ARCONA PROPERTY FUND N.V.

(an investment company with variable capital incorporated under the laws of the Netherlands, with its corporate seat in Amsterdam)

This registration document (the "**Registration Document**") relates to Arcona Property Fund N.V. (formerly named Palmer Capital Emerging Europe Property Fund N.V.) (the "**Fund**").

The Fund is a closed-end investment vehicle, regulated by the AFM (as defined hereafter) and listed on the regulated market operated by Euronext Amsterdam N.V. ("**Euronext Amsterdam**"), which invests in commercial real estate in Central and Eastern Europe in accordance with predetermined investment criteria. The aim of the Fund is to deliver a high income return to its shareholders (the "**Shareholders**") whilst preserving capital value. The Fund has a volume of €56.2 million and has invested in 14 commercial properties in the Czech Republic and Slovakia. The Fund has entered into an agreement to purchase a portfolio (the "**Target Portfolio**") of eleven neighbourhood retail centres located in Polish regional cities (the "**Acquisition**"), consisting of eight freehold assets (the "**Freehold Assets**") and three leasehold assets (the "**Leasehold Assets**"). The purchase price for the Target Portfolio of €25.9 million is to be funded by a combination of a new equity issuance, a convertible bond issuance, a vendor loan of €4.7 million (the "**Vendor Loan**") and a senior bank loan of €10.5 million (the "**Bank Loan**").

This Registration Document is published in connection with an anticipated offering and/or admission to listing and trading of securities by the Fund (the "**Offer Securities**" and the offering and/or admission to listing and trading of Offer Securities, the "**Offering**") to fund part of the purchase price of the Target Portfolio.

This Registration Document, supplemented by a securities note (the "**Securities Note**") for the purpose of Article 6 of EC Regulation 809/2004, as amended, and a summary (the "**Summary**") constitutes a prospectus (the "**Prospectus**") for the purpose of Article 3 of Directive 2003/71/EC of the European Parliament and the Council of the European Union ("**EU**") (as amended, the "**Prospectus Directive**") and has been prepared in accordance with chapter 5.1 of the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*; the "**Financial Supervision Act**") and the rules promulgated thereunder.

The Registration Document has been approved by the Dutch Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*) (the **AFM**). The Registration Document will be made available to the public in accordance with Section 5:21 of the Financial Supervision Act at www.arconacapital.nl

Any reference to "**Shares**" in this Registration Document comprises ordinary shares in the capital of the Fund issued from time to time.

Investing and trading in the Offer Securities involves certain risks. These risks are described in Chapter 1 "Risk Factors" of this Registration Document and the Securities Note and should be carefully considered by potential investors before investing or trading in the Offer Securities.

This Registration Document does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to acquire Offer Securities in any jurisdiction in which such an offer or solicitation is unlawful. The distribution of this Registration Document and the offer or sale of Offer Securities is restricted by law in certain jurisdictions. This Registration Document may only be used where it is legal to offer, solicit offers to purchase or sell Offer Securities. Persons who obtain this Registration Document must inform themselves about and observe all such restrictions.

No action has been or will be taken to permit the offer or sale of Offer Securities, or the possession or distribution of this Registration Document or any other material in relation to the Offering in any jurisdiction other than the Netherlands, where action may be required for such purpose. Accordingly, neither this Registration Document nor any advertisement or any other related material may be distributed or published in any jurisdiction other than the Netherlands except under circumstances that will result in compliance with any applicable laws and regulations.

The Offer Securities have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or under any of the relevant securities laws of any state or other jurisdiction of the United States. The Offer Securities may not be offered, exercised, sold, pledged, taken up, delivered, renounced, or otherwise transferred in or into the United States except pursuant to an exemption from the Securities Act or in a transaction not subject to the registration requirements of the Securities Act. The Offer Securities are being offered and sold outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.

Registration Document dated 19 October 2016

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1 RISK FACTORS

Before making an investment decision with respect to the Offer Securities, prospective investors should consider carefully all of the information in this Registration Document, including the following specific risks and uncertainties. If any of the following risks actually occurs, the Fund's business, results of operations or financial condition or the market price of the Offer Securities could be materially adversely affected. In that event, the value of the Offer Securities could decline and investors might lose part or all of their investment. The Fund believes that the risks and uncertainties described below are the material risks and uncertainties relating to the Fund, the Fund's business, the Offering and the Offer Securities. Additional risks and uncertainties presently unknown to the Fund or that the Fund currently deems immaterial may also have a material adverse effect on the Fund's business, results of operations or financial condition and could negatively affect the market price of the Offer Securities and may also affect the Fund's ability to pay interest and principal under the Offer Securities (as applicable). All of these factors are contingencies which may or may not occur. The Fund may face a number of the risks described below simultaneously.

Prospective investors should also read the detailed information set out elsewhere in this Registration Document and should reach their own views before making an investment decision with respect to the Offer Securities. Furthermore, before making an investment decision with respect to the Offer Securities, prospective investors should consult their own stockbroker, bank manager, lawyer, auditor or other financial, legal and tax advisers and carefully review the risks associated with such an investment decision and consider such an investment decision with respect to the Offer Securities in light of their prospective personal circumstances.

1.1 Risks relating to the Fund and the sector in which it operates

The Fund is exposed to certain risks relating to real estate investments

Investing in real estate is generally subject to various risks, including adverse changes in national or international economic conditions, adverse local market conditions, the financial conditions of the office and retail sectors (including tenants), changes in availability of debt financing, changes in interest rates, real estate tax rates and other operating expenses, environmental laws and regulations, planning laws and other governmental rules and fiscal policies, environmental claims arising in respect of properties acquired with undisclosed or unknown environmental problems or as to which inadequate reserves had been established, energy prices, changes in the relative popularity of real estate types and locations leading to an oversupply of space or a reduction in demand for a particular type of real estate in a given market, and risks and operating problems arising out of the presence of certain construction materials. These factors could cause fluctuations in rental income or operating expenses, causing a negative effect on the operating returns derived from, and the value of real estate investments. The capital value of real estate investments may be significantly diminished in the event of a downward turn in real estate prices or the occurrence of any of the other factors noted above. Such a decrease in value would have a material adverse effect on the Fund's results of operations and financial condition and, as a result, on the value of and return on the Shares.

The real estate market is also subject to changes in supply and demand. The demand for rental space may decrease as a result of an increase in available space and heightened competition for "quality" tenants. This would result in higher capital expenditure required to contract or retain tenants, lower rent rates and delays by existing tenants in the renewal of expiring lease agreements and shorter lease periods, which could materially adversely affect the businesses, financial condition, operational results or prospects of the Fund. Furthermore, the Fund may bear maintenance and redevelopment costs for properties it cannot rent out, which would lower earnings and have a negative impact on the financing position of the Fund.

The business, results of operations and financial condition of the Fund further depend on its ability to manage occupancy rates through the execution of leases with new tenants and the renewal of leases by its existing tenants. The ability to manage occupancy rates depend in large part on the condition of the markets in which the Fund operates and upon the remaining terms of the current lease agreements, the financial position of current tenants and the attractiveness of its properties to current and prospective tenants. In order to retain current tenants and attract new tenants the Fund may be required to offer reductions in rent, lease incentives, capital expenditure programs and other terms in its lease contracts that make such leases less favourable to the Fund. The Fund may not be successful in maintaining or increasing occupancy rates or successfully negotiating favourable terms and conditions in its leases in the future. A failure to do so could have a material adverse effect on the business, financial condition and results of operations of the Fund especially where larger tenants leave, cancel or do not renew a contract. See for the Fund’s tenant base and occupancy rates Chapter 5 “Business”, section 5.3 “Competitive strengths” under “Diversified tenant base” and section 5.8 “Leases and occupancy”.

Since 2012 the markets in which the Fund is active have stabilised and are now showing robust levels of growth, but should the recovery not be sustained this will have a negative impact on Fund performance

The financial markets crisis in 2008 and the global economic downturn that followed have had worldwide negative effects, including in the markets in which the Fund's properties are located, the Czech Republic and Slovakia. The economic uncertainty contributed to deterioration in the consumer and investment climate, affecting a range of economic activities, including the real estate sector. Due to uncertainties and constraints in the credit markets and the general economic conditions, investments in European real estate in general slowed down considerably in the past few years. The economic crisis also has had an adverse effect on the market values of real estate, causing a negative revaluation of the Fund's properties. Although some of the markets, including those in which the Fund is active, have stabilised and are now showing robust levels of growth, overall, the economic environment remains fragile. Should the recent signs of economic recovery of the Fund's markets not be sustainable, this could have negative consequences for, among other things, the Fund's results of operations, asset values, financial condition and equity base. A future economic downturn in the markets in which the Fund is active may also negatively influence occupancy rates of the Fund’s properties, the rent rates and the level of demand for and prices of such properties.

A competitive property market may adversely affect the Fund's revenue and profitability

One of the primary areas of focus of the Fund is the active management of its portfolio through the renewal of leases with existing tenants and the acquisition of new tenants. The Fund competes with local real estate developers, private investors, property funds and other retail property owners for tenants. Other than the requirement for capital, there are few barriers to enter the property market. Some of the Fund's competitors may have properties that are newer, better located or in superior condition to its properties. The competition for tenants may negatively affect the Fund's ability to attract new tenants and retain existing tenants. It may also negatively influence the terms of its leases, including the amount of rent that the Fund charges and the incentives to tenants that it provides, thereby adversely affecting the Fund's business and results of operations.

In addition to competition for tenants, the Fund faces competition in acquiring and selling properties, including from property developers, property funds and property users. Investment in office property in especially the Czech Republic has generally increased over the last several years and may continue to increase in the future. Some of the Fund's competitors may have access to greater or less expensive sources of capital than the Fund or may have more resources with which to pursue acquisitions. If competition for acquiring properties were to increase, the Fund might have to pay higher prices for acquisitions and/or reduce the pool of properties that meets its investment criteria. Any increase in properties on the markets or a general decreased interest for properties may adversely affect the price the Fund is able to obtain for sales of its properties as well as increase the time required to conduct any such sales. Due to competitive pressure, the Fund might be unable to make new investments or might make investments at inflated prices.

The Fund operates at the moment in two Central European countries and may be unable to manage risks associated with its international operations. With the Target Portfolio the Fund will be active in one more country in Central Europe

The Fund operates in the Czech Republic, and Slovakia. The Target Portfolio is located in Poland. Accordingly, the Fund faces economic, market, regulatory, legal and political risks inherent in having relationships, operations and revenues in multiple jurisdictions, including:

- fluctuations in currency exchange rates, in particular between the Euro and the Czech crown ("**CZK**") and Polish Zloty ("**PLN**");
- unanticipated changes in laws or regulatory requirements, including barriers to trade;
- restrictions on the movement of capital;
- general economic conditions, particularly as they influence, amongst others, interest rates, and the overall level of business activity;
- (foreign) tax consequences;
- potential for longer collection periods and for difficulty in collecting accounts receivable and enforcing contractual obligations;
- protectionist laws and business practices that favour local businesses in certain countries;
- potential for political, legal and economic instability;
- possibility of becoming subject to EU sanctions;
- the availability of funds, such as long-term mortgages;
- oversupply of real estate or a reduction in demand for real estate in certain areas;
- inflation; and
- challenges caused by distance and linguistic and cultural differences.

Any of these or other factors could have a materially adverse effect on the Fund's business, on the cost of the Fund's operations, and on the Fund's ability to compete within relevant markets, each of which could have an adverse effect on the Fund's business, operating results or financial condition.

With respect to the risk associated with operations in multiple currencies, the Fund's principal currency translation risk arises from the fact that the financial records of the Fund are maintained in Euro, whilst a proportion of revenues are earned in CZK and will be earned in PLN. Upon preparing consolidated financial statements, the Fund's consolidated reported financial results can be affected by changes in the relative value of Euro against CZK and PLN. Recent analysis indicated that a 1% change in the exchange rate between the Euro and the CZK would affect the property operating results by approximately €77,000. Fluctuations in currency values also distort period-to-period comparisons of financial performance. Also given the high volatility of currency exchange rates, there can be no assurance that the Fund will be able to effectively manage its currency risk to minimise the impact of currency exchange rate fluctuations on its business. The Fund may use financial instruments to hedge currency risks, though has opted not to do so at present as the exposure to the CZK is currently limited. Reference is made to Chapter 9 "Operating and Financial Review", section 9.7 "Qualitative and quantitative disclosure about market risk" under "Currency risk".

The Fund is exposed to the risk of revaluations with respect to its properties

In the consolidated financial statements of the Fund, the investment properties held by it are recorded as assets based on the fair value method pursuant to International Financial Reporting Standards ("**IFRS**"). Any gain or loss arising from a change in the fair value of the Fund's investment property is recognised as profit or loss for the period in which it arises. The fair value of the assets of the Fund is subject to change. Generally, the fair value of real estate properties depends on a variety of factors, some of which are exogenous and may not be within the control of the Fund, such as decreasing demand or occupancy rates in the markets in which the Fund operates or movements in expected investment yields. In addition, many qualitative factors affect the valuation of a property, including the property's expected rental income, its condition and its location (see the risk factor "The valuation of the properties of the Fund contained in the valuation reports is to a certain extent subjective and uncertain" below). Should the factors considered or assumptions made in valuing a property change, to reflect new developments or for other reasons, subsequent valuations may result in a change, be it upward or downward, of the fair value ascribed to such property. If such valuations reveal significant decreases in fair value compared to prior valuations, the Fund will incur significant revaluation losses with respect to such properties.

The Fund's financing agreements contain certain financial covenants. The Fund's compliance with such covenants is dependent (amongst others) on the fair value of its properties, reference is made to the risk factor "A breach of covenants under the Fund's financing agreements could entail increased interest payments, a forced sale of assets or a suspension of dividend payments, and cross-default provisions may exacerbate existing risks" in section 1.2 below.

Property valuation is inherently subjective and uncertain and based on assumptions which may prove to be inaccurate or affected by factors outside of the Fund's control

Property assets are inherently difficult to value due to their lack of homogeneity and liquidity. The valuation of property and property-related assets is also inherently subjective, in part because all property valuations are made on the basis of information and assumptions which may not prove to be accurate, and in part because of the individual nature of each property. Furthermore, the valuations of the Fund's properties in the valuation reports were as at 31 October 2015 and do not reflect any changes in the value of the properties or market conditions since that time.

In valuing properties, the valuers are required to make certain key assumptions in respect of matters including, but not limited to, the existence of willing buyers, title to the property, condition of structure and services, deleterious materials, environmental matters, legal matters, statutory and regulatory requirements and planning, estimated market rental values, market-based yields, tenant renewals / terminations, letting periods and tenant incentives, expected future rental revenues from the property and other factors.

In respect of properties which may require development, redevelopment or refurbishment, the development considered achievable, assumed timescale, the assumed future development cost and an appropriate finance rate and profit rate and/or discount rate are also used to determine the property value together with market evidence and recent comparable properties where appropriate.

The adoption of different assumptions would be likely to produce different valuation results. The assumptions made may prove to be inaccurate or not borne out by future events and could negatively affect the valuation of the Fund's properties.

Property valuations are complex, involve the use of data which is not publicly available and involve a degree of subjective professional judgement by the valuer.

As a result, the valuation reports present the external valuer's best estimate of the value of Fund's properties. However, there can be no assurance that the valuations accurately reflect the actual sale proceeds that could be achieved upon a sale of the properties valued, even where any such transactions occur shortly after the relevant valuation date, and particularly if, due to unforeseen circumstances, the Fund were forced to sell properties under unfavourable conditions. Likewise, there can be no assurance that the estimated yields and estimated rental values will prove to be achievable.

To the extent that valuations of the Fund's properties do not fully reflect the value of the underlying properties, whether due to the above factors or otherwise, this may have a material adverse effect on the Fund's financial condition, business, prospects and results of operations.

The Fund may not be able to successfully engage in acquisitions, disposals, refurbishments or expansions of properties

Acquisitions of investment property can increase the Fund's rental income but can also increase the Fund's finance expense to the extent such acquisitions are financed through debt. Disposals of investment property affect the Fund's earnings through gains or losses on the sale of the property, lower finance expenses and lower rental income following such disposal and can reduce the Fund's indebtedness. The ability of the Fund to engage in acquisitions, disposals, refurbishments or redevelopment may be limited by its ability to identify appropriate properties, as well as by conditions beyond its control, such as the availability of attractively priced acquisitions, the condition of the property market or changes in governmental and municipal regulations. In addition, the ability of the Fund to acquire additional properties may be limited by an inability to obtain financing on terms attractive to it, conditions with which the Fund is required to comply in order to maintain any tax status or restrictions contained in its current or future credit agreements. Each acquisition, disposal, refurbishment and redevelopment will entail uncertainties and risks, including the risk that such projects may not be completed after the Fund has invested significant amounts of time and money.

Increased maintenance and redevelopment costs could adversely affect the Fund's results

Generally, as properties age they incur increased maintenance, refurbishment and redevelopment costs. Numerous factors, including the age of the relevant building, the material and substances used at the time of construction or currently unknown building code violations, could result in substantial unbudgeted costs for refurbishment, modernisation and decontamination required to remove and dispose of any hazardous materials (e.g. asbestos). Furthermore, some tenants show an increased awareness regarding sustainability which can lead to an increased demand for investments in existing properties in order to keep them attractive to existing and potential tenants. If the Fund does not carry out maintenance, refurbishment and redevelopment activities with respect to its properties, these properties may become less attractive to tenants (or require a higher capital expenditure to contract or retain tenants) and the Fund's rental income may decrease, affecting the results and financial condition of the Fund.

Loss of its managerial staff and other key personnel could hamper the ability of the Fund to fulfil its business strategies

The Fund believes that its performance, success and ability to fulfil its strategic objectives depends on retaining the members of the management board and other key personnel of Arcona Capital Fund Management B.V., the manager of the Fund (the "**Fund Manager**"), and its local asset managers in the Czech Republic and Poland, who are experienced in the markets and business in which the Fund operates. The loss of one or more managerial staff or other key personnel could have a material adverse effect on the business and results of operations of the Fund. The Fund Manager might find it difficult to recruit suitable employees, both for expanding the Fund's operations and for replacing employees who may resign or recruiting such suitable employees may entail substantial costs both in terms of salaries and other incentive instruments.

The Fund may be liable for environmental issues on or in its properties

The operations and properties of the Fund are subject to various laws and regulations in the countries where it operates concerning the protection of the environment, including but not limited to regulation of air, soil and water quality, controls of hazardous or toxic substances and guidelines regarding health and safety. The Fund may be required to pay for clean-up costs (and in specific circumstances, for aftercare costs) for any contaminated property it currently owns or owned in the past. As a property owner, the Fund may also incur fines or other penalties for any deficiencies in environmental compliance and may be liable for remedial costs. In addition, contaminated properties may experience decreases in value. Although the Fund, in connection with property acquisitions, typically obtains a guarantee that the property is suitable from an environmental point of view for the envisaged use, the Fund may not be able to successfully claim under these guarantees. The Fund believes that none of its properties currently require immediate material remediation or decontamination. However, environmental authorities could disagree with respect to any of the properties and the Fund could be required to initiate costly, extensive and time-consuming clean up at one or more of its properties. Such requirements could make the relevant properties unattractive to potential tenants or buyers, delay capital improvements on such properties, and have a material adverse effect on the business, results of operation and financial condition of the Fund.

