In € 1,000
Realised value adjustments booked in current year	-/- 192	-
(Un)realised value adjustments booked in prior years	-/- 1,053	-
	-/- 1,245	-
Consultancy fees and legal fees	-/- 1	-
	-/- 1,246	-

11.21 NET RESULTS ON PROPERTIES

	01-01-2020 to 30-06-2020 In € 1,000	01-01-2019 to 30-06-2019 In € 1,000
Valuation gains	-	-
Valuation losses	-/- 237	-/- 281
	-/- 237	-/- 281
Costs on sale of properties	-/- 1	-
	-/- 238	-/- 281

11.22 RESULTS ON DISPOSALS OF INVENTORIES

	01-01-2020 to 30-06-2020 In € 1,000	01-01-2019 to 30-06-2019 In € 1,000
Realised value adjustments booked in current year	7	-
Impairments booked in prior years	-	-
	7	-
Adjustment refund of Value Added Tax	-/- 114	-
Consultancy fees and legal fees	-/- 4	-
	-/- 118	-
Charged costs of adjustment refund of Value Added Tax	114	-
	-/- 4	-
	3	-

The “Adjustment refund of Value Added Tax” amounting to € 114,000 negative 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 2A at Boyana, Bulgaria. These costs will be recovered from the asset manager Secure Management.

11.23 FINANCIAL INCOME

	01-01-2020 to 30-06-2020 In € 1,000	01-01-2019 to 30-06-2019 In € 1,000
Realised currency results on net investments in group companies	-	47
Interest on trade receivables	-	4
Interest income on held bank balances and deposits	1	1
Other exchange and currency translation results	9	-
	10	52

11.24 OTHER OPERATING INCOME

	01-01-2020 to 30-06-2020 In € 1,000	01-01-2019 to 30-06-2019 In € 1,000
Early termination of rent contracts	13	258
Other operating income	-	9
	13	267

11.25 ADMINISTRATIVE EXPENSES

11.25.1 Management fee

This is the total fee received by the Managing Board (Arcona Capital Fund Management B.V.) for the Management it performs. The total Management fee consists of the Fund Management fee as well as the Asset Management fee. The calculation of the Management fee is equal to those described in the Consolidated Financial Statements 2019 section 15.30.2 "Management fee".

11.25.2 Specification Fund Management fee

	01-01-2020 to 30-06-2020 In € 1,000	01-01-2019 to 30-06-2019 In € 1,000
Management fee	715	661
<i>Less: Asset Management fee:</i>		
Arcona Capital Czech Republic s.r.o.	237	237
Arcona Capital Poland Sp. z o.o.	90	89
CEG South East Continent Unique Real Estate Management Limited	47	n.a.
	374⁵	326
Fund Management fee (Arcona Capital Fund Management B.V.)	341	335

11.26 OTHER OPERATING EXPENSES

11.26.1 Specification of other operating expenses

	01-01-2020 to 30-06-2020 In € 1,000	01-01-2019 to 30-06-2019 In € 1,000
Costs of service providers	527	405
Other operating expenses	182	28
	709	433
Costs of funding and acquisition	231	193
	940	626

⁵ See also section 11.18 "Property operating expenses".

11.26.2 Analysis of costs of service providers

	01-01-2020 to 30-06-2020 In € 1,000	01-01-2019 to 30-06-2019 In € 1,000
Accounting expenses	154	126
Audit fees	42	33
Consultancy fees	155	77
Marketing expenses	32	37
Custody fees	35	30
Appraisal expenses	1	1
Listing, Paying and Fund Agent fees	19	19
Supervisory Board fees	22	15
Insurance AIFMD	18	18
Supervisors' expenses	12	12
Court fees	-	1
Other costs of service providers	37	36
	527	405

11.26.3 Analysis of other operating expenses

	01-01-2020 to 30-06-2020 In € 1,000	01-01-2019 to 30-06-2019 In € 1,000
Change in provision for doubtful trade receivables	73	-/- 116
Non-refundable Value Added Tax	46	52
Irrecoverable trade receivables	56	89
Wages and salaries statutory Directors	7	3
	182	28

11.26.4 Analysis of costs of funding and acquisition

	01-01-2020 to 30-06-2020 In € 1,000	01-01-2019 to 30-06-2019 In € 1,000
Consultancy fees / legal fees	231	147
Due Diligence	-	46
	231	193

The "Costs of funding and acquisition" include costs of technical, legal and tax Due Diligence for potential acquisitions.

11.27 FINANCIAL EXPENSES

	01-01-2020 to 30-06-2020 In € 1,000	01-01-2019 to 30-06-2019 In € 1,000
Interest expense on secured bank loans	634	564
Interest expense on convertible bonds	129	168
Interest expense on lease liabilities	47	51
Interest expense on other loans and borrowings	359	163
Interest expense on derivatives	34	19
Change in fair value of derivatives	346	129
Withholding tax on loans due to shareholders and other group companies	10	9
Other exchange and currency translation results	-	28
Valuation losses on "Other investments"	1	-
Other financial expenses	-	3
	1,560	1,134

11.28 INCOME TAX EXPENSE

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

11.29 EARNINGS PER SHARE⁶

11.29.1 Calculation of "Basic earnings per share"

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

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

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

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

	01-01-2020 to 30-06-2020 In € 1,000	01-01-2019 to 30-06-2019 In € 1,000
Profit for the financial period	-/- 1,220	195

⁶ The calculation of the "Earnings per share" includes all types of profit-sharing shares (e.g. ordinary and registered shares).