The Fund is exposed to risks related to the acquisition and ownership of real estate properties

The Fund may plan to acquire additional commercial properties in its current home markets, the Czech Republic, Slovakia and Poland, and in any other country in Central Europe that is or may become a new home market on the basis of strategic considerations. There can be no assurance that due diligence examinations carried out by the Fund in connection with any properties it considers acquiring or has acquired in the past will reveal or have revealed all of the risks associated with such property, or the full extent of such risks. When the Fund acquires or owns a property, the property may be subject to hidden material defects or deficiencies in the title to the property or otherwise, which were not apparent at the time of acquisition, including structural damage, environmental hazards, legal restrictions or encumbrances and non-compliance with existing building standards or health and safety or other administrative regulations. Although the Fund typically obtains warranties from the seller of a property with respect to certain legal or factual issues, these warranties may not cover all of the problems that may arise following the purchase and may not fully compensate the Fund for any diminution in the value of such property or other loss it may suffer. In addition, it may be difficult or impossible to enforce warranties against a seller for various reasons, including the insolvency of the seller or the expiration of such warranties.

The Fund is moving ahead with its plans to grow its assets under management, but may not be able to successfully execute planned acquisitions, disposals, refurbishments or expansions of properties

The Fund's strategy is based on active portfolio management, which implies acquiring new properties, as well as selling, refurbishing or expanding its existing properties to optimise the value of the Portfolio. The ability of the Fund to engage in acquisitions, disposals or expansions, and the success of its strategy, may be limited by its ability to identify appropriate properties, as well as by conditions beyond its control, such as the availability of attractively priced properties, the condition of the property market or changes in governmental and municipal regulations, including in relation to obtaining required licenses, planning permissions or zoning permits. In addition, the ability of the Fund to acquire additional properties may be limited by an inability to obtain financing on terms attractive to it. Should the Fund be unable to make acquisitions and disposals or to carry out its refurbishment and expansion programs as expected, the Fund may be unable to realise its strategy.

Each acquisition, disposal, refurbishment and expansion will entail uncertainties and risks, including the risk that such project may not be completed after the Fund has invested significant amounts of time and money. Furthermore, the Fund may encounter difficulties in expanding the administrative operations or functions to support acquired or development properties, which may result in difficulties integrating acquired properties. The Fund may be unable to successfully manage its growth in a manner which generates adequate returns on investment, and the additional demands on the Fund and on members of senior management during the growth process may result in difficulties managing the existing portfolio.

The Fund is exposed to credit risk on rent payments from its tenants

As of 30 June 2016, the Fund was a party to approximately 842 lease contracts. Approximately 24.1% of the Group's annual rent as at 30 June 2016 was attributable to its top ten tenants.

As of 30 June 2016, the Fund has identified an amount equal to €607,000 before provisions and €317,000 after provisions of outstanding receivables from debtors. As of 30 June 2016, if 1% of the Fund's existing debt (after provisions) were to default, this would have a negative effect of €3,710 on the direct investment result (€0.001 per Share). If 1% of the semi-annual contracted rent is not paid, this would negatively impact annual contracted rent by €29,420 (€0.02 per Share). While the Fund's standard lease terms state that rent is to be paid in advance, the Fund also generally requires deposits or payment guarantees. The amounts payable to the Fund under its leases with tenants that are not secured (by payment guarantees, bank guarantees or corporate guarantees) bear the risk that such tenants will be unable to pay such amounts when due. The Fund may suffer from a decline in revenues, profitability and cash flow in the event that a number of its significant tenants seek bankruptcy protection or are unable to pay rent owed when due. The Fund is not insured against this credit risk. The creditworthiness of a tenant can decline over the short or medium term. If a tenant seeks bankruptcy protection, the Fund may be subject to delays in receipt of rental and other contractual payments, if it is able to collect such payments at all, and the Fund may not be able to terminate the tenant's lease. This could prevent the Fund from leasing out the property to a new tenant, which could have a material adverse effect on the reputation, business, results of operation and financial condition of the Fund.

The Fund is exposed to risks related to the safety of tenants, including acts of terrorism and violence

The Fund promotes security and safety of the tenants in its properties. However, due to high visibility and presence of large numbers of people, the Fund's properties may be targets for terrorism and other forms of violence. Any terror or violent attack on a property of the Fund or a similar property owned by someone else may harm the conditions of the Fund's tenants and may, apart from any direct losses, harm the property investments of the Fund. These attacks may directly or indirectly affect the value of the portfolio. Even where the Fund is insured against losses due to such attacks, certain losses resulting from these types of events may be uninsurable or not insurable to the full extent of the loss suffered. Moreover, any of these events could increase volatility and uncertainty in the worldwide financial markets and economy. Adverse economic conditions resulting from these types of events could reduce demand for space in the Fund's properties and thereby reduce the value of these properties and rental income.

The Fund could be exposed to catastrophic events, such as flooding and landslides

Some of the Fund's properties are located in areas with a risk of catastrophic events, such as flooding and landslides. These may result in severe damages to the Fund's properties. Moreover, such events may create economic and political uncertainties, which could have a negative effect on economic conditions in the regions in which the Fund operates and, more specifically, on its business, financial condition, operational results or prospects in ways that cannot be predicted.

The Fund may suffer losses not covered by insurance

The Fund seeks to maintain insurance policies covering its properties and employees with policy specifications and insured limits which the Fund believes are customary for the real estate business in its markets. The Fund's properties are largely covered against property damages and third party liability by means of corporate umbrella policies. There are, however, certain types of risks that are generally not or not fully insured against, such as damages caused by flood, earthquake, volcanic eruption, war risks, malicious intent, civil riots, damages caused by natural heating and pollution or other *force majeure* events and civil liability for environmental damages. The occurrence of a significant event not fully insured or indemnified against or the failure of the Fund to meet its insurance payment obligations could result in a loss of all or a portion of the capital invested in a property, as well as the anticipated future revenue from that property. In addition, the Fund may not be able to maintain adequate insurance coverage in the future at commercially reasonable rates with acceptable terms.

If the Fund and/or the Fund Manager and/or any of the other funds managed by the Fund Manager loses or is unable to obtain licences necessary for its operations or expansion, it may not be able to carry on its business or parts of its current or planned businesses

The Fund Manager operates under a licence from the AFM under the Financial Supervision Act, for its activities as manager of investment institutions, including the Fund. In this respect, the Fund Manager as well as the Fund and the other investment institutions managed by the Fund Manager are required to comply with the ongoing requirements under the Financial Supervision Act, including any requirements under the new legislation pursuant to the Alternative Investment Fund Managers Directive (2011/61/EU) ("**AIFMD**"). The Financial Supervision Act and other applicable laws and regulations and their interpretation may change from time to time. Compliance with, and monitoring of, applicable laws and regulations may be difficult, time consuming and costly. Moreover, failure to comply with the applicable laws and regulations could result in fines or other sanctions, including the revocation of the licence. Moreover, the Fund Manager may be required to obtain licences where it wishes to expand into new areas of businesses and it may not be able to obtain these licences.

A material change in the laws and regulations to which the Fund is subject, or in their interpretation or enforcement, could materially adversely affect the business, results of operations and financial condition of the Fund

The Fund must comply with a variety of laws and regulations, including planning, zoning, environmental, health and safety, licence requirements, tax and other laws and regulations. The Fund may be required to pay penalties for non-compliance with the laws and regulations of local, regional, national and EU authorities to which it is subject. A material change in the applicable laws and regulations, or in their interpretation or enforcement, could force the Fund to alter its business strategy or operations, leading to additional costs or loss of revenue, which could materially adversely affect the business, results of operation and financial condition of the Fund.

The real estate sector is susceptible to fraud

The Fund is currently not aware of any fraud taking place within its business. However, even though the Fund has taken precautionary measures to reduce the risk as much as possible, the Fund may become the target of fraud or other illicit behaviour in any of the markets in which it operates. This may have a material adverse effect on the Fund's reputation, business and financial condition.

The Fund could decide to concentrate the real estate investments of the Fund, which would limit the diversification of the asset portfolio

The Fund spreads its risk by a diversification in types of commercial real estate in Central and Eastern Europe. The Fund has no further restrictions to the investments that the Fund may make. Currently, the Fund’s real estate portfolio comprises 14 properties located in two cities in the Czech Republic and three cities in Slovakia. The largest property of the Fund represented 18.6% of gross assets per 30 June 2016. The Fund Manager could decide that it is in the best interest of the Fund to hold or invest in a single property in excess of 20% of the Fund’s gross assets. This would limit the diversification of the asset portfolio, pursuant to which the Fund may become exposed to certain risks: see section 1.1 "Risks relating to the Fund and the sector in which it operates” under “The Fund is exposed to certain risks relating to real estate investments”, “The fund is exposed to the risk of revaluations with respect to its properties” and “Increased maintenance and redevelopment costs could adversely affect the Fund’s results”.

A substantial part of the Fund’s costs are relatively fixed and as a result any shortfall in revenues could have an adverse effect on the Fund’s profit

A relatively large proportion of the Fund’s costs are fixed, such as property taxes, maintenance costs, interest costs, insurance costs and related charges. A high level of fixed costs implies a high degree of operating leverage. The higher the degree of operating leverage, the greater the potential risk from a decrease in revenues; therefore, if the Fund’s revenues decrease, profits will decrease disproportionately.

1.2 Risks relating to the financing of the Fund's activities

A breach of covenants under the Fund’s financing agreements could entail increased interest payments, a forced sale of assets or a suspension of dividend payments, and cross-default provisions may exacerbate existing risks

Following completion of the Acquisition the Fund shall have outstanding loan facilities from three different banks and is required to comply with a number of financial covenants, such as the debt-service coverage ratio (“**DSCR**”) (included in the loan agreements with Slovenska Sporitelňa, Sberbank and Raiffeisen Bank) and the loan to open market value (“**LTV**”) ratio (included in the loan agreement with Raiffeisen Bank), which are described in more detail in Chapter 9 “Operating and Financial Review”, section 9.6 “Liquidity and capital resources” under “Limitations on borrowings, restrictions and covenants”. Although the Fund expects its financial ratios to remain well within its financial covenants, this is dependent on, amongst others, the fair value and the rental income of its properties. A significant decline in the fair value and/or rental income of its properties could affect the Fund’s compliance with its LTV ratio and DSCR, respectively. In the event that the Fund breaches certain of these covenants, this may lead to a step-up in respect of the interest rate and/or annual amortisation quotes and thereby increase the Fund's payment obligations significantly. In addition, the Fund may even be required to immediately repay the respective borrowings in whole or in part, together with any related costs. In such a situation, the Fund may be forced to sell some or all of its assets unless it has sufficient cash resources or other credit facilities available to make such repayments. In addition, a lender may be able to sell such assets or procure their sale to the extent that the Fund's assets serve as collateral for such borrowings. The Fund may also be required to suspend payment of its dividends in case of breaches of covenants under its current financing agreements. All of the foregoing could have a material adverse effect on the Fund's business, financial condition and results of operations.

Accessing capital on satisfactory terms is necessary for maintaining, growing and developing the Fund's business and portfolio

In the ordinary course of business, the Fund makes significant capital expenditures for the acquisition, (re)development and maintenance of properties. The Fund has so far financed its capital expenditures through operating cash flows and raising debt and equity, however, the Fund may not be able to continue to do so. The ability of the Fund to obtain financing depends on several factors, some of which are beyond its control, such as general economic conditions, the availability of credit from financial institutions, and global and European monetary policy. Regulatory changes (including pursuant to the implementation of Basel III and Solvency II) may adversely affect the Fund's cost of financing and the Fund's access to financing in the future. A reduction in the current levels of liquidity support by central banks and governments may also cause the costs of new financing to rise, which may adversely affect the Fund's access to future financing on acceptable terms. In addition, deterioration in the Fund's business results or financial condition could lead to higher financing costs. The Fund may not be able to obtain financing and any financing that it can obtain may not have terms satisfactory to it (whether privately or through a public transaction). Moreover, there may be a risk that the Fund's financial counterparties will not be able to provide funds under the facilities agreed with the Fund. Failure to obtain financing could have an adverse effect on the business, financial condition and results of operations of the Fund.

Changing capital market conditions could have negative consequences for the business and results of operations of the Fund

The crisis that started affecting the international debt and equity markets in the summer of 2008 resulted in increased funding cost and a limited availability of financing sources for real estate. Although these effects have now been reversed, a reoccurrence of global financial volatility could have a similar impact again. Although the Fund continually monitors developments in domestic and international capital markets and endeavours to raise debt and/or equity capital at appropriate times and in a cost effective manner, adverse and continued constraints in the supply of liquidity may adversely affect the cost of funding for the Fund and extreme liquidity constraints may limit growth possibilities and may even force the Fund to liquidate a part of its portfolio, all with potentially adverse consequences for the Fund's business, results of operation and the value of the Shares.

The Fund is exposed to interest rate risks

All of the Fund’s outstanding debt as of completion of the Offering will be subject to variable interest. Consequently, the Fund is exposed to a certain interest rate risk. There is currently no hedging derivative instrument in place for AC Bohemia and AC Slovakia. If the variable interest were to rise with 1%, the interest expenses for the six month period ended 30 June 2016 under the existing facilities would increase by €191,000, resulting in a decrease of net result of €191,000. (See Chapter 9 “Operating and Financial Review”, section 9.7 “Qualitative and quantitative disclosure about market risk” under “Interest rate risks”).

The Fund is exposed to risks arising from the illiquidity of its portfolio

The market for the types of properties the Fund owns or may acquire in the future has its limitations in terms of liquidity. Were the Fund required to liquidate parts of its portfolio on short notice for any reason, including raising funds to support its operations or repay outstanding indebtedness, or exiting an investment the Fund no longer wishes to own, the Fund may not be able to sell any portion of its portfolio on favourable terms. In the case of an accelerated sale, there may be a significant shortfall between the fair value of the property and the price at which the Fund could sell such property. Any such shortfall could have a material adverse effect on the business, financial condition or results of operations of the Fund.

1.3 Risks relating to structure of the Fund

The Fund is a holding company with no operations and relies on its operating subsidiaries to provide it with funds necessary to meet its financial obligations

The Fund is a holding company with no material, direct business operations. The principal assets of the Fund are the equity interests it directly or indirectly holds in its operating subsidiaries in the Czech Republic and Slovakia (and in Poland on completion of the Acquisition). As a result, the Fund is dependent on loans, dividends and other payments from its subsidiaries to generate the funds necessary to meet its financial obligations, including the payment of dividends to Shareholders and management fee to the Fund Manager. The ability of the Fund's subsidiaries to make such distributions and other payments depends on their earnings and may be subject to statutory, legal and/or contractual limitations. As an equity investor in its subsidiaries, the Fund's right to receive assets upon their liquidation or reorganisation will be effectively subordinated to the claims of creditors of its subsidiaries. To the extent that the Fund is recognised as a creditor of such subsidiaries, the Fund's claims may still be subordinated to any security interest in or other lien on their assets and to any of their debt or other obligations that are senior to the Fund's claims.

Shareholders may have difficulties protecting their interests as Shareholders as the Fund is a Dutch limited liability company

Dutch law and the Fund's articles of association (the "**Articles of Association**") govern issues regarding the legal organisation, internal constitution, corporate authority and liability of members of the management board (the "**Management Board**") and the supervisory board (the "**Supervisory Board**") of the Fund. The Fund qualifies as an investment company with variable capital (*beleggingsmaatschappij met veranderlijk kapitaal*) under Dutch law. As a consequence, among other things, the Shareholders do not have statutory pre-emption rights with respect to an issue of Shares and the Management Board may decide to issue Shares without a resolution of the general meeting of shareholders of the Fund (the "**General Meeting of Shareholders**") up to the maximum number of Shares in the authorised share capital.

Certain controlling arrangements could prevent Shareholders from selling their Shares at a premium

The Fund has issued a priority share with a nominal value of €5 (the "**Priority Share**"). The Priority Share is held by a Dutch foundation, Stichting Prioriteit MERE (the "**Priority**"). The board of the Priority comprises Mr Guy St John Barker and Mr Hilbert Visscher, respectively management board member and employee of Arcona Capital Nederland N.V. According to the articles of association of the Priority, the Priority shall exercise the rights allocated to the Priority Share in a manner that secures the corporate interest (*vennootschappelijk belang*) of the Fund, including good governance, and all interests relating thereto.

The following special rights are (amongst others) attached to the Priority Share: the right to propose to suspend or dismiss members of the Management Board and the Supervisory Board, to determine the number and make binding nominations for appointments of members of the Management Board and Supervisory Board and to propose to amend the Articles of Association. Further details of the rights attached to the Priority Share are outlined in Chapter 13 "Share Capital and Shareholders' Meetings", section 13.2 "Summary of the Articles of Association" under "General Meeting of Shareholders".

These controlling arrangements may have the effect of delaying, deterring or preventing a change in control that might otherwise result in the opportunity for the Shareholders to sell their Shares at a premium to the prevailing market price. These arrangements could negatively affect the market price of the Shares.

1.4 Risks relating to the Acquisition

The risks relating to the Fund, its properties, business and markets in which it operates generally also apply to the properties to be acquired in the Acquisition pursuant to the sale and purchase agreement dated 14 October 2015 (as amended) and any agreements relating thereto (the **"Sale and Purchase Agreement"**). In addition, the Fund faces specific risks in connection with the Acquisition, as described below.

The Fund may be subject to unknown liabilities of the Target Portfolio

Although the Fund has conducted a thorough due diligence review of the information about the Target Portfolio that was provided to the Fund by the sellers of the Target Portfolio (the **"Sellers**"), due diligence reviews are by nature subject to limitations. As a result, after the closing of the Acquisition, the Fund may be subject to unknown liabilities of the Target Portfolio relating to the properties which are part of the Acquisition, which may have an adverse effect on the Fund's financial condition and results of operations. The Fund is exposed to this risk as a result of agreeing to acquire the Target Portfolio from the Sellers in its existing physical and legal condition, and as such has limited recourse against the Sellers if certain assets in the Target Portfolio require any unexpected or immediate expenditures. To an extent this risk is mitigated by the duty of care owed to the Fund by the professional advisors retained by the Fund to undertake legal, technical and valuation due diligence. See section 1.1 "Risks relating to the Fund and the sector in which it operates" under "The Fund is exposed to risks related to the acquisition and ownership of real estate properties".

The Fund may not be able to successfully and efficiently integrate the Target Portfolio into its operations or to realise the intended benefits of the Acquisition

The Acquisition involves significant costs and risks and it may not be possible to achieve a successful and efficient integration of the Target Portfolio with the Fund's existing operations. Integration of the Target Portfolio will require coordination of the Fund's management, its organisation and its personnel, which may prove difficult due to numerous factors such as maintenance of appropriate standards, controls, procedures and policies, diversion of the management's attention away from other business concerns or opportunities, difficulties in expanding the Fund's administrative operations or functions to support the Target Portfolio and the possibility that the Target Portfolio may not achieve the anticipated improvements in occupancy rates or levels of revenue or profitability, and may experience a decrease in rental income due to rent cancellations during the integration process.

The Fund's proposed diversification into retail centres in Poland will increase its exposure to changes in consumer behaviour, including competition from alternative shopping channels such as the still growing internet shopping trend

The Target Portfolio comprises neighbourhood retail centres. Increased competition from alternative shopping channels, such as internet based retailers and mail order companies may continue to have an adverse effect on consumer spending levels at retail centres. A downturn in the demand by tenants for commercial space in such centres will have a negative effect on the Fund's revenues and profitability.

Consumer preferences and needs can vary from region to region, and the Fund must accurately predict and effectively address customer demand and demographic shifts in the various regions in which it operates to ensure an appropriate mix of tenants in its retail centres. The long-term nature of a significant proportion of the lease contracts in the Target Portfolio may hinder the Fund's ability to adjust the tenant mix in the retail centres in a timely fashion.

The Target Portfolio holds three properties on ground leases, which may impact the value of these properties

The Target Portfolio holds three properties on ground leases in Poland (the Leasehold Assets), with the land being owned by another party, either a housing cooperation or municipality. The conditions of the ground lease agreement, such as its term and the ground rent, are key parameters that impact the value of the property. The ground lease agreements contain provisions leading to the loss of the ground-leased property if the Fund is in material breach of the ground lease agreements. (See Chapter 6 "The Acquisition", section 6.3 "Description of properties").

2 IMPORTANT INFORMATION

No person is or has been authorised to give any information or to make any representation in connection with the Offer Securities, other than as contained in this Registration Document, and, if given or made, any other information or representation must not be relied upon as having been authorised by the Fund. Without prejudice to any obligation to publish a supplementary prospectus pursuant of Article 5:23 of the Financial Supervision Act, neither the delivery of this Registration Document nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the Fund's affairs since the date hereof or that the information set forth in this Registration Document is correct as of any time since its date.

The Fund, with its corporate seat in Amsterdam, accepts responsibility for the information contained in this Registration Document. Having taken all reasonable care to ensure that such is the case, the Fund further declares that the information contained in this Registration Document is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

This Registration Document will be published in English only. Terms used in this Registration Document are defined in Chapter 15 "Definitions and Glossary of Selected Terms".

2.1 Notice

This Registration Document does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to acquire, Offer Securities in any jurisdiction in which such an offer or solicitation is unlawful. The distribution of this Registration Document is restricted by law in certain jurisdictions. This Registration Document may only be used where it is legal to offer, solicit offers to purchase or sell Offer Securities. Persons who obtain this Registration Document must inform themselves about and observe all such restrictions.

No action has been or will be taken to permit the offer or sale of Offer Securities, or the possession or distribution of this Registration Document or any other material in relation to the Offering in any jurisdiction other than the Netherlands, where action may be required for such purpose. Accordingly, neither this Registration Document nor any advertisement or any other related material may be distributed or published in any jurisdiction other than the Netherlands, except under circumstances that will result in compliance with any applicable laws and regulations.

Shareholders and persons contemplating to invest in Offer Securities who have a registered address in, or who are resident or located in, jurisdictions other than the Netherlands and any person (including, without limitation, agents, custodians, nominees and trustees) who has a contractual or other legal obligation to forward this Registration Document to a jurisdiction other than the Netherlands should read Chapter 6 “Selling and Transfer Restrictions” of the Securities Note.

The Offer Securities have not been and will not be registered under the Securities Act or under any of the relevant securities laws of any state or other jurisdiction of the United States. The Offer Securities may not be offered, exercised, sold, pledged, taken up, delivered, renounced, or otherwise transferred in or into the United States except pursuant to an exemption from the Securities Act or in a transaction not subject to the registration requirements of the Securities Act. The Offer Securities are being offered and sold outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.

The content of this Registration Document is not to be considered or interpreted as legal, financial or tax advice. Each prospective investor should consult his own stockbroker, bank manager, auditor or other financial, legal or tax advisers before making any investment decision with regard to the Offer Securities, to consider such investment decision in light of the prospective investor’s personal circumstances, and in order to determine whether or not such prospective investor is eligible to subscribe for or to trade in the Offer Securities.

2.2 Documents incorporated by reference

The following documents which have previously been published are incorporated in this Registration Document by reference and, as such, form part of this Registration Document. The incorporation by reference extends only to the pages indicated below and the English language versions of these documents. Non-incorporated parts of the documents listed below are either not relevant for investors or covered elsewhere in this Registration Document.

- The Fund's consolidated financial statements prepared in accordance with IRFS for the financial year ended 31 December 2013 and the independent auditor's report dated 29 April 2014, included on pages 33 up to and including 86, respectively page 107 and 108;
- The Fund's consolidated financial statements prepared in accordance with IFRS for the financial year ended 31 December 2014 and the independent auditor's report dated 31 March 2015, included on pages 33 up to and including 90, respectively page 110 up to and including 114;
- The Fund's consolidated financial statements prepared in accordance with IFRS for the financial year ended 31 December 2015 and the independent auditor's report dated 28 April 2016, included on pages 32 up to and including 92, respectively page 110 up to and including 114;
- The Fund's unaudited consolidated interim financial statements prepared in accordance with IAS 34 for the six months period ended 30 June 2016, included on pages 11 up to and including 37;
- The Articles of Association.

The documents incorporated by reference can be obtained free of charge on the Fund's website at
http://www.arconacapital.nl/index_mere.php?cat_id=4&fonds_id=38 and
http://www.arconacapital.nl/index_mere.php?cat_id=4&fonds_id=37.

Any statement contained in a document which is incorporated by reference herein, shall be deemed to be modified or superseded for the purpose of this Registration Document to the extent that a statement contained herein (or in a later document which is incorporated by reference herein) modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute part of this Registration Document.

Prospective investors should rely only on the information that the Fund incorporates by reference or provides in this Registration Document. No other documents or information, including the content of the Fund's website http://www.arconacapital.nl/index_mere.php?cat_id=4 or websites accessible from hyperlinks on the Fund's website, form part of, or are incorporated by reference into, this Registration Document.

2.3 Presentation of financial and other information

Certain figures contained in this Registration Document have been subject to rounding adjustments. Accordingly, in certain instances the sum of the numbers in a column or a row in tables contained in this Registration Document may not conform exactly to the total figure given for that column or row.

All references in this Registration Document to "Euro" or "€" are to the currency introduced at the start of the third stage of the Economic and Monetary Union, pursuant to the Treaty establishing the European Economic Community, as amended by the Treaty on the EU.

Throughout this Registration Document a € : CZK exchange rate of 1 : 27.131 and a € : PLN exchange rate of 1 : 4.4362 as of 30 June 2016 has been applied (unless otherwise indicated).

2.4 Market data and other information from third parties

The Fund believes that market information contained in this Registration Document provides fair and adequate descriptions of the economies and real estate markets of the jurisdictions in which the Fund has invested. However, the Fund's management estimates have not been verified by an independent expert, and the Fund cannot guarantee that a third party using different methods to assemble, analyse or compute market data would obtain or generate the same results.

The Fund has used data sources from third parties, such as IMF, World Economic Outlook Database, European Commission, CBRE Research[1], Colliers International/RCA and Colliers International/BRF in relation to the analyses of the Czech and Slovakian economies and real estate markets described in this Registration Document. Such publications and/or other documents generally state that their information is obtained from sources they believe reliable but that the accuracy and completeness of such information is not guaranteed and that the projections they contain are based on a number of assumptions. The information in this Registration Document that has been sourced from third parties has been accurately reproduced. So far as the Fund is aware and is able to ascertain from information sourced from third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

2.5 Forward-looking statements

This Registration Document contains forward-looking statements, including statements about the Fund's beliefs and expectations. These statements are based on the Fund's current plans, estimates and projections, as well as its expectations of external conditions and events. In particular the words "expect", "anticipate", "predict", "estimate", "project", "may", "could", "should", "would", "will", "intend", "believe" and similar expressions are intended to identify forward-looking statements. Forward-looking statements involve inherent risks and uncertainties and speak only as of the date they are made. The Fund undertakes no duty to and will not necessarily update any of them in light of new information or future events, except to the extent required by applicable law. The Fund cautions investors that a number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements. These factors include, but are not limited to those discussed in Chapter 1 "Risk Factors" of this Registration Document and the Securities Note.

2.6 Non-IFRS information

This Registration Document presents certain measures that are not measures defined by IFRS, including the direct and indirect investment result, and like-for-like valuation changes. These are supplemental measures of the Fund's performance which are used for management purposes and should not be considered in isolation or as an alternative to net result, shareholders' equity, net rental income or any other performance measure derived in accordance with IFRS. In addition, such measures, as defined by the Fund, may not be comparable to other similarly titled measures used by other companies.

The measures are intended only to supplement performance indicators in accordance with IFRS, and not to replace them. These measures should always be used together with the performance indicators provided for by IFRS and not in isolation, because their ability to convey meaningful information is limited in various respects. In particular, direct investment result does not reflect changes in valuation of the Fund's properties, which can vary substantially from period to period and can have a negative effect on net result reported under IFRS.

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[1] Where market data and commentary is sourced from CBRE market research reports, it should be noted that while CBRE EMEA Research and Consulting has obtained the information from sources believed to be reliable and do not doubt its accuracy, CBRE has not verified such information and makes no guarantee, warranty or representation about it. It is the investors' responsibility to independently confirm its accuracy and completeness. Any projections, opinions, assumptions or estimates used are for example only and do not represent the current or future performance of the market.

Direct and indirect investment result

Direct investment result is the result generated from lettings net of costs and is calculated as follows: net rental income plus financial income and other operating income, less financial expenses, administrative expenses and other operating expenses. Indirect investment result arises from realised and unrealised increases or decreases in the value of the portfolio less the net result on sales of investments and plus or minus exchange rate differences (if applicable).

The Fund believes that using direct investment result as alternative performance measure enables it to better assess the underlying operating performance of the Fund, after adjusting principally for gains or losses on sales of investment property and revaluation effects, which are driven by market conditions outside of the Fund's control.

Like-for-like valuation changes

The like-for-like presentation compares the value of the Fund's properties in a given year to their value in the prior year by taking into account the value derived only from properties that were part of the portfolio for the entirety of both years. Like-for-like valuation changes arise from changes in net rental income, estimated rental value and capitalisation rate.

The Fund believes that using like-for-like information allows investors to make a better comparison between the relevant periods.

2.7 Valuations of the portfolio

Existing portfolio

Valuers

The valuation of the existing Czech and Slovak portfolio was undertaken by the following appraiser, who is a third party.

Legal name:	CBRE s.r.o.
Address:	Palladium, Namesti Republiky 1, 110 00, Prague 1
Country:	Czech Republic
Telephone number:	+420 224 814 060
Place and country of registration:	Prague, Czech Republic
Registration number:	257 59 604
Date of incorporation:	30 April 1999
Incorporated under the laws of:	Czech Republic

Employing qualified valuers in accordance with the RICS Valuation – Professional Standards (January 2014).

Legal name:	CBRE s.r.o.
Address:	Park One, Nám. 1. mája 18, 811 06 Bratislava
Country:	Slovakia
Telephone number:	+421 2 3255 3300
Place and country of registration:	Bratislava, Slovakia
Registration number:	35 819 804
Date of incorporation:	3 September 2001
Incorporated under the laws of:	Slovakia

Employing qualified valuers in accordance with the RICS Valuation – Professional Standards (January 2014).

The valuation date of the existing portfolio is 31 October 2015.

The Fund affirms that since the valuation date, no material changes have occurred to the fair values.

External property managers

Legal name:	Knight Frank spol. s.r.o.
Address:	Václavské náměstí 841/3, Nové Město, 110 00 Prague 1
Country:	Czech Republic
Telephone number:	+420 224 217 217
Place and country of registration:	Prague, Czech Republic
Registration number:	41191536
Date of incorporation:	28 August 1991
Place of incorporation:	C 3815 registered at Městského soudu v Praze

Legal name:	Zbereko spol. s.r.o.
Address:	Krivá 23, 04001 Košice
Country:	Slovakia
Telephone number:	+421 55 728 70 25
Place and country of registration:	Košice, Slovakia
Registration number:	31732925
Date of incorporation:	3 September 1996
Place of incorporation:	8342/V, Sro, registered at Kosice I

Target Portfolio

The valuation of the Target Portfolio was undertaken by the following appraiser, who is a third party.

Legal name:	CBRE Sp. z o.o.
Address:	Rondo 1, Rondo ONZ 1, 00-125 Warsaw
Country:	Poland
Telephone number:	+482 25 448 000
Place and country of registration:	Warsaw, Poland
Registration number:	0000020238
Date of incorporation:	18 June 2001
Incorporated under the laws of:	Poland

Employing qualified valuers in accordance with the RICS Valuation – Professional Standards (January 2014).

The valuation date of the Target Portfolio is 1 October 2016.

The Fund affirms that since the valuation date, no material changes have occurred to the fair values. This statement is made relying on information provided by the Sellers.

3 DIVIDENDS AND DIVIDEND POLICY

3.1 Dividend policy

The dividend policy for the Fund is to increase dividend payments to a level of 8% per annum based on the prevailing Share price within 3 – 5 years. In deciding whether to propose a dividend, the Management Board will take into consideration contractual, legal and regulatory restrictions on the payment of dividends and such other factors as it may deem relevant. The Priority determines each year which part of the profits remaining after payment of dividend on the Priority Share (see section 3.3) shall be added to the Fund's reserves.

The Fund may only make distributions to its Shareholders in so far as its equity after the dividend payment does not fall below the sum of the paid-in and called-up share capital plus the reserves as required to be maintained by Dutch law and the Articles of Association. On the date of this Registration Document, there are no contractual and regulatory restrictions on the payment of dividends by the Fund and its subsidiaries, save for the restrictions provided for in the financing agreements with Slovenska Sporitelňa and Sberbank and, following completion of the Acquisition, with Raiffeisen Bank (see Chapter 9 "Operating and Financial Review", section 9.6 "Liquidity and capital resources" under "Limitations on borrowings, restrictions and covenants").

There can be no assurance that the Fund will generate sufficient earnings to allow it to pay dividends and if it does, the General Meeting of Shareholders may elect to reinvest the entire profit instead of paying dividends.

3.2 Dividend history

Since its incorporation the Fund has paid stock dividends to its Shareholders in 2007 (3.6%) and 2008 (3.7%). No dividend was distributed to the Shareholders in 2012 and 2013. At the annual General Meeting of Shareholders (the "**AGM**") on 13 May 2015, the General Meeting of Shareholders approved the proposal of the Management Board to distribute €0.30 per Share to the Shareholders for the year 2014 which was paid on 10 June 2015. On 31 August 2015 the Management Board proposed to distribute an interim dividend of €0.10 per Share to the Shareholders which was paid on 21 October 2015. On 28 April 2016 the Management Board announced a final distribution of €0.25 per Share which was paid in cash on 28 September 2016.

3.3 Dividend ranking of the Shares

All Shares have equal ranking rights and claims to the Fund's profits and assets. However, from the profit earned in a financial year in so far as possible a dividend is first distributed on the Priority Share (held by the Priority), the amount of which is equal to 7% on an annual basis, calculated on the nominal amount of the Priority Share. No further distributions are made on the Priority Share. Further details of the rights attached to the Priority Share are outlined in Chapter 13 "Share Capital and Shareholders' Meetings", section 13.2 "Summary of the Articles of Association" under "General Meeting of Shareholders".

3.4 Manner of dividend payments

Payment of any dividend on Shares in cash will be made in Euro. Distribution of payment can be made in the form of Shares.

3.5 Uncollected dividends

Claims to dividends and other distributions not made within five years from the date that such dividends or distributions became payable will lapse and any such amounts will be considered to have been forfeited to the Fund.

3.6 Taxation on dividends

The Fund is generally required to withhold Dutch dividend withholding tax at a rate of 15% from dividends distributed by the Fund. For a discussion of certain aspects of Dutch taxation of dividends, see Chapter 8 “Taxation” of the Securities Note.

4 THE MARKET

Set out in this Chapter is information on the economy and real estate market in Czech Republic, Slovakia and Poland. This information is derived from the sources stated herein.

4.1 The economy of the Czech Republic

All domestic demand components contributed to a strengthening of economic growth in 2015, with real gross domestic product ("**GDP**") growth reaching 4.2%, more than double the rate of the previous year (2.0%). Household consumption rose by 2.8% in real terms, amid rising wages, rising employment and low inflation. Investment contributed strongly to real GDP growth, particularly due to a strong increase in public investment, which was driven by a greater use of EU funding.

Public investment is forecast to increase in 2016, despite a decline in the exceptional level of drawing of EU funds. Real GDP growth is expected to slow slightly to 2.1%, although domestic demand will otherwise remain strong. With investment recovering and household consumption remaining strong, real GDP growth should pick up again in 2017 to 2.6%. The main risk to the forecast stems from external demand, which could negatively impact on the highly-open Czech economy if it were to be weaker than expected.

Inflation remained stable in 2015 (0.3%) compared to 2014 (0.4%), despite strong real GDP growth and increasingly tight labour market conditions. The unemployment rate was 5.1% in 2015 and is forecast to fall further to 4.4% by 2017. Employment grew by 1.2% in 2015 but further growth will be limited by demographic constraints. While labour market conditions are expected to contribute to domestic inflationary pressures, particularly in the services sector, inflation is forecast to average only 0.5% in 2016. This is mainly due to further declines in commodity prices, particularly oil, which are expected to lead to declining import prices. Inflation is forecast to start moving back towards the Czech National Bank's target of 2% in 2017 but is not expected to reach that target over the forecast horizon.

Net exports contributed negatively to real GDP growth in 2015, reflecting the high import intensity of rising consumption, investment and exports. As investment is set to stagnate in 2016, however, import growth should slow, leading to a positive contribution of net exports. Rising investment in 2017 is expected to reduce this contribution, although it is forecast to remain positive. With imports growing less than exports and the price of imports also falling, the Czech Republic's trade surplus should rise to an estimated 5.5% in 2017 from 5.0% in 2015. While the current account deficit is also expected to recede, this could be affected by volatility in primary income flows.