11.29.3 Weighted average number of outstanding shares (basic)

	01-01-2020 to 30-06-2020 In pieces	01-01-2019 to 30-06-2019 In pieces
Issued shares as at 1 January	3,758,683	3,165,149
Effect on issued shares during the financial period	-	-
	3,758,683	3,165,149

11.29.4 Calculation of "Diluted earnings per share"

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

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

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

	01-01-2020 to 30-06-2020 In € 1,000	01-01-2019 to 30-06-2019 In € 1,000
Profit for the period	-/- 1,220	195
Interest expense on convertible bonds (net of tax)	129	168
	-/- 1,091	363

11.29.6 Weighted average number of shares outstanding (diluted)

	01-01-2020 to 30-06-2020 In pieces	01-01-2019 to 30-06-2019 In pieces
Weighted average number of shares outstanding during the financial period (basic)	3,758,683	3,165,149
Effect on conversion of warrants	-	-
Effect on conversion of convertible bonds	-	-
	3,758,683	3,165,149

11.30 RISK MANAGEMENT

11.30.1 General

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

The Fund's investment activities result in exposure to various risks, as also defined in the prospectus, as well as in the Consolidated Financial Statements 2019 section 15.37 "Risk Management". As at Statement of Financial Position's date the exposure to the risks, as described in the Consolidated Financial Statements 2019, deviates not materially from the exposure as at December 31, 2019.

11.31 RELATED PARTIES

11.31.1 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).

11.31.2 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 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 € 237,000 (June 30, 2019: € 237,000);
- 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 Poland Sp. z o.o. for the amount of € 90,000 (June 30, 2019: € 89,000).

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

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

The remuneration for the Managing Board is described in section 11.25 "Administrative expenses".

The remuneration for the Supervisory Board and the remuneration for the statutory directors are described in section 11.26.2 "Analysis of costs of service providers" and 11.26.3 "Analysis of other operating expenses".

11.31.3 Specification major investors⁷

	Type of share	Directly real voting rights In %	Indirectly real voting rights In %	Directly potential voting rights In %	Total In %
H.M. van Heijst	Ordinary shares	3.95	14.52 ⁸	n.a.	18.47
	Convertible bonds	n.a.	n.a.	6.07	6.07
Stichting Prioriteit MERE	Priority shares	100.00	n.a.	n.a.	100.00

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

⁷ Major investors: more than 20% voting rights.

⁸ Through "Stichting Value Partners".

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

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

Name of major investor	Kind of transaction	H1 2020	30-06-2020
		Amount of transaction during financial period In € 1,000	Outstanding amount (face value) In € 1,000
H.M. van Heijst	Providing convertible bonds	-	2,000
H.M. van Heijst	Payable interest convertible bonds	65	22

Name of major investor	Kind of transaction	H1 2019	31-12-2019
		Amount of transaction during financial period In € 1,000	Outstanding amount (face value) In € 1,000
H.M. van Heijst	Payable interest private unsecured loan	61	-
H.M. van Heijst	Providing convertible bonds	-	2,000
H.M. van Heijst	Payable interest convertible bonds	95	22

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

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

Name of other related party	Kind of transaction	Other information	H1 2020	30-06-2020
			Amount of transaction during financial period In € 1,000	Outstanding amount In € 1,000
Arcona Capital Czech Republic s.r.o.	Asset Management	-	237	-
Arcona Capital Poland Sp. z o.o.	Asset Management	-	90	-
			327	-
Arcona Capital Czech Republic s.r.o.	Advisory services	-	12	-
Several	Rental income	268 m ²	26	-
Statutory directors	Wages and salaries	-	7	3

Name of other related party	Kind of transaction	Other information	H1 2019	31-12-2019
			Amount of transaction during financial period In € 1,000	Outstanding amount In € 1,000
Arcona Capital Czech Republic s.r.o.	Asset Management	-	237	-
Arcona Capital Poland Sp. z o.o.	Asset Management	-	89	-
			326	-
Arcona Capital Czech Republic s.r.o.	Advisory services	-	11	-
Several	Rental income	268 m ²	27	-
Statutory directors	Wages and salaries	-	3	-

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

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

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

11.31.7 Agreements with related parties

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

11.32 EVENTS AFTER STATEMENT OF FINANCIAL POSITION'S DATE

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

Amsterdam, August 31, 2020

The Managing Board:

Arcona Capital Fund Management B.V.

On behalf of,

G.St.J. Barker LLB FRICS
Managing Director

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

H.H. Visscher
Managing Director

The Supervisory Board:

H.H. Kloos RBA
Chairman

B. Vos M.Sc.

12 OTHER INFORMATION

12.1 PERSONAL INTERESTS

During the financial period neither the Managing Board nor the Supervisory Board held interests in investments by the Parent Company, except for B. Vos M.Sc. who had 4,400 ordinary shares (December 31, 2019: 4,400) in private possession and 4,562 ordinary shares (December 31, 2019: 4,562) in possession through Bas Vos B.V.

12.2 INDEPENDENT AUDITOR'S REPORT

The information in these Consolidated Interim Financial Statements 2020 has not been audited by an expert pursuant to article 393, Part 9 of Book 2 of the Dutch Civil Code (auditor's report).