Table 4.1 - Key economic Indicators of the Czech Republic

	2014	**2015**	**2016f**	**2017f**
Real GDP growth (in %)	2.0	4.2	2.1	2.6
Private consumption (in %)	1.5	2.8	2.8	2.7
Public consumption (in %)	1.8	2.8	3.0	1.9
Employment (in %)	0.6	1.2	0.4	0.3
Unemployment (in % of total labour force)	6.1	5.1	4.5	4.4
Harmonised index of consumer prices (in %)	0.4	0.3	0.5	1.4
Current-account balance (in % of GDP)	-2.0	-2.0	-1.5	-1.3
General government balance (in % of GDP)	-1.9	-0.4	-0.7	-0.6
General government gross debt (in % of GDP)	42.7	41.1	41.3	40.9

Source: *European Commission, Focus-economics May 2016*

(f = forecast)

4.2 The Czech real estate market

Prague offices

In Prague, there is stable demand from both the IT and Professional services sectors which have been active throughout the economic crisis and these two sectors are expected to continue to lead demand in the coming years.

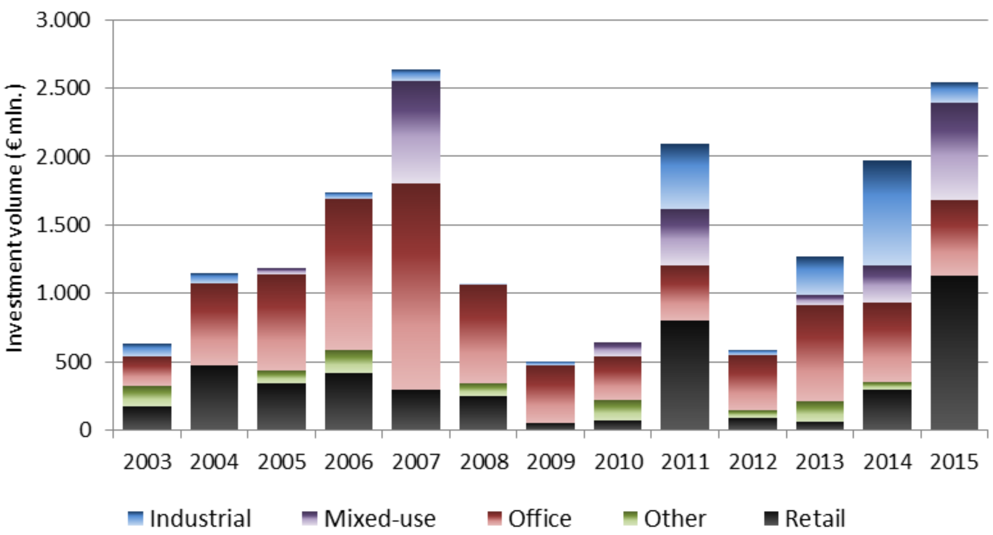
Strong development activity continued through 2015. In 2015, approximately 190,600m² of offices were completed which represents the highest level since the record year of 2008. At the end of 2015, total office stock in Prague stood at 3.22 million m². However, the Fund notices new completions remain low and strong demand continues in 2016. JLL expects as of H1 2016 only 32,600m² of offices to be completed in 2016 and 91,000m² in 2017. The vacancy rate dropped to 14.6% by 2015 year end. The lowest vacancy, 11.1%, was recorded in Prague 8, where the Fund's property Na Žertvách 34 is located. Prague 7 has the highest vacancy (32.7%). The total gross take-up in Q4 reached 160,919m², making it the busiest quarter in the history of the Prague office market. Gross annual office take-up reached 447,958m², which also makes it the busiest year in Prague's history, exceeding the previous record set in 2014 by 35%. There have been further declines in the vacancy rate during the first half of 2016 to 12.3% and CBRE expects the trend to continue for the rest of the year.

Regional offices

Modern office stock is concentrated predominantly in Prague. Outside Prague, larger concentrations of modern office stock can only be found in Brno and Ostrava.

Blue chip companies usually consider Brno and Ostrava due to favourable rental conditions, a cheaper labour force and universities. During the first half of 2016, the vacancy rate in Brno reduced to 13.7%, down 2.6 percentage points compared to the first half of 2015.

Graph 4.1 - Investment volume in the Czech Republic



Source: *CBRE Research*

4.3 The economy of Slovakia

Real GDP growth strengthened to 3.6% in 2015 due to a substantial rise in domestic demand. Investment benefited from intensified drawing of EU funds, as the possibility to make use of funding available under the 2007-2013 programming period came to an end. Household consumption was supported by positive labour market developments, sound wage growth, continued low inflation and favourable credit conditions. Net exports, however, contributed negatively to growth, as imports were boosted by elevated investment activity and their growth outpaced the growth of exports. Slovakia's recovery is forecast to continue, with real GDP growth of more than 3% in both 2016 and 2017.

Investment expanded by more than 10% in 2015, with public investment receiving a substantial boost from EU funding and private investment benefitting from declining interest rates and improving credit conditions. Public investment is forecast to recede in 2016, as the drawing of EU funds returns to more normal levels. The expected decline in public investment expenditure should be partly offset by stronger private investment activity.

Accelerating household expenditure looks set to be the strongest driver of growth in 2016 and thereafter. Private consumption is expected to expand by 3.6% in 2016, fuelled by steady gains in employment, solid real wage growth and low credit costs. The continued fall in energy prices also strengthens household budgets, with the windfall gains expected to feed through to consumption. Household spending is forecast to ease marginally in 2017, as increasing prices bite into real disposable income.

Imports were fuelled by buoyant public investment activity in 2015 and outpaced exports, implying a negative contribution of net exports to real GDP growth in 2015. Export growth is forecast to ease in 2016, mirroring the expected slowdown in import dynamics of Slovakia's main trading partners, and to pick up thereafter. The trade balance is forecast to be broadly neutral in 2016 and 2017.

The unemployment rate fell to 11.5% in 2015 and is expected to further decline to around 9.5% in 2017 on the back of robust economic expansion. The activity rate increased substantially in 2015, but long-term unemployment remained elevated. Nominal wage growth has continued to pick up in 2016, providing a substantial boost to household purchasing power in a low-inflation environment.

Table 4.2 – Key economic Indicators of Slovakia

	2014	2015	2016f	2017f
Real GDP growth (in %)	2.5	3.6	3.2	3.3
Private consumption (in %)	2.3	2.4	3.6	3.2
Public consumption (in %)	5.9	3.4	0.9	2.6
Employment (in %)	1.4	2.0	1.8	1.5
Unemployment (in % of total labour force)	13.2	11.5	10.5	9.5
Harmonised index of consumer prices (in %)	-0.1	-0.3	-0.1	1.5
Current-account balance (in % of GDP)	-0.8	0.8	-0.6	-1.1
General government balance (in % of GDP)	-2.7	-3.0	-2.4	-1.6
General government gross debt (in % of GDP)	53.9	52.9	53.4	52.7

Source: *European Commission May 2016*
(f = forecast)

4.4 The Slovak real estate market

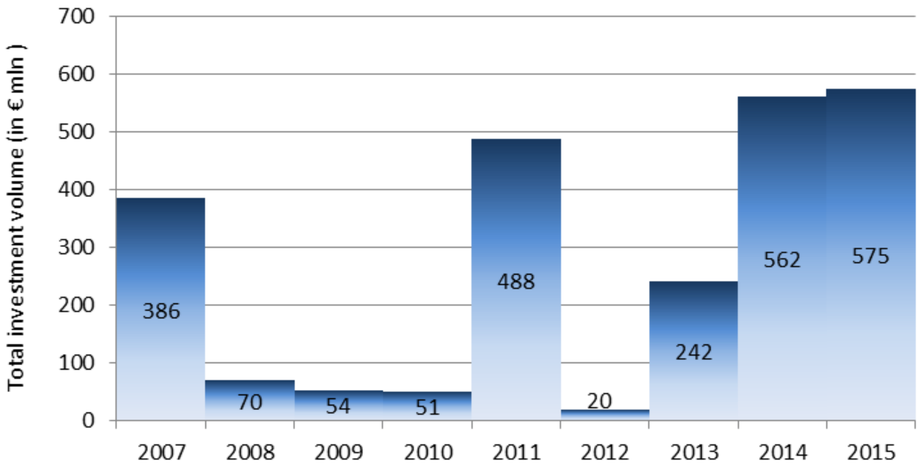
Investment

While investor appetite has been gradually improving during the last two years, the pace really picked up in 2014 to drive home a record year in transaction volumes for Slovakia (see graph 5.4). In 2015, total investment volume was even higher compared to the previous year, accounting for approximately €575 million.

Regarding income producing properties, although the investment market is expected to continue to be dominated by local investors, the Fund anticipates a rise in the number of institutional transactions in 2016 and 2017.

Office development is still dominated by strong local groups and is largely focused on Bratislava. Regional cities such as Košice and Banská Bystrica are an attractive option for international companies seeking to move their non-core activities and this outsourcing model is expected to continue as an important demand driver for the office markets in these cities.

Graph 4.4 - Total investment volume Slovakia (in € million)



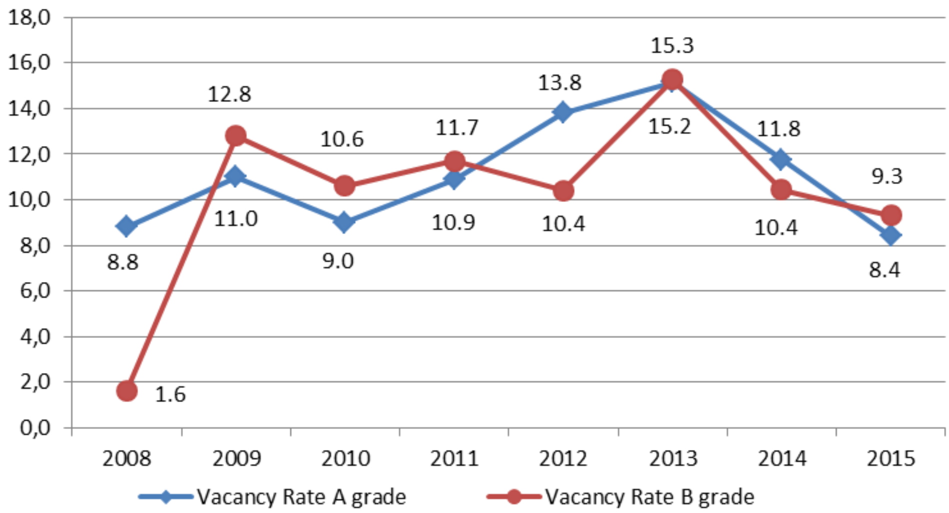
Source: *CBRE Research*

Bratislava offices

By the end of June 2016, total office stock of A and B grade quality in Bratislava continued to hold steady at 1.54 million m². Almost 58% of the space is represented by A grade office space and more than 42% by B grade office space. The lack of significant additions to the Bratislava office stock during 2015 and H1 2016 reflected the continuing reluctance of developers to commence construction without having secured pre-leased tenants. However, there has been a significant decrease of the vacancy rate from 11.49% (Q3 2015) to 7.91% (Q1 2016).

This reduction of vacancy is putting rental levels for Bratislava office buildings under some upward pressure in 2016.

Graph 4.5 - Vacancy rate in Bratislava (in %)



Source: *Colliers International/BRF*

4.5 The economy of Poland

In the second half of 2015, the Polish economy continued to follow a path of strong and remarkably stable growth. For the year as a whole, real GDP increased by 3.6%, on the back of robust private consumption, investment, and a small positive contribution from net exports. The outlook remains favourable as real GDP is projected to increase by 3.7% in 2016 and 3.6% in 2017.

Private consumption is set to remain the dominant growth driver, supported by further improvements in the labour market as well as by an increase in government transfers, notably a new child benefit. Private investment is expected to grow moderately as a result of an already high degree of capacity utilisation, strong corporate profits and low interest rates. On the other hand, a new tax on the assets of financial institutions is likely to weigh on investment if banks respond by adjusting their lending rates. Public investment is set to accelerate in 2017, as projects co-financed with EU-funds from the new programming period enter the implementation phase.

Employment growth is expected to slow to 0.7% in 2016 and 0.5% in 2017 due to a shrinking working age population and stagnating labour force participation. Labour migration, especially from Ukraine is set to become an increasingly important element of the Polish labour market. Most new jobs are expected to come with permanent contract types leading to a decline in the share of atypical contracts from the currently very high level. The unemployment rate is forecast to decline to 6.3% in 2017, below the historical low observed in 2008 and should contribute to faster nominal wage growth.

Inflation turned positive in early 2016, but price pressures are set to remain subdued as energy prices are expected to remain low for longer than previously assumed. Consumer prices are forecast to remain level in 2016 and rise by 1.6% in 2017.

The risks to the macroeconomic forecast are broadly balanced. On the downside, some of the economic policy decisions taken or announced since the last general elections can affect business confidence. On the upside, public investment may turn out to be stronger than currently projected.

Table 4.3 – Key economic Indicators of Poland

	2014	**2015**	**2016f**	**2017f**
Real GDP growth (in %)	3.3	3.6	3.7	3.6
Private consumption (in %)	2.6	3.0	4.1	4.0
Public consumption (in %)	4.7	3.4	4.0	2.9
Employment (in %)	1.7	1.4	0.7	0.5
Unemployment (in % of total labour force)	9.0	7.5	6.8	6.3
Harmonised index of consumer prices (in %)	0.1	-0.7	0.0	1.6
Current-account balance (in % of GDP)	-1.3	0.1	-0.3	-0.9
General government balance (in % of GDP)	-3.3	-2.6	-2.6	-3.1
General government gross debt (in % of GDP)	50.5	51.3	52.0	52.7

Source: *European Commission May 2016*

4.6 The Polish retail real estate market

At the end of H1 2016 modern retail stock in Poland totalled 13.01 million m^2 across the following retail formats: 9.28 million m^2 (71%) in shopping centres, 3.57 million m^2 (27%) in retail parks and warehouses, and 0.21 million m^2 (2%) in outlet centres. The Polish retail market gained 115,800 m^2 of new space in H1 2016, and only in Q2 2016 retail market grew by around 91,300 m^2 across all formats.

The vacancy rate in Poland's largest cities (Warsaw, Krakow, Poznań, Wrocław and Gdansk) ranges from low to moderate. For example, in Poznań and Wrocław, where new retail development has been extensive, vacant units account for 4% and 3.2% of existing gross lease area ("**G.l.a.**") respectively. In contrast, Warsaw, where new supply has been relatively constrained, currently maintains a vacancy rate of 1.5%.

Retailer demand stemming from domestic brands remains relatively buoyant, especially in terms of large market players, such as LPP Group (a leading distributor of lab, pilot and process equipment in Eastern Europe) or CCC (market leader in the Polish footwear retail), who continue to cautiously, yet gradually secure new locations across the country. The most popular international brands are still very selective, but at the same time continue their expansion in increasingly smaller markets.

The highest demand still involves prime projects in particular markets, while secondary locations and assets face more challenges. Retail parks are gradually gaining recognition from both domestic and foreign retailers, however, apart from a number of budget brands such as KiK and Pepco this pool usually still does not include fashion, although this may change in the near future. This retail format is more often perceived as well suited to smaller towns, where shopping centres could prove unsustainable.

Shopping centres are still the dominant format, encompassing over 0.5 million m^2 of the newly developed retail space in 2015. In 2015, an additional 30,000 m^2 was developed in retail park format and almost 100,000 m^2 as single let retail warehouses. Shopping centres accounted also for over half of the new retail supply in H1 2016, whereas 36% of the total retail supply was related to standalone retail warehouses, the rest was related to retail park extensions. No new retail space was delivered in the sector of outlet centres in H1 2016. Currently more than 610,000 m^2 is at the development stage, over half of which is expected to enter the market by the end of 2016. 65% of 2016 pipeline will be found in the major agglomerations, while the remaining 35% can be found in cities of below 100,000 inhabitants.

Rent levels for prime locations in the biggest cities increased slightly over 2015. Smaller cities and secondary locations remained stable in that aspect.

As at H1 2016 the most recently completed shopping centres and retail parks were leased at 90% and higher upon opening, which confirms investors’ more cautious approach to new projects being carefully planned and tailored to the local market requirements.

5 BUSINESS

5.1 Overview

The Fund invests in commercial real estate in Central and Eastern Europe ("**CEE**"). In principle these investments are made through local companies on the basis of local legislation. For this purpose, the Fund utilises its local subsidiaries Arcona Capital RE Bohemia, s.r.o. ("**AC Bohemia**") and Arcona Capital RE Slovakia, s.r.o. ("**AC Slovakia**"). AC Bohemia is a Czech legal entity with the sole purpose of holding investment properties for the Fund in the Czech Republic (currently 5) and AC Slovakia is a Slovakian legal entity with the sole purpose of holding investment properties for the Fund in Slovakia (currently 9).

The Fund Manager cooperates with a number of internal and external service providers for the asset and property management of the Fund's investment properties:

- Arcona Capital Czech Republic, s.r.o., a Czech legal entity with its office in Prague ("**ACCR**"), is responsible for the asset management of the Fund's investment properties in the Czech Republic and Slovakia;
- Arcona Capital Poland Sp. z o.o., a Polish legal entity with its office in Warsaw, will be responsible for the asset management of the Fund's investment properties in Poland;
- International real estate advisory firm Knight Frank is responsible for the property management of the Fund's investment properties in the Czech Republic; and
- Zbereko, spol. s.r.o. is responsible for the property management of the Fund's investment properties in Slovakia.

The external party which will be responsible for the property management of the Fund's investment properties in Poland will be selected in a tender process following completion of the Acquisition.

The Fund offers several important features that distinguish it from other real estate funds:

- the focus on Central and Eastern Europe;
- local representation of Arcona Capital, with its own offices in Prague (Czech Republic), Warsaw (Poland), Cluj-Napoca (Romania) and a representative office in Sofia (Bulgaria) and with its own qualified staff and specific know-how;
- access to regional property management knowledge and facilities; and
- the Fund Manager's long-term experience in Central and Eastern Europe.

The Fund has a volume of €56.2 million and has invested in 14 commercial properties in the Czech Republic and Slovakia. The current portfolio is predominantly invested in the office sector.

5.2 History

The Fund is a Dutch public limited company structured as an investment company with variable capital (*beleggingsmaatschappij met veranderlijk kapitaal*) within the meaning of Article 76a of Book 2 of the Dutch Civil Code.

2002	The Fund was incorporated as Middle Europe Real Estate N.V. by Oost-Europa Participaties B.V. (which later became Middle Europe Investments N.V. and, in 2012, Palmer Capital Nederland N.V.). The incorporation was executed by means of a notarial deed dated 27 November 2002 before Prof. D.F.M.M. Zaman, civil-law notary in Rotterdam, the Netherlands.

2003

The Fund has been listed on Euronext Amsterdam since 2003.

The Fund had the status of FBI (*fiscale beleggingsinstelling*) in accordance with Article 28 of the Dutch Corporation Income Tax Act 1969, which implies that a corporate tax rate of 0% was applicable provided that a number of conditions were met.

2006

On 24 January 2006 the Fund Manager obtained a licence under the Act on the Supervision of Investment Institutions from the AFM.

2007

The Fund has operated under the Financial Supervision Act since 1 January 2007.

2008

On 23 May 2008, the name of the Fund was changed to MEI-Real Estate N.V.
Due to market circumstances the Fund was "temporarily" closed for Share issues and redemptions in September and October 2008.

2009

The Fund ended its FBI-status on 1 January 2009 as the benefits did not outweigh the restrictions related to the status.

At the General Meeting of Shareholders on 21 October 2009 the Shareholders agreed with the proposal of the Management Board to enter into an agreement with NPEX (*Nederlandsche Participatie Exchange*) to enable the Shareholders to sell or buy certificates of Shares on this trading platform. The Shares remained listed on Euronext Amsterdam.

2010

On 22 October 2010, the Fund announced that the AFM appointed a silent trustee (*stille curator*) in order to further secure the interests of the investors in all entities managed by MEI-Fondsenbeheer, which included the Fund. The members of the Management Board at that time (R.E. de Rooy and P.H.M. Winkelman) subsequently transferred their shares in the Fund Manager to Palmer Capital Investments GmbH, which resulted in the change of control on 27 February 2012 (see below). The silent trustee oversaw the change of control and subsequently stepped down.

2012

Since 5 January 2012 the Fund has operated as a closed-end investment fund. The decision to change the structure from an open-end investment fund to a closed-end investment fund was taken at the General Meeting of Shareholders' on 7 July 2011. The Fund's listing on Euronext Amsterdam enables daily Share trading although the conversion to a closed-end fund resulted in a gradual divergence between the Share price and its net asset value per Share.

On 27 February 2012 Middle Europe Investments N.V., the 100% shareholder of the Fund Manager, was acquired by Palmer Capital Investments GmbH. Following the takeover, the name of Middle Europe Investments N.V. was changed to Palmer Capital Nederland N.V. On 15 June 2012, the name of MEI-Fondsenbeheer B.V. was changed to Palmer Capital Fondsenbeheer B.V. and on 21 June 2012, the name of MEI-Real Estate N.V. was changed to Palmer Capital Emerging Europe Property Fund N.V.

In April 2012 the Management Board presented a restructuring plan for the Fund. This envisaged cost reductions, re-financing of loans and the subsequent growth of the Fund.

2013

The Management Board informed the market about the strategic re-financing progress that will increase free cash flow and financial control, and will make an earlier dividend distribution possible. The successful

extension of the Tatra Banka loan initiates the re-financing and recapitalisation process that will enhance fund performance.
During the third quarter of 2013 the renovation of the Letná 45 office building in Kosice was successfully completed at a cost of €800,000. The renovation of the space of the main tenant Sykes and the façade added value by securing an expansion of the tenant and transforming the external appearance of this prominent property.

2014

In March 2014 the Fund completed the re-financing of the Czech Real Estate portfolio with Sberbank. The bank provided an annuity loan with a fixed interest rate period of 3 years to the Czech subsidiary AC Bohemia. The annuity is calculated over a period of 20 years. The weighted average interest rate on the loan is 3.42%.

In June 2014 Mr H.H. Kloos was appointed as Chairman of the Supervisory Board subject to formal approval of the AFM. The approval of the AFM was announced in a press release of 31 October 2014.

In August 2014 the Fund concluded the sale of the Račianska 71 office building, in the Slovak capital Bratislava. The sale price of €500,000 was close to the latest external property valuation.

In August 2014 the Fund commenced issuance of up to 100,000 Shares for the re-finance of the Fund to increase free cash flow and financial control, and eventually to facilitate a (dividend) distribution. 98,997 Shares were issued on 12 September 2014 at an average net price of €6.43 per Share. The outstanding number of Shares increased by 7.39% to 1,438,704 Shares.

In September 2014 the Fund informed the market about progress in the strategic re-financing. The agreement on extension of the Tatra Banka loan initiated a re-financing and recapitalisation process to secure the Fund's long-term future.

The Fund closed the first part of a convertible bond for an amount of €1.07 million which (together with the proceeds from the issuance of 98,997 Shares in August 2014) was used for the instalment of the expiring Tatra Banka loan. Tatra Banka then provided a new €12 million loan for five years at more favourable terms.

In November 2014 the Fund sold part of the Brno office building Sujanova Namesti 3 for €725,000.
In December 2014 the fund sold the Saca logistic property in Kosice for €775,000.

2015

In February 2015 the Fund placed a second tranche of a convertible bond at €1.42 million. With the proceeds of the issuance of this convertible bond, the Fund paid back the loan provided by SNS Bank N.V. on 27 February 2015. From that moment dividend distribution to Shareholders became possible.

The sale of the GiTy property in Brno for €3.18 million was completed in March 2015.

In March 2015 the Fund announced the first distribution after the financial restructuring of €0.30 per Share for the year 2014.

During the General Meeting of Shareholders on 13 May 2015 the Management Board presented the growth strategy for the Fund.

In August 2015 the Management Board proposed to distribute an interim dividend of €0.10 per Share to the Shareholders, which was paid on 31 October 2015.

2016	In April 2016 the Management Board announced a final distribution of €0.25 per Share which has been paid in cash on 28 September 2016. In April 2016 the name of Palmer Capital Fondsenbeheer B.V. was changed to Arcona Capital Fund Management B.V. The name of Palmer Capital Investments GmbH was changed to Arcona Capital GmbH. In August 2016 the Management Board announced the refinancing of the Slovak portfolio. The Slovak portfolio was refinanced by Slovenska Sporiteľňa. The new loan provides up to €13.4 million and has a term of five years and an interest rate of 2.45 % (= 3 months EURIBOR + 2.45%). With this new funding the previous bank loan at Tatra Banka of approximately €10.9 million was repaid. On 21 September 2016 the Articles of Association were amended, including the name change of the Fund to Arcona Property Fund N.V. (ticker code ARCPF) and the increase of the authorised share capital of the Fund.

5.3 Competitive strengths

The Fund's key competitive strengths are the following:

Local presence

The Fund is able to operate efficiently in regional markets across the CEE countries as it uses locally-based management staff in a network of local offices. Its status as an international listed fund gives it a standing and relevance in these regional markets which is not shared by the local competition. This enables it to compete effectively locally for tenants and new acquisitions. International competitors, generally not supported by a local management network, tend to focus on the region's capital cities, where entry prices are consequently higher and income yields lower.

Operational excellence

The Fund is managed by experienced professional real estate staff with a track record of delivering consistently high income returns to third party investors in their property funds. Since assuming the management of the Fund in 2012 by Arcona Capital, exploitation costs have been reduced by 34.1%, Fund costs excluding one off costs have decreased by 40.5%, LTV has been reduced from 57.9% at the end of 2011 to 40.4% (June 2016), distributions to Shareholders have recommenced and the Share price has risen by 21.6% (from €6.70 at 1 January 2012 to €8.15 at 30 June 2016).

Diversified tenant base

The tenant base is very diversified. On 30 June 2016 there were 842 lease contracts in place. The biggest tenant is AT&T. AT&T represents 13.1% of the aggregate portfolio's rent. There is no concentration over particular sectors. In April 2016 KROS extended their lease in Zilina until 2025 and increased the area leased, thus becoming the second-largest tenant in the portfolio after AT&T. In May 2016 AT&T extended their lease on 5,637m² in Letna 45, Kosice, to April 2020. These two lease extensions have increased the average remaining lease term across the portfolio to 3.70 years per 30 June 2016. As per such date the average remaining lease term is 3-5 years for the top-10 tenants in the portfolio, based on the annual gross rental income. AT&T has entered into a new lease agreement till December 2020 with extension options for in total 9 years.

Financial strength and conservative leverage

The LTV ratio of the Fund is 40.4% as of 30 June 2016. The anticipated long-term LTV will be between 45% - 50%. The debt service in the years 2008 to 2014 was relatively high, not enabling the Fund to invest as much as it desired into the properties. In 2013 and 2014 improving market conditions enabled the Fund Manager to re-finance the portfolio against more attractive terms and a lower debt service. As a result, the Fund paid its first cash distribution to its Shareholders in the first half of 2015.

Experienced management team

The Fund is overseen by its Management Board and Supervisory Board. The Fund Manager has an excellent long-term track record in Central European real estate (since 1992) and has successfully executed the restructuring phase of the Fund since Arcona Capital taking over the management of the Fund in 2012. In its local markets, the Fund benefits from a strong operations team and experienced local country directors.

5.4 Strategy

The Fund Manager's vision is to position the Fund as the benchmark listed property vehicle for the CEE region, providing regional market exposure for both private and institutional investors. The Fund should provide capital preservation and a high dividend yield through a diversified and liquid vehicle managed by property specialists with a fiduciary mindset. This is a key differentiation from the other listed stocks in the region, which are either very sector-specific or are primarily development-focussed with a higher risk profile.

The long-term target Fund size is €500 million, with between 30 and 50 assets. Geographical allocations are planned as follows:

- Poland 40% (to €200 million);
- Czech Republic 20% (to €100 million);
- Slovakia 10% (to €50 million); and
- Other CEE (Romania, Bulgaria, Serbia, Croatia, Slovenia, Hungary, Turkey) 30% (to €150 million).

Of the above, Poland and the Czech Republic are seen as the Fund's core markets in the long-term.

Foreign institutional investors targeting the region tend to focus on single-leased properties in capital cities or retail centres above €50 million lot size, assets for which the resulting competition has driven pricing to excessive levels. The Fund, in contrast, focuses on modern high-yielding commercial property with multiple tenants in regional locations, where Arcona Capital's local platform delivers both market access and asset management presence. As a Western-European based "institutional" purchaser the Fund has a competitive advantage through better access to financing in these regional markets over local purchasers.

This acquisition strategy will target edge-of-town retail parks, supermarkets, regional office properties and multi-leased logistic centres, with individual lot sizes in the €5 million to €15 million range.

Expansion of the Fund will be primarily undertaken through portfolio acquisitions. If the funding of the Acquisition is successful, this transaction can be followed by larger acquisitions of between €50 and €100 million. The Fund Manager is currently tracking several additional portfolio sales of this type which would fit the above strategy, mainly in the out-of-town retail sector in the Czech Republic and Poland.

Four non-core assets have been sold out of the Fund's portfolio in the last 24 months (Zlin, Brno, Bratislava, Kosice). A further five assets (in Prague and Kosice), which currently have a relative low contribution to the net operating income of the Fund, will be sold out of the portfolio within the next two years once the acquisition programme has increased the overall Fund size to over €75 million.

The current portfolio is characterised by office properties with poor insulation and energy conservation ratings (reflecting the date and style of construction). Parallel to the acquisition and disposal strategy detailed above, an intensive programme of capital investment into the existing portfolio is focussing on improving energy efficiency, e.g. boiler upgrades, window replacements, façade insulation. This programme will utilise EU funding programmes which can contribute up to 50% of the capital cost.

With the completion of the restructuring phase in March 2015 the Fund is now fully focused on a growth phase. The Fund is executing its growth strategy by focusing on the following:

Portfolio acquisitions in targeted sectors

The Fund aims to acquire high-yielding modern commercial properties in the CEE region by portfolio acquisitions and individual purchases. These acquisitions will be funded by a combination of senior debt and cash generated by operations, non-core asset sales, bond and share issues.

Continued strong focus on operations

The Fund aims to continue building on its track record of operational excellence established during its restructuring phase, in particular by continuing to reduce operational costs and improve occupancy levels in the existing portfolio. The Fund will apply the same focus on operational excellence to the Target Portfolio where it aims to increase returns by active re-tenanting and re-modelling as well as realising selective extensions of leases. In addition, the Fund will continue to identify and realise opportunities to add value to the existing portfolio by redevelopment and refurbishment.

Portfolio management through selective investments and disposals in core markets

Going forward, the Fund has a clear strategy for its core markets, focusing on regional sectors with above-average growth potential and limited international competition. The Fund may seek selectively to enter new markets in the region where the Fund Manager's local presence can identify and secure high-quality income producing assets at favourable prices.

The Fund will continue to dispose of assets that are not aligned with its strategic focus if favourable opportunities for completing such disposals arise.

Maintaining a prudent financial strategy that supports growth

The Fund intends to maintain its prudent financial strategy of conservative leverage, targeting an LTV ratio in the range of 45%-50% (as at 30 June 2016: 40.4% (including the outstanding convertible bonds)).

The Fund is targeting, in the long-term, an annual distribution to shareholders of 8% of net asset value. The €0.30 per Share distribution for 2014 and the €0.35 distribution for 2015 are a demonstration of the Fund Manager's intent in this respect. From this starting point the Fund is expected to increase the levels of distribution in line with growth in the operational results of the Fund.

5.5 Key performance indicators

The following table presents the key performance indicators for the Fund's portfolio, excluding the Target Portfolio. For a description of certain key parameters, see Chapter 2 "Important Information", section 2.6 "Non-IFRS information".

Table 5.1 - Portfolio

	For the 6 month period ended 30 June		For the years ended 31 December		
	2016	**2015**	**2015**	**2014**	**2013**
	unaudited	unaudited			
Number of properties	14	14	14	15	17
Gross rental income (x €1,000)	2,942	2,912	6,431	6,960	7,563

Leverage (%)	40.4	43.1	41.0	44.7	47.5
Occupancy rate (%)	78.2	79.9	78.0	75.0	73.7
Geographical distribution (% valuation)					
- Czech Republic	29.4%	29.6	29.5%	33.3%	33.5%
- Slovakia	70.6%	70.4	70.5%	66.7%	66.5%
Issued share capital					
Ordinary shares	1,411,713	1,411,713	1,411,713	1,411,713	1,296,819
Registered shares	26,991	26,991	26,991	26,991	42,888
No. of outstanding ordinary shares	1,438,704	1,438,704	1,438,704	1,438,704	1,339,707
Data per average outstanding ordinary share (x €1)					
Direct investment result	0.08	0.32	0.30	0.88	1.01
Indirect investment result	0.00	-0.19	-0.00	-0.07	-1.11
Total investment result	0.08	0.13	0.30	0.82	-0.10
Data per share (x €1)					
Cash dividend/distribution	0.65	-	0.40	-	-
Net asset value	19.63	19.80	19.86	19.85	20.01

The Fund’s investment portfolio, which was internally valued at €53.27 million as of 30 June 2015 and €53.33 million as of 30 June 2016, consists of the Fund's investment properties, which are held to earn rental income and/or for capital appreciation.

5.6 The portfolio

In the Czech Republic the Fund has invested in office properties in Prague and Brno. As of the date of this Registration Document, the Fund’s Czech portfolio comprised 5 offices (the “**Czech Portfolio**”). As of 30 June 2016, the Czech Portfolio of offices was internally valued at a total value of €15.66 million, representing 29.4% of the total Fund portfolio.

In Slovakia, the Fund has invested in properties in the capital Bratislava and the regional cities of Košice and Žilina. As of the date of this Registration Document, the Fund’s portfolio in Slovakia comprised 9 properties (the “**Slovak Portfolio**”). These properties are predominantly in office use, but also provide retail and residential space. As of 30 June 2016, the Slovak Portfolio was internally valued at a total value of €37.67 million, representing 70.6% of the total value of the total Fund portfolio.

Table 5.2 – The investment portfolio

The key data of the properties in the Czech and Slovak Portfolio as of 30 June 2016 is shown below.

Location	City	Lettable space (m²) N.l.a.	Parking spaces (number)	Year of acquisition	Year of construction (or renovation)
Drahobejlova 27	Prague	2,405	9	2004	1980 (2004)
Na Žertvách 34	Prague	2,180	27	2004	1995
Prvniho Pluku 621/8a	Prague	3,262	34	2007	1955 (2012)
Šujanovo náměsti 3	Brno	5,013	24	2006	1955 (2015)
Politických Vězňu 10	Prague	2,362	38	2005	1910 (2014)
Total Czech Republic		**15,222**			
Záhradnicka 46	Bratislava	3,755	59	2006	2006
Pražská 2	Košice	6,024	23	2006	1960
Pražská 4	Košice	6,088	9	2006	1960

Krivá 18	Košice	6,058	0	2006	1960
Krivá 23	Košice	7,318	111	2006	1960
Gemerská 3	Košice	4,523	88	2006	1960
Letná 45	Košice	11,229	89	2006	1965 (2013)
Alexandra Rudnaya 21	Žilina	9,825	83	2007	1971 (2014)
Kysucká 16	Košice	10,712	3	2007	1960
Total Slovakia		**65,533**			

5.7 Operational activities

The portfolio is managed by the Fund Manager through the local subsidiaries of the Fund in Slovakia and the Czech Republic.

Portfolio strategy, investor relations and financial management including debt financing are handled at a portfolio level by the Management Board.

Acquisitions and disposals of properties are initiated by the Management Board and require the prior approval of the Supervisory Board.

Asset management

The local management offices are responsible for the economic performance of the individual assets. This includes reporting, budget planning, capital expenditure decisions, organisation and management of service providers and relationship management with tenants.

Property management

The daily property management is out sourced to local companies. Property management involves ensuring that both landlord and tenant fulfil their obligations under the law and under individual rental contracts.

Leasing

In the Czech Republic, Slovakia and Poland the Fund has skilled in-house leasing managers whose task it is to maximise the occupancy rates of the Portfolio. The Fund also makes use of third party letting agents, especially for regional markets.

Personal contacts with tenants

To maintain direct contact with tenants and the market, the Fund has its own local management offices in the countries in which it operates. In the Czech Republic and Slovakia, key accounts have been identified and the local management team gives a very high priority to the maintenance of positive relationships with these tenants.

Property renovation and refurbishment

The Fund has invested, and will continue to invest, in the appeal, quality and sustainability of its portfolio by actively renovating and refurbishing its properties so as to maintain capital value and to increase rental income.

5.8 Leases and occupancy

As of 30 June 2016, the Fund was party to 842 lease agreements, of which approximately 72.9% relate to office space. The terms of the standard lease agreements which the Fund applies require tenants to provide a bank guarantee or to make a security deposit and to pay rent in advance. The standard lease agreements generally differ from one market to another as a result of differences in legal regimes, which affect lease terms and terminations and annual rent increases as well as market practice.

The average remaining term of the Fund's lease agreements, as at 30 June 2016, was approximately 3.70 years.

As of 30 June 2016, the Fund had 675 tenants with indefinite lease agreements, representing approximately 55.3% of the Fund's annual rent. A lessee with an indefinite lease contract can terminate the contract at any moment with a notice period of three months. Lease agreements representing approximately 6.7% and 7.6% of the Fund's annual rent as of 30 June 2016 expire in 2016 and 2017, respectively. The table below gives an overview of the annual rent during the remaining terms of the lease agreements as of 30 June 2016 (excluding the Target Portfolio's lease agreements).

Table 5.3 - The remaining terms of the lease agreements

Year of expiration (unaudited)	**Annual rent as of 30 June 2016** in €1,000	**% of total annual rent per 30 June 2016** in %
Indefinite	3,181	55.3
2016	384	6.7
2017	436	7.6
2018	236	4.1
2019	247	4.3
2020	802	13.9
After 2020	465	8.1
Total	**5,751**	**100.0**

5.9 Tenants

The Fund's properties are leased to a wide variety of national and international tenants operating across all business and administrative sectors. This renders the Fund less vulnerable to specific lease expiries or to negative trends in a specific occupier sector. Over a period of time, however, it can be observed that the occupancy level of the portfolio and the changes in income levels are directly correlated to the underlying economic performance of the regional economies in which the Fund's assets are located, with a time lag of 12 – 24 months.

As of 30 June 2016, the Fund's ten largest tenants contribute in the aggregate approximately 24.1% of the Fund's total annual rent:

Table 5.4 - The Fund's ten largest tenants

(unaudited)	**Annual rent** in €1,000	**Of total rental income** in %
AT&T Global Network Services Slovakia s.r.o.	754	13.1
KROS a.s.	122	2.2
Slovak telekom a.s.	109	1.9
Česká Republika - Úřad práce České republiky	104	1.8
EL TORO, s.r.o.	59	1.0
EGP INVEST, spol. s.r.o.	54	0.9
KARDIOCOMP s.r.o.	50	0.9
Československá obchodná banka, a.s.	48	0.8
Agility Logistics s.r.o.	43	0.8
VUP Medical, a.s.	41	0.7

Total	**1,384**	**24.1**

5.10 Insurance

The Fund maintains insurance policies covering its properties for risks such as property damage, third party liability, business interruption and public liability, with policy specifications and insured limits which the Fund believes are customary for the real estate business in its local markets. There are, however, certain types of risks that are generally not or not fully insured against, such as damages caused by armed conflict, civil wars and riots, nuclear catastrophe, terrorism, flood, earthquake and volcanic eruption or other force majeure events and civil liability for environmental damages. Loss of rental income is covered for a period of 12 months.

Risk management

The Management Board is responsible for the organisation, implementation and functioning of the internal risk management and control systems that pertain to the Fund's business activities. Annually, the Fund's control department performs country reviews in all local management offices, by assessing the administrative organisation and internal controls, and reports on such assessments to the Supervisory Board. Any items of attention are dealt with during the year.

6 THE ACQUISITION

For information in this Chapter with regard to the Target Portfolio, the Fund has relied on information provided by the Sellers and, in respect of the Valuation Reports, the valuation by CBRE.

6.1 The acquired assets

On 14 October 2015, Bovill Investments (subsequently renamed Arcona Capital Real Estate Poland) Sp. z o.o. ("**AC Poland**"), a wholly-owned subsidiary of the Fund, entered into the Sale and Purchase Agreement with the holders of eight freehold assets (the "**Freehold Assets**") and the shareholders of RECE Progress Sp. Z o.o. (the "**SPV**") holding the three leasehold assets (the "**Leasehold Assets**"), to acquire the Target Portfolio.

The purchase price for the Target Portfolio amounts to €25.9 million and is to be funded by a combination of the Offering, the Vendor Loan and the Bank Loan. The total acquisition cost for the Target Portfolio including transaction fees, advisory fees and financing costs amounts to approximately €26.5 million (the "**Acquisition Value**"). The Target Portfolio has a contracted gross rent of approximately €2.61 million and an estimated gross rental value of €2.7 million.

6.2 Rationale of the Acquisition

The Fund believes that the Acquisition is an important first step in the implementation of its growth strategy. The Acquisition significantly increases the Fund's gross asset value, provides a meaningful diversification into Poland and into the retail sector and substantially improves operational cost and income ratios.

Through the Acquisition, the gross asset value of the Fund increases by 48.9% (from €56.1 million to €83.7 million) and net operating income increases by 63.0% (from €2.92 million to €4.76 million). Fund level costs increase by ca. 24% (from €835,000 to €1,035,000). The Ongoing Charges Figure ("OCF") should therefore decrease from ca. 9.91% in 2015 (as per 31 December 2015) to ca. 7.00% in 2016 (excluding capital raise costs).

The current sector allocation of the fair value of the Fund based on gross rental income is 73% office, 5% retail and 22% other. Following the Acquisition the sector weighting will become 49% office, 35% retail and 15% other. This diversifies risk away from the office sector and increases exposure to the retail sector with its higher growth expectations.

The current geographical allocation of the Fund is 29.4% Czech Republic and 70.6% Slovakia. The Acquisition creates an allocation of 34% Poland, 46.5% Slovakia and 19.5% Czech Republic, which diversifies risk away from Slovakia (the smallest country in northern Central Europe) and increases exposure to the largest (Poland) with the strongest growth expectations. This increases the attractions of the Fund to larger investors, who primarily want Polish exposure, and creates potential for fund raising from the relatively liquid Warsaw capital market.

The current tenant and lease structure of the Fund's portfolio reflects a preponderance of mid-sized tenants with an average unexpired lease term of 3.70 years as per 30 June 2016. The Acquisition extends the average unexpired lease term to in excess of 4 years and improves overall tenant quality with the addition of tenants such as Piotr I Pawel, Biedronka, Pepco, Tesco and Rossmann. The overall occupancy rate would increase from 78.2% to 82.6% as per 30 June 2016.

The top 10 largest tenants based on annual rent of the combined Czech and Slovak portfolio and the Target Portfolio would have represented 33.6% of the pro forma annual rent as of 30 June 2016.

Following the Acquisition, the Fund intends to realise the reversionary income potential represented by the Kalisz property, which is currently vacant. By remodelling the asset from a neighbourhood retail centre with 18 units to a small retail park with 4 larger units, the Fund expects to realise additional rental income of €210,000 per year from an additional capital investment of ca. €200,000.

In addition, the Fund aims to bring the occupancy rate in the Target Portfolio, which was 87.25% as of 30 June 2016, to 95% in 2018.

6.3 Description of properties

The Target Portfolio comprises 11 freestanding single story retail centres located in expanding residential communities in medium-sized cities across Poland. The properties are purpose-built modern facilities ranging from 1,914 to 3,197 m² of gross floor area, of a regular, rectangular shape with efficient and functional floor layouts. The centres were built between 2001-2010 to a common technical standard.

The properties occupy prominent sites with direct access to major arterial routes and exposure to significant commuter traffic. They are also well served by public transport. Dedicated car parks offer a minimum of 40 parking places with some centres capable of accommodating up to 125 vehicles.

The key data of the retail centres in the Target Portfolio is shown below.

Table 6.1 - Key characteristics retail centres

Location (unaudited)	Opening Date	Anchor Tenants	Occupancy rate in %	Total G.l.a. in m²	Footfall in 2015 visits[1]	Net rental income H1 2016 in €
Torun	2002	Piotr I Pawel	100	2,214	1,561,709	117,030
Gdańsk	2002	Biedronka	100	1,573	1,294,715	122,803
Bydgoszcz	2002	Piotr I Pawel	100	1,793	909,569	79,463
Inowroclaw Laubitza	2001	Mila	100	1,743	842,797	136,373
Piotrkow Trybunalski	2009	Piotr I Pawel	96	2,642	937,691	154,634
Lodz	2002	Tesco	93	1,570	730,663	92,470
Inowroclaw Iecia	2009	Piotr I Pawel	100	2,548	701,541	175,119
Grudziadz	2009	Piotr I Pawel	95	2,556	654,488	141,759
Slupsk	2003	-	100	1,872	344,202	55,240
Glogow	2002	Piotr I Pawel	100	1,825	613,549	89,391
Kalisz		-	-	2,561	0	0
Subtotal				**22,897**	**8,590,924**	**1,164,282**
Average per retail centre				**2,082**	**780,993**	**105,844**

1 I.e. the number of people who entered the location in 2014.

Torun, a city with 205,000 inhabitants is located in central part of Poland. The property is situated in the residential neighbourhood of Koniuchy in the northern part of Torun, less than 3km away from the Old Quarter. The area is bordered by mid-rise residential estates to the east, west and south. The property has 64 parking places. The property is held leasehold until June 2030 with extension options on the tenant's behalf. The weighted average lease term as at 30 June 2016 is 5.00 years.

Gdańsk – Sopot-Gdynia (750,000 people) conurbation is located in the northern part of Poland, on the Baltic coast. The property is situated in the southern part of Gdańsk, within the city's most densely populated district, Chelm (50,000 people). To the north-east it borders the Srodmiescie district, home of the medieval old town. To the west and east, it adjoins the residential districts of Orunia, Ujescicko Lostowice, Wzgórze Mickiewicza and Siedlce.

Surrounded by multifamily residential buildings, the property benefits from high volumes of passing traffic, with Gdansk's city centre reachable by car within less than 10 minutes.

The site, which is freehold, has two entry points, provides 46 parking spaces and extends to 5,122m². The weighted average lease term as at 30 June 2016 is 2.56 years.

Bydgoszcz is located in the central part of Poland, near Toruń, and has 360,000 inhabitants. The property is located in the central point of the Wyzyny district, 3.5 km from the city centre. With approximately 30,000 people. Wyzyny is the city's largest residential area, dominated by high-rise multifamily buildings constructed in the 70s and 80s. The property's immediate neighbourhood comprises multifamily housing, a church and a few small commercial developments.

The property is prominently located in the north western corner of the Pierwszej Armii Wojska Polskiego (PAWP) Square at the junction of Magnuszewska and Wojska Polskiego streets, the district's primary thoroughfares. This ensures high visibility and easy access by car. The site is served by 6 bus lines and 1 tram line available within 200 metre of the property.

The centre offers 64 parking places located in front and to the left hand side of the property. The site extends to 5,432 m². The property is held on a lease from the local municipality until 16 January 2025. There are no automatic extension rights for the lease, although the landlord must pay substantial compensation sums to the tenant if the leasehold term is not extended by negotiation between the parties. The landlord has the right to terminate the lease on part of the subject area (373 m²) in order to develop a multistorey car park.

The weighted average lease term of this property as at 30 June 2016 is 6.21 years.

Inowrocław Laubitza is located in the central part of Poland near to Bydgoszcz and Toruń and has approximately 75,000 inhabitants. The property is located on Laubitza Street in the northern part of the city centre, on the fringe of the old town. Its immediate neighbourhood comprises predominantly high density residential developments located in the old town area to the south. Thanks to its prominent location the property offers easy car access via service roads. The property enjoys favourable public transport links with 6 bus lines running in close proximity, with stops available in front of the main entrance. The property provides 108 parking places.

The site is held freehold. The weighted average lease term as at 30 June 2016 is 2.55 years.

Piotrków Trybunalski is located in the central part of Poland near to Łódź. The city has approximately 75,000 inhabitants. The city's main competitive advantage is its location in central Poland on the main transport artery providing fast connections to the country's major towns and cities. With recent improvements in the national road and transport infrastructure the city has become one of the most important distribution locations in Poland.

The property is located on Wojska Polskiego Street, the main road connecting Piotrkow city centre with the north-western peripheries. Its neighbourhood comprises residential areas to the north and business facilities to the south. Because of its prominent location on the main road and its distinctive signage, the retail centre is highly visible. Extensive new residential developments are under way adjoining the site to north-west which will add to the centre's catchment area.

The property is held freehold and has 95 parking places. The weighted average lease term as at 30 June 2016 is 3.34 years.

With approximately 715,000 inhabitants, **Lodz** is the third largest city in Poland and the capital of the Lodzkie voivodship. The city is located in the very centre of Poland. Together with surrounding areas, it forms a conurbation of 1.5 million people. The property is located in the Retkinia residential zone inhabited by approximately 70,000 people, making it one of the biggest in the city. The access to the centre is provided via one turnoff which leads up to the primary parking area with 50 parking places. The site is held under leasehold and extends to 4,998 m². The leasehold ends on 12 October 2029 with extension options on behalf of the tenant.

The income weighted average lease term as at 30 June 2016 is 4.14 years.

Inowrocław Iecia is located in the central part of Poland near to Bydgoszcz and Toruń. The city has approximately 75,000 inhabitants. The site is located on the south-eastern edge of the city, in a residential area comprising apartment blocks and single family houses. The immediate area is served by 7 bus lines providing convenient access to the property for customers using public transport. The centre provides 100 parking places located in front and to the side of the property.

The land is held freehold. The income weighted average lease term as at 30 June 2016 is 3.37 years.

Grudziadz is a city with nearly 100,000 inhabitants, located in the north of Poland. The property is located in the south-western part of Grudziadz in a densely populated residential area. It is bordered by the Strzemiecin housing estate with its 12-storey blocks of flats to the north and the Kopernika housing estate with its medium-density dwellings to the north-east.

The site extends to 8,215 m² and is predominantly held freehold. Part of the parking area (1,300 m²) is held under a leasehold agreement signed with the municipality of Grudziadz. The agreement was renewed on 27 February 2015 for a period of 3 years. The parking area overall has 126 parking places. The income weighted average lease term is 3.34 years.

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

The property is held freehold and has 48 parking places. The income weighted average lease term as at 30 June 2016 is 5.98 years.

Glogow is a developing medium-sized town in the south-east part of Poland, with a current population of nearly 70,000. The property is located in the city's largest housing estate, Kopernik, with a population of 22,500. High-rise residential buildings dominate the property's direct surroundings. Direct access to the car park is on the eastern side of the site, from Plutonowa Street, which connects the property to the main road, Galileusza Street. This nearby road junction is served by bus lines, allowing convenient access to the retail centre by public transport. There is a parking area with 62 parking places.

The plot extends to 5,367 m² and is held freehold. The income weighted average lease term as at 30 June 2016 is 5.83 years.

The City of **Kalisz**, with 104,000 inhabitants, is located in Western Poland, some two hours drive from Warsaw. The property is located in the western part of Kalisz, 4km from the historical town centre, in one of its most populous, affluent and dynamically developing residential districts. The immediate surroundings of the property are high-density residential. The property is held freehold and offers 108 parking places.

The property was built in 2010 as a neighbourhood retail centre anchored on a supermarket and with 18 smaller retail units around a central atrium. This concept failed and the property is now vacant. The Fund plans to convert the centre to a food-anchored retail park with a maximum of four occupiers (see section 6.2).

6.4 Leases and tenants

The Target Portfolio has a diversified tenant base which will complement the Fund's existing tenancy profile.

The Target Portfolio's top ten tenants as of 30 June 2016 based on the annual rent are listed in the table below. These tenants contribute approximately 74.5% of the total annual rent from the Target Portfolio.

Table 6.2 - Top 10 tenants (per 30 June 2016)

Tenant (unaudited)	**Number of units**	**Annual rent** in €1,000	**Of annual rent** in %
Piotr I Paweł	6	1,011	40.1
Pepco Poland	6	234	9.3
ROSSMANN	3	136	5.4
TESCO	1	101	4.1
Kopalnia Skarbów	1	98	3.9
Biedronka	1	72	2.9
Inmedio	7	70	2.8
PKO BP Bank	3	63	2.6
MILA	1	55	2.2
BZ WBK Bank	1	30	1.2
Total		**1,870**	**74.5**

6.5 Information about the largest two tenants

Piotr I Pawel, established in 1991 and based in Poznan, is one of the largest supermarket chains in Poland. It operates more than 100 stores in 60 cities across the country. The average sales area is 1,100 m². The company has nearly 30,000 different products in stock.

In 2015 Piotr I Pawel reached 134 shops operating under its leading brand Piotr i Paweł. The Group plans to further strengthen its market position by opening about 30 stores through organic growth and the acquisition of new franchisees.

Piotr I Pawel is the key tenant of the Target Portfolio, operating from almost half of the properties. Reflecting its excellent trading results, the early leases signed in the first generation of assets within the Target Portfolio were extended in 2010 and will be binding until end 2022.

Piotr I Pawel has been assigned a 4A2 D&B Rating.

Pepco Poland is a discount non-food chain, based in Poznan, owned by Pepkor Holdings (Proprietary) Limited. Pepkor has been running retail discount sales since 1965. Today, it operates in 12 countries across Africa, Asia and Europe and manages 7 retail chains under various labels (e.g. Pepco, PEP, Ackermans, Best&Less, Dunns, Shoe City and John Craig). In total, the company has 2,800 stores and employs 27,000 people.

Pepco's first 14 stores opened in 2004 in Poland's largest cities including Poznan, Budgoszcz and Gdansk. Currently Pepco operates over 500 stores in Poland and is expanding dynamically in Slovakia and the Czech Republic.

Pepco is the second largest tenant in the Target Portfolio, with operations in six locations. Reflecting good trading performance all leases have been amended in 2014, extending their term until end 2019. The specific lease terms with Pepco have been outlined in the table below. Pepco Poland Sp. z o.o. has been assigned a 4AI D&B Rating.

The table below sets forth, as of 30 June 2016, the percentage of annual rent due to expire for the operational properties included in the Target Portfolio.

Table 6.3 - Year of expiration of annual rent (per 30 June 2016)

Year of expiration	**Of annual rent for the Target Portfolio**
(unaudited)	in %
2016	2.2
2017	10.2
2018	5.6
2019	44.2
2020	1.6
After 2020	32.8
Indefinite lease agreements	3.4
Total	**100.0**

6.6 Selected financial information of the Target Portfolio

The financial information for the Target Portfolio for the year ended 31 December 2015 and for the six months ended 30 June 2016 comprises unaudited financial information on net rental income consisting of gross rental income, service costs charged and paid and property expenses for the relevant period, derived from the Sellers' internal management accounts.

Table 6.4 – Selected financial information

	For the 6 month period ended 30 June	**For the years ended 30 December**	
	2016	**2015**	**2014**
(unaudited)	in €1,000	in €1,000	in €1,000
Gross rental income	1,360	2,624	2,815
Services costs charged	664	1,167	1,092
Service costs paid	-504	-1,114	-1,085
Property expenses	-290	-646	-655
Net rental income	**1,230**	**2,031**	**2,167**

6.7 Sale and Purchase Agreement

The Sale and Purchase Agreement consists of (i) the purchase by AC Poland of the Freehold Assets and (ii) the transfer of the Leasehold Assets to the SPV and the subsequent acquisition by the Fund of all shares of the SPV. The indirect transfer under (ii) is required as Leasehold Assets cannot directly be acquired by a Dutch entity.

Under the terms of the Sale and Purchase Agreement, the Fund has agreed to purchase the Target Portfolio for an initial purchase price of €25.9 million. The Sale and Purchase Agreement provides for possible subsequent variations of the purchase price as follows: (a) if Raiffeisen Bank requires repayment of Tranche B under the Bank Loan after two years from drawdown, the purchase price will be decreased by €500,000, to be effected by a reduction in the outstanding principal under the Vendor Loan, (b) if the Fund is able to refinance the Bank Loan on all or part of the Target Portfolio within six years of completion and to achieve a cash release from the refinancing, 50% of the cash release up to a total of €1.5 million will be payable to the Sellers, and (c) if the Fund sells all or part of the Target Portfolio within six years of completion, 50% of any aggregate net profit above the initial purchase price will be payable to the Sellers up to a total of € 1.5 million. The Sale and Purchase Agreement is governed by the laws of Poland.

The completion of the Acquisition is subject to the successful completion of the Offering and the provision of the Bank Loan and the Vendor Loan (see section 6.8).

The Leasehold Assets shall be demerged into the SPV, in exchange for the relevant amount of shares in the SPV to be acquired by the shareholders of the SPV. If the demerger of the Leasehold Assets into the SPV is not registered by 30 June 2017, the Sellers, the SPV and the Fund are entitled to withdraw from the Sale and Purchase Agreement in respect of the Leasehold Assets only.

Furthermore, if a material breach occurred in respect of the pre-completion covenants by the Sellers and the parties are unable to agree on an acceptable solution, each party shall be entitled to withdraw from the Sale and Purchase Agreement. The foregoing procedure also *mutatis mutandis* applies if following the date of the Share and Purchase Agreement the value of the Target Portfolio would increase by more than a specified value.

6.8 Financing of the Acquisition

The Acquisition will be funded by the net proceeds of the Offering for an amount of approximately €12.1 million, the Bank Loan of approximately €10.5 million and the Vendor Loan of €4.7 million from three of the Sellers (the "**Vendors**"). Further details on the Bank Loan and Vendor Loan can be found in Chapter 14 "General information", section 14.8 "Material Agreements". The terms and conditions of the Offering will be set out in the Securities Note.

6.9 Target Portfolio Valuation Report

At the request of the Fund, CBRE has assessed the aggregate fair value of the retail assets to be acquired in the Acquisition (the "**Target Portfolio Valuation Report**"). Subject to the assumptions and qualifications set out in the Target Portfolio Valuation Report, CBRE opined that the aggregate fair value of the Target Portfolio was €27.2 million as of 1 October 2016 (see Chapter 16 "Valuation Reports", section **Error! Reference source not found.** "Target Portfolio Valuation Report").

7 UNAUDITED PRO FORMA FINANCIAL INFORMATION

7.1 Introduction

On 14 October 2015, the Fund entered into a Sale and Purchase Agreement (as amended) with the Sellers and its subsidiaries to acquire the Target Portfolio.

The purchase price for the Target Portfolio amounts to €25.9 million, which is equal to the Acquisition Value excluding transaction fees, advisory fees and financing costs in the amount of €600,000. The Acquisition will be structured as a direct property transaction for the Freehold Assets and as a corporate acquisition for the SPV holding the Leasehold Assets. The Target Portfolio has a contracted gross rent of approximately €2.61 million and an estimated gross rental value of approximately €2.7 million.

For accounting purposes, the Acquisition is considered to be an asset purchase and not a business combination.

The unaudited pro forma financial information as of 31 December 2015 and for the year ended 31 December 2015 (the "**Unaudited Pro Forma Financial Information**") is presented to illustrate the Acquisition, including the associated financing to be taken by the Fund to fund the Acquisition.

7.2 Unaudited Pro Forma Financial Information

The Unaudited Pro Forma Financial Information represents information prepared based on estimates and assumptions deemed appropriate by the Fund. The Unaudited Pro Forma Financial Information is provided for illustrative purposes only in accordance with Annex II of the Commission Regulation 809/2004/EC. It does not purport to represent what the actual results of operations or financial position of the Fund would have been had the Acquisition occurred on 31 December 2015, nor is it necessarily indicative of the results or financial position of the Fund for any future periods. Because of its nature, the Unaudited Pro Forma Financial information is based on a hypothetical situation and, therefore, does not represent the actual financial position or results of operations of the Fund. The assumptions used in the preparation of the Unaudited Pro Forma Financial Information may prove not to be correct.

7.3 Basis of preparation

General

The Unaudited Pro Forma Financial Information contains forward-looking statements. Forward-looking statements involve risks, uncertainties and assumptions. Undue reliance should not be placed on any forward-looking statements. See Chapter 2 "Important Information", section 2.5 "Forward-looking statements".

The Unaudited Pro Forma Financial Information has been prepared in a form consistent with the accounting policies adopted in the Fund's consolidated financial statements prepared in accordance with IFRS for the financial year ended 31 December 2015 incorporated by reference in this Registration Document.

The pro forma adjustments are described in the accompanying notes. The adjustments have been limited to only those adjustments that are directly attributable to the Acquisition, the Offering and the financing obtained, and are factually supportable. The Unaudited Pro Forma Financial Information does not include any adjustments for the impact of any potential operating efficiency or additional revenues, in relation to the Acquisition.

The Unaudited Pro Forma Financial Information as of and for the twelve month period ended 31 December 2015

The following table sets forth the unaudited pro forma income statement for the twelve month period ended 31 December 2015:

Table 7.1 - Unaudited pro forma income statement for the twelve months ended 31 December 2015

(in € 1,000)	**Group** [(1)]	**Target** [(2)]	**Acquisition and Offering**	**Pro forma Income statement**	**Notes**
Gross rental income	5,688	2,624	0	8,312	
Service costs charged	743	1,167	0	1,910	
Total revenues	**6,431**	**3,791**	**0**	**10,222**	
Service costs paid	-1,946	-1,114	0	-3,060	
Property expenses	-1,563	-646	0	-2,209	
Net rental income	**2,922**	**2,031**	**0**	**4,953**	
Valuation results	-6	0	1,303	1,297	A
Results on disposals	0	0	0	0	
General costs	-1,340	-211	-772	-2,323	B
Other income and expense	5	0	0	5	
Operational result	**1,581**	**1,820**	**531**	**3,932**	
Interest charges	-979	0	-847	-1,826	C
Interest income	99	0	0	99	
Net interest	**-880**	**0**	**-847**	**-1,727**	
Other financial income and expense	0	0	0	0	
Result before tax	**701**	**1,820**	**-316**	**2,205**	
Taxes on result	-263	-346	-137	-746	
Result from continuing operations	**438**	**1,474**	**-453**	**1,459**	
Results from discontinued operations	0	0	0	0	
Result	**438**	**1,474**	**-453**	**1,459**	

(1) The financial information for the Group has been extracted from the audited consolidated financial statements of the Group as of 31 December 2015.
(2) The financial information on the Target Portfolio consists of gross rental income, service costs charged and paid, property expenses and rental income information for the twelve months ended 31 December 2015, derived from the Sellers' information memorandum and the internal management accounts.

Notes to the unaudited pro forma adjustments for the twelve month period ended 31 December 2015

A. The non-current asset adjustment of €1,303,000 represents the positive unrealised valuation result at time of the Acquisition, resulting from a purchase price of €25,900,000 and a fair value of €27,203,000.

B. The general costs adjustment of €772,000 represents payable costs related to the capital raise.

C. The interest charge adjustment of €847,000 represents: the estimated interest costs for the twelve month period ended 31 December 2015 on the €10.5 million to be drawn under the senior loan agreement with Raiffeisen Bank Polska S.A. (the "Bank Loan"), the € 3.5 million on to be issued (convertible) bonds with an interest rate of 6,5%, based on the estimated average interest rate to be paid on comparative non-convertible bonds, the €4.72 million on the Vendor Loan provided by the Vendors against an interest rate (for the first 2 years) of 1% to fund the Leasehold Assets, the estimated interest costs for the six month period ended 30 June 2015 on the €5.0 million to be drawn as VAT Loan and the up-front fee for Raiffeisen Bank. The Bank Loan has a variable interest rate based on 1 month EURIBOR plus margin and for pro forma purposes has been estimated at 3.25%, representing all-in interest rate costs including costs for hedging. The VAT Loan has a variable interest rate based on 1 month WIBOR and for pro forma purposes has been estimated at 1.65% based on recent WIBOR rates. This adjustment has a recurring impact.

Unaudited pro forma balance sheet as of 31 December 2015

Table 7.2 - Unaudited pro forma balance sheet as of 31 December 2015

The following table sets forth the unaudited pro forma balance sheet as of 31 December 2015:

(in € 1,000)	Group[(1)]	Target [(2)]	Acquisition and Offering	Pro forma balance sheet	Notes
Assets					
Non-current assets					
Investment properties in operation	53,272	25,900	1,303	80,475	A
Investment properties	**53,272**	**25,900**	**1,303**	**80,475**	
Other financial assets	76	-	-	76	
Deferred tax assets	710	-	-	710	
Other non-current assets	**786**	**0**	**0**	**786**	
Total non-current assets	**54,058**	**25,900**	**1,303**	**81,261**	
Current assets					
Trade receivables	485	-	-	485	
Cash and cash equivalents	1,660	1,820	125	3,605	B
Total current assets	**2,145**	**1,820**	**125**	**4,090**	
Total assets	**56,203**	**27,720**	**1,428**	**85,351**	
Equity and liabilities					
Equity					
Share capital	7,194	-	8,632	15,826	
Share premium	16,786	-	-	16,786	
Equity component convertible bonds	91	-	144	235	
Reserves and retained earnings	4,498	1,474	-453	5,519	
Total equity	**28,569**	**1,474**	**8,323**	**38,366**	C
Long term liabilities					
Interest bearing liabilities	21,010	-	17,626	38,636	D
Deferred tax liabilities	4,271	346	137	4,754	
Other long-term liabilities	0	-	0	0	
Total long-term liabilities	**25,281**	**346**	**17,762**	**43,389**	

Short-term liabilities					
Trade payables	1,199	-	772	1,971	E
Interest bearing liabilities	1,154	-	470	1,624	D
Total short-term liabilities	**2,353**	**0**	**1,242**	**3,595**	
Total equity and liabilities	**56,203**	**1,820**	**27,328**	**85,351**	

(1) The financial information for the Group has been extracted from the audited consolidated financial statements of the Group as of 31 December 2015.

(2) The financial information on the Target Portfolio consist of the aggregate fair value of the assets comprising in the Target Portfolio, as set out in the Target Portfolio Valuation Report prepared by CBRE in combination with the acquisition costs for the Target Portfolio.

Notes to the unaudited pro forma adjustments for the twelve month period ended 31 December 2015

Adjustments for the Acquisition and Offering

A. The non-current asset adjustment of €1,303,000 represents the positive unrealised valuation result at time of the Acquisition, resulting from a purchase price of the Target Portfolio of €25,900,000 and a fair value of €27,203,000. The fair value is based on the CBRE valuation as at 1 October 2016.

B. The increase of the “cash and cash equivalents” for the amount of €1,841,000 consists of the following components:
   - received amount regarding the Bank Loan for the amount of €10,500,000 less up-front fee for the amount of €136,000;
   - received amount regarding the issuance of convertible bonds for the amount of €3,500,000;
   - received amount regarding the equity issuance related to the Offering for the amount €8,632,000;
   - received amount regarding results Target Portfolio for the amount of €1,002,000;
   - paid amount regarding the Target Portfolio for the amount of €21,182,000 (consisting of the purchase price for the Target Portfolio for the amount of €25,900,000 less Vendor Loan for the amount of €4,718,000).
   - paid amount regarding redemptions Bank Loan for the amount of €371,000;

This increase of the cash and cash equivalents mainly will be used for paying costs relating to the capital increase.

C. The equity adjustment of €9,797,000 (€1,474,000 + €8,323,000) represents the equity issuance of €8,632,000 in the Offering adjusted by the following:
   - the equity component convertible bonds for the amount of €144,000, regarding the issuance of convertible bonds with a nominal value of €3,500,000 comprises the amount allocated to the equity component for the issued convertible bonds, less the deferred tax liabilities.
   - Result “Target” for the amount of €1,474,000 (for the specification of this amount, see table 7.1).
   - Result "Acquisition and Offering" for the amount of €453,000 negative (for the specification of this amount, see table 7.1).

The calculation of the pro forma adjustments is based on a price of €5.00 for 1,726,445 Shares expected to be issued in the Offering.

D. The interest bearing debt adjustment of €18,096,000 (long- and short-term) represents the additional amount the Group will draw to fund the remainder of the purchase price for the Acquisition and the estimated costs related to the Offering and the Acquisition. None of the adjustments have recurring impact. The specification of the interest bearing debt adjustment is as follows:
   - Bank Loan for the nominal value of €10,500,000 less up-front fee for the amount of €136,000, less redemptions first year for the amount of €371,000, plus amortisation up-front fee for the amount of €29,000;
   - Vendor Loan for the nominal value of €4,718,000;
   - convertible bonds for the nominal value of €3,500,000 less equity component convertible bonds for the amount of €144,000.

E. The trade payables adjustment of €772,000 represents payable costs related to the capital raise. The total expected costs related to the capital raise amounts €1,032,000. As a result a part of these costs for the amount of €260,000 are already booked in the income statement of the annual report 2015, the remainder is adjusted in the balance sheet.

The calculation of the pro forma adjustments is based on a price of €5.00 for 1,726,445 Shares expected to be issued in the Offering.

The unaudited pro forma combined balance sheet per 31 December 2015 set out has been prepared to illustrate the effect of the Offering, the Bank Loan, the Vendor Loan and the Acquisition on the net assets of the Group as if (i) the Acquisition had occurred on 1 January 2015 and (ii) the estimated net proceeds of the Offering as well as the Bank Loan, the Vendor Loan to fund the Acquisition were received on 1 January 2015.

This unaudited pro forma balance sheet has been prepared for illustrative purposes only and, because of its nature, the pro forma balance sheet addresses a hypothetical situation and does not represent the actual financial position of the Group.

7.4 Assurance report on pro forma financial information

Independent practitioner's Assurance report on the compilation of pro forma financial information included in a prospectus

To: the Board of Directors of Arcona Property Fund N.V.

Report on the Compilation of Pro Forma Financial Information Included in a Prospectus

We have completed our assurance engagement to report on the compilation of pro forma financial information of Arcona Property Fund N.V. (the 'Company'). The pro forma financial information consists of the pro forma income statement 2015, the pro forma balance sheet as at 31 December 2015 and related notes. The applicable criteria on the basis of which Arcona Property Fund N.V. has compiled the pro forma financial information are described in note 7.2 and 7.3.

The pro forma financial information has been compiled by the Company to illustrate the impact of the Acquisition and associated financing set out in note 7.1 (the 'Transaction') on the company's financial position as at 31 December 2015 and its financial performance 2015 as if the Transaction had taken place at 1 January 2015. As part of this process, information about the Company's financial position and financial performance has been extracted by the Company from Company's financial statements 2015, on which an auditor's report has been published.

Company's Responsibility for the Pro Forma Financial Information

The Company is responsible for compiling the pro forma financial information on the basis of Annex II of the Commission Regulation (EC) No 809/2004.

Practitioner's Responsibilities
Our responsibility is to express an opinion as required by item 7 of Annex II of the Commission Regulation (EC) No 809/2004, as to the proper compilation of the pro forma financial information and the consistency of accounting policies.

We conducted our engagement in accordance with Dutch law, including the Dutch Standard 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus". This standard requires that the practitioner comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Company has compiled, in all material respects, the pro forma financial information on the basis of the Annex II of the Commission Regulation (EC) No 809/2004.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 1 January 2015 would have been as presented.

KPMG

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Company in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the practitioner's judgment, having regard to the practitioner's understanding of the nature of the company, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- the pro forma financial information has been properly compiled on the basis stated in Note 7.2 and 7.3; and
- such basis is consistent with the accounting policies of the Company as described in the notes to the financial statements of the Company 2015.

Restriction of use

This report is required by the Commission Regulation (EC) No 809/2004 and is given for the purpose of complying with that Regulation and for no other purpose.

Utrecht, 14 October 2016

KPMG Accountants N.V.

G.J. Hoeve RA

8 SELECTED HISTORICAL FINANCIAL AND BUSINESS INFORMATION

The selected historical financial and business information of the Fund shown in this Chapter below should be read in conjunction with the information contained in Chapter 2 "Important Information" and Chapter 9 "Operating and Financial Review", and the consolidated financial statements, including the notes thereto, incorporated by reference in this Registration Document and other financial data appearing elsewhere in this Registration Document.

8.1 Consolidated income statement

The audited consolidated financial information for the Fund set forth below as of and for the years ended 31 December 2015, 2014 and 2013 and the consolidated interim financial information for the Fund as of and for the six months ended 30 June 2016 and 2015 has been derived from, should be read in conjunction with, and is qualified in its entirety by, the consolidated (interim) financial statements, including the notes thereto, incorporated by reference in this Registration Document.

(in €1,000)	**30-06-2016**	**30-06-2015**	**31-12-2015**	**31-12-2014**	**31-12-2013**
	Unaudited	Unaudited			
Gross rental income	2,942	2,847	5,688	6,105	6,553
Service charge income	386	337	743	855	1,010
Total revenues	**3,328**	**3,184**	**6,431**	**6,960**	**7,563**
Service charge expenses	-988	-959	-1,946	-2,224	-2,397
Property operating expenses	-792	-758	-1,563	-1,709	-1,851
Total expenses	**-1,780**	**-1,717**	**-3,509**	**-3,933**	**-4,248**
Net rental and related income	**1,548**	**1,467**	**2,922**	**3,027**	**3,315**
Valuation gains on investment property	-	4,129	4,458	1,447	859
Valuation losses on investment property	-	-4,412	-4,464	-1,543	-2,305
Net valuation gains on investment property	**-**	**-283**	**-6**	**-96**	**-1,446**
Financial income	64	15	99	111	75
Other operating income	11	1	5	22	28
Other income	**75**	**16**	**104**	**133**	**103**
Total income	**1,623**	**1,226**	**3,020**	**3,064**	**1,972**
Administrative expenses	193	210	400	352	554
Other operating expenses	746	200	940	932	454
Total operating expenses	**939**	**410**	**1,340**	**1,284**	**1,008**
Net operating result before financial exp.	**684**	**816**	**1,680**	**1,780**	**964**
Financial expenses	454	511	-979	1,075	960
Result before income tax	**230**	**305**	**701**	**705**	**4**
Income tax expense	-111	-112	-263	419	-137
Result for the period	**119**	**193**	**438**	**1,124**	**-133**
Attributable to:					
Parent company shareholders	119	193	438	1,124	-133
Non-controlling interest	-	-	-	-	-
Result for the period	**119**	**193**	**438**	**1,124**	**-133**

8.2 Consolidated balance sheet

(in €1,000)	30-06-2016	30-06-2015	31-12-2015	31-12-2014	31-12-2013
	Unaudited	Unaudited			
Assets					
Investment property	53,333	52,385	53,272	52,080	57,068
Other investments	59	90	76	89	555
Deferred tax assets	638	709	710	748	1,054
Total non-current assets	**54,030**	**53,184**	**54,058**	**52,917**	**58,677**
Trade and other receivables	728	985	485	854	1,371
Cash and cash equivalents	1,327	1,844	1,660	1,692	659
Assets held for sale	-	-	-	3,173	-
Total current assets	**2,055**	**2,829**	**2,145**	**5,719**	**2,030**
Total assets	**56,085**	**56,013**	**56,203**	**58,636**	**60,707**
Shareholders' equity					
Issued capital	7,194	7,194	7,194	7,194	6,699
Share premium	16,426	16,929	16,786	17,361	17,219
Revaluation reserve	4,143	4,004	4,157	4,004	4,191
Reserve for currency translation differences	2,163	2,259	2,245	2,135	2,205
Equity component convertible bonds	91	91	91	49	-
Retained earnings	-1,771	-1,996	-1,904	-2,189	-3,500
Total shareholders' equity	**28,246**	**28,481**	**28,569**	**28,554**	**26,814**
Liabilities					
Interest-bearing loans and borrowings	20,401	21,465	21,010	22,183	9,023
Deferred tax liabilities	4,310	4,095	4,271	4,004	4,709
Total non-current liabilities	**24,711**	**25,560**	**25,281**	**26,187**	**13,732**
Interest-bearing loans and borrowings	1,228	1,127	1,154	2,499	18,076
Trade and other payables	1,900	845	1,195	1,393	2,073
Income tax payable	-	-	4	3	12
Total current liabilities	**3,128**	**1,972**	**2,353**	**3,895**	**20,161**
Total shareholders' equity and liabilities	**56,085**	**56,013**	**56,203**	**58,636**	**60,707**

8.3 Consolidated cash flow statement

	For the 6 month period ended 30 June		For the years ended 31 December		
(in €1,000)	2016	2015	2015	2014	2013
	Unaudited	Unaudited			
Cash flow from operations	372	-333	215	819	1,600
Cash flow from investment activities	-114	3,143	3,050	1,822	-174
Cash flow from financing activities	-588	-2,645	-3,318	-1,596	-1,925
Net increase in cash and bank	**-330**	**165**	**-53**	**1,045**	**-499**
Cash and bank balances at 1 January	1,660	1,692	1,692	659	1,107
Foreign exchange differences	-3	-13	21	-12	51
Cash & cash equivalents at end of period	**1,327**	**1,844**	**1,660**	**1,692**	**659**

8.4 Direct and indirect investment result for the period ending 30 June 2016 and 2015 and for the years ending 31 December 2015, 2014 and 2013

The Fund Manager measures the Fund's operating performance utilising certain direct and indirect investment result measures. These are supplemental measures of the Fund's performance which are used for management purposes and should not be considered in isolation or as an alternative to net result or any other performance measure derived in accordance with IFRS. In addition, such measures, as defined by the Fund, may not be comparable to other similarly titled measures used by other funds. For a discussion of how the Fund calculates direct and indirect investment results, see Chapter 9 "Operating and Financial Review", section 9.5 "Other key performance indicators: direct and indirect investment result".

	For the 6 month period ended 30 June		For the years ended 31 December		
(in € 1,000)	2016	2015	2015	2014	2013
	Unaudited	Unaudited			
Gross rental income	2,942	2,912	5,688	6,105	6,553
Service costs not recharged	-602	-637	-1,203	-1,369	-1,387
Property operating expenses	-792	-782	-1,563	-1,709	-1,851
Net rental income	**1,548**	**1,493**	**2,922**	**3,027**	**3,315**
Financial income	64	15	99	111	75
Other operating income	11	1	5	22	28
Financial expenses	-454	-511	-979	-1,075	-960
Administrative expenses	-193	-210	-400	-352	-554
Other operating expenses	-746	-200	-940	-932	-454
Direct investment result before tax	**230**	**588**	**707**	**801**	**1,450**
Corporate income tax	-111	-112	-263	419	-137
Direct investment result	**119**	**476**	**444**	**1,220**	**1,313**
Valuation gains on investment property	-	4,129	4,458	1,946	859
Valuation losses on investment property	-	-4,412	-4,464	-2,042	-2,305
Indirect investment result before tax	**-**	**-283**	**-6**	**-96**	**-1,446**
Corporate income tax	-	-	-	-	-
Indirect investment result	**-**	**-283**	**-6**	**-96**	**-1,446**

Total investment result	**119**	**193**	**438**	**1,124**	**-133**
Direct investment result at the end of period	0.08	0.32	0.30	0.88	1.01
Indirect investment result at the end of	0.00	-0.19	0.00	-0.07	-1.11
Total investment result at end of period	**0.08**	**0.13**	**0.30**	**0.82**	**-0.10**
Weighted average number of outstanding	1,438,704	1,438,704	1,438,704	1,378,725	1,303,388

8.5 Historical business information

The following table presents the key performance indicators for the Fund's portfolio.

Table 8.1 – Key performance indicators for the Fund's portfolio

	For the 6 month period ended 30 June		For the years ended 31 December		
	2016	**2015**	**2015**	**2014**	**2013**
	Unaudited	Unaudited			
Net rental income (in €1,000)	1,548	1,493	2,922	3,027	3,315
Occupancy (in %)	78.2	79.9	78.0	75.0	73.7
Properties in operation	14	14	14	15	17

9 OPERATING AND FINANCIAL REVIEW

The following operating and financial review is intended to convey the Fund Manager's perspective on the operating performance and financial condition of the Fund during the periods under review. This disclosure is intended to assist readers in understanding and interpreting the consolidated financial statements of the Fund incorporated by reference in this Registration Document. It should therefore be read in conjunction with the rest of this Registration Document, including the information set forth in Chapter 8 "Selected Historical Financial and Business Information", the Fund's consolidated interim financial statements for the first six months ended 30 June 2015 and 2016, including the notes thereto (prepared in accordance with IAS 34) and the Fund's audited consolidated financial statements for the years ended 31 December 2015, 2014 and 2013, including the notes thereto (prepared in accordance with IFRS) incorporated by reference in this Registration Document.

9.1 Overview

The Fund invests in commercial real estate in the CEE region. In principle these investments are made through local companies on the basis of local legislation. To this purpose, the Fund utilises its local subsidiaries AC Bohemia and AC Slovakia. AC Bohemia is a Czech legal entity with the sole purpose of holding investment properties for the Fund in the Czech Republic (currently 5) and AC Slovakia is a Slovak legal entity with the sole purpose of holding investment properties for the Fund in Slovakia (currently 9).

9.2 Segment presentation

Relative composition of the portfolio

The following tables show the relative composition of the portfolio in terms of net rental income of the properties by geographical location at the dates indicated:

Table 9.1 – Net rental income per country

	For the 6 month period ended 30 June		**For the years ended 31 December**		
(in €1,000)	**2016**	**2015**	**2015**	**2014**	**2013**
	Unaudited	Unaudited			
Czech Republic	472	356	789	965	1,206
Slovakia	1,076	1,137	2,133	2,062	2,109
Total	**1,548**	**1,493**	**2,922**	**3,027**	**3,315**

9.3 Key factors affecting results of operations

The Fund's results from operations have been, and will continue to be, affected by a number of factors, many of which are beyond the Fund's control. See also Chapter 1 "Risk Factors". There are several key items that the Fund believes have impacted its results from operations during the period under review and, in some cases, will continue to impact its results both on a consolidated basis and within its individual business segments going forward.

During the period under review, the Fund has made a number of disposals of non-core assets. The disposals have impacted the net rental income and direct investment result that the Fund is able to generate. In addition, the proceeds from these disposals have allowed for the repayment of a significant portion of the Fund's credit facilities. Overall, these changes to the Fund's portfolio have had significant impacts on the Fund's results of operation during the period under review, have affected the comparability of the Fund's results from period to period and will continue to impact comparability going forward.

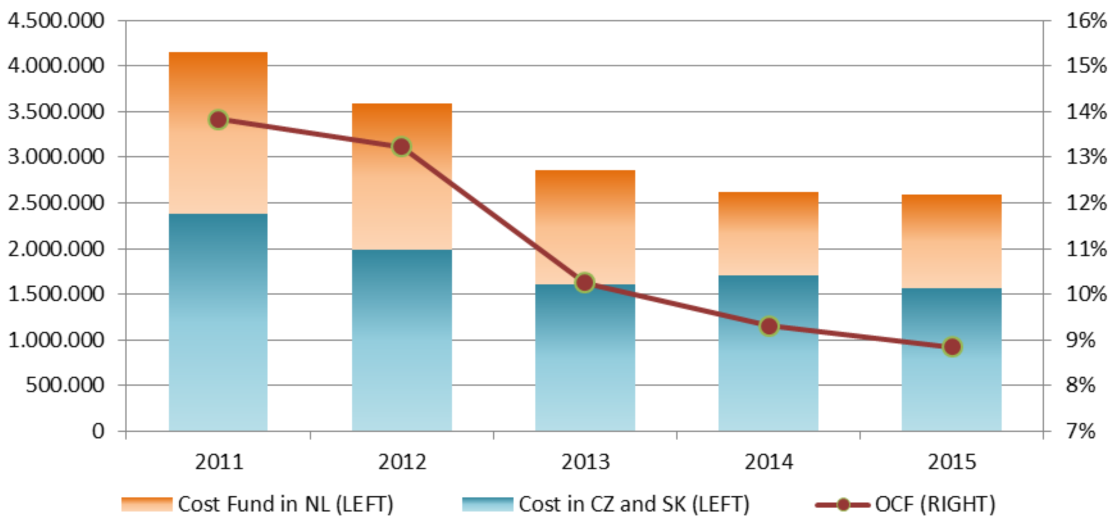
The Fund believes that the following factors have had and are expected to continue to have a material effect on its results of operations and financial condition:

High structural cost base

As an investment vehicle listed on Euronext Amsterdam and regulated by the Financial Supervision Act, the Fund must fulfil stringent reporting requirements, maintain compulsory layers of governance and oversight and offer a flexible structure to allow daily trading in the Shares. These requirements create a high fixed cost base at the Netherlands level which impacts negatively on Fund performance. Within the property portfolio, the Fund's assets are predominantly regional office properties over 30 years of age leased to a large number of local tenants. Properties of this nature require intensive management to maintain occupancy levels and technical standards, which creates additional costs at local subsidiary level.

In 2012, when Arcona Capital took over the management of the Fund, the Fund's OCF was 13.23%. By 2015, this had been reduced to 8.84%. This reduction in costs has had a significant positive effect on the direct result. If the portfolio stays at its current size the potential for further reduction is expected to be limited.

Graph 9.1 – Result of cost cutting on OCF (unaudited)



If the Fund grows in size, however, its fixed cost base in the Netherlands should not increase. The increase in costs at local level will depend on the nature of the assets acquired. Modern properties with efficient technical equipment and strong tenant structures should generate lower operating costs than older multi-let properties.

Variations in market demand for regional office space and the effect on occupancy rates

In general office users have, since the onset of the economic crisis, taken a more critical attitude to total premises costs. This has resulted in such users expecting highly-competitive contractual rental levels, discounts, rent-free periods, flexible expiry terms and other incentives for either extensions of their current leases or the entering into of new leases. The Fund's properties and its letting strategies can meet some of these expectations, in particular on rental levels and expiry terms. However, the operational cash constraints of the Fund in the years 2012 and 2013 restricted its ability to offer rent-free periods, fit-out contributions and technical building improvements. These constraints, set against weak occupational demand at the tail-end of the economic crisis, led to falls in occupancy levels across the Fund's portfolio. From 2014 onwards a pick-up in the general economy has fed through into an increase in demand for office space in the region. This has coincided with an improvement in the Fund's cash flow caused by cost efficiency measures instituted by the new management and by the re-financing program. This has given the letting teams more resources to attract and retain tenants and occupancy rates have recovered strongly.

The following table sets forth the Fund's occupancy rates in the periods under review.

Table 9.2 – The Fund's occupancy rates at the end of the period indicated

	For the 6 month period ended 30 June		For the years ended 31 December		
(unaudited) (in %)	**2016**	**2015**	**2015**	**2014**	**2013**
Czech Republic	92.3	88.8	90.8	78.3	72.8
Slovakia	72.2	76.2	72.6	73.2	74.2
Total	**78.2**	**79.9**	**78.0**	**75.0**	**73.7**

Portfolio value developments

Each year, 100% of the Fund's portfolio is assessed at fair value by an independent valuer (2013, 2014 and 2015 CBRE).

Over the period under review, valuation yields (capitalisation factors) have been generally stable and are now exhibiting a strengthening trend. However, the net income generated by the Fund's assets has fallen due to increased vacancy rates and market rental levels. As a combined result (yield and net income), the value of the Fund's portfolio declined in 2013 then stabilised in 2014 and grew in 2015. Reference is made to Table 10.3 – The fair value per property of the Fund's portfolio as at end 2015, end 2014 and end 2013. Looking forward, the Fund anticipates the combination of improved occupancy rates and hardening valuation yields should support the overall value of the Fund's portfolio in the short and medium term.

The following table shows the fair value for the Fund's portfolio in the Czech Republic and Slovakia:

Table 9.3 – The fair value for the Fund's portfolio in the Czech Republic and Slovakia

	For the 6 month period ended 30 June		For the years ended 31 December		
(In €1,000)	**2016**	**2015**	**2015**	**2014**	**2013**
	unaudited	unaudited			
Czech Republic	15,664	15,500	15,702	15,230	19,091
Slovakia	37,669	36,885	37,570	36,850	37,977
Total	**53,333**	**52,385**	**53,272**	**52,080**	**57,068**

The following table shows valuation changes for the Fund's portfolio, on a like-for-like basis:

Table 9.4 – Valuations changes in the Fund's Portfolio, on a like-for-like basis

	For the 6 month period ended 30 June		For the years ended 31 December		
(In €1,000)	**2016**	**2015**	**2015**	**2014**	**2013**
	unaudited	unaudited			
Czech Republic	-	-283	472	-377	-2,516
Slovakia	-	-	720	360	-246
Total	**-**	**-283**	**1,192**	**-17**	**-2,762**

Availability of financing, interest rate levels and financing expenses

The Fund uses debt financing across the portfolio to enhance returns. As a result, the Fund's performance depends significantly on the readiness of financing counterparties to extend financing to the Fund on acceptable terms for new acquisitions or other investments, as well as to re-finance existing loans that are maturing. The earnings potential of the portfolio is significantly influenced by the availability of financing, amortisation terms, interest rate levels and other finance expenses. General conditions for financing real estate are subject to constant change, in particular in the levels of interest rates for the market in general and for the real estate sector in particular.

As a result of the credit crisis which began in 2008 financial institutions adopted more stringent terms and conditions. Amongst other measures, they generally lowered the LTV ratio covenants and increased the minimum DSCR. They also restricted the ability of borrowers to pay cash out of the local structures to shareholders. By 2012, the Fund was showing an LTV ratio of 60%, was in danger of breaching its loan covenants and was not able to pass cash up to the Netherlands to pay Fund costs, fees and dividends.

During 2013 the debt financing environment in Central Europe began to improve. The Fund was able to take advantage of this, firstly by switching its loan provider in the Czech Republic to obtain more favourable terms, then by re-financing its Slovak portfolio to achieve an equity release and a significant reduction in amortisation payments. The Fund anticipates this positive environment will continue at least in the medium term and expects to be able to negotiate further improvements to the Fund's financial structures.

For 2015, the Fund's total interest expenses amounted to €0.98 million, compared to €1.08 million for 2014 and €0.96 million for 2013. The interest charges payable by the Fund are influenced by fluctuations in interest rates and the level of indebtedness incurred by the Fund.

Table 9.5 – Amortisation during the first six months of 2016 and 2015 and during the years 2015, 2014 and 2013

	For the 6 month period ended 30 June		For the years ended 31 December		
(In €1,000)	**2016**	**2015**	**2015**	**2014**	**2013**
	unaudited	unaudited			
Balance as at 1 January	19,710	22,302	22,302	25,496	28,441
Loans advanced	0	0	0	10,696	0
Redemptions	-560	-2,305	-2,847	-13,771	-2,024
Reclassification	0	0	0	0	0
Exchange rate differences	-33	168	255	-119	-921
Balance as at end period	**19,117**	**20,165**	**19,710**	**22,302**	**25,496**

9.4 Comparison of results of operations for the periods ended 30 June 2016 and 2015 and the years ended 31 December 2015, 2014 and 2013

The Fund's revenues consist to a large extent of gross rental income under operating leases. Rental income from investment properties is stated in the income statement excluding value added tax, on the basis of the period of the lease. If the investment property has been acquired in the course of the financial year, the rental income is accounted for from the date of acquisition by the Fund. If office or other equipment is leased together with the premises, this is included in the rental income.

Incentives paid as encouragement for entering into leases are included in the statement of financial position as prepayments, and recognised in the income statement as an integral part of total rental income. The incentives included in the statement of financial position are stated in the income statement on a straight-line basis on the basis of the duration of the lease.

Amounts separately charged to lessees, which are regarded as service charges, are not included in rental income but stated in the income statement as income from service charges.

The Fund's primary costs and expenses consist of:

- service costs not recharged;
- operating costs;
- revaluation of investments;
- administrative expenses;
- other expenses;
- net finance expenses; and
- corporate income tax.

The following table sets forth the Fund's consolidated results of operations for the periods indicated:

Table 9.6 – Consolidated results of operation

(in €1,000)	**30-6-2016**	**30-6-2015**	**31-12-2015**	**31-12-2014**	**31-12-2013**
	unaudited	unaudited			
Gross rental income	2,942	2,847	5,688	6,105	6,553
Service charge income	386	337	743	855	1,010
Total revenues	**3,328**	**3,184**	**6,431**	**6,960**	**7,563**
Service charge expenses	-988	-959	-1,946	-2,224	-2,397
Property operating expenses	-792	-758	-1,563	-1,709	-1,851
Total expenses	**1,780**	**1,717**	**-3,509**	**-3,933**	**-4,248**
Net rental and related income	**1,548**	**1,467**	**2,922**	**3,027**	**3,315**
Valuation gains on investment property	-	4,129	4,458	1,447	859
Valuation losses on investment property	-	-4,412	-4,464	-1,543	-2,305
Net valuation gains on investment property	**-**	**-283**	**-6**	**-96**	**-1,446**
Financial income	64	15	99	111	75
Other operating income	11	1	5	22	28
Other income	**75**	**16**	**104**	**133**	**103**
Total income	**1,623**	**1,226**	**3,020**	**3,064**	**1,972**
Administrative expenses	193	210	400	352	554
Other operating expenses	746	200	940	932	454
Total operating expenses	**939**	**410**	**1,340**	**1,284**	**1,008**
Net operating result before financial	**684**	**816**	**1,680**	**1,780**	**964**
Financial expenses	454	511	979	1,075	960
Result before income tax	**230**	**305**	**701**	**705**	**4**
Income tax expense	-111	-112	-263	419	-137
Result for the period	**119**	**193**	**438**	**1,124**	**-133**

Attributable to:

Parent company shareholders	119	193	438	1,124	-133
Non-controlling interest	-	-	-	-	-
Result for the period	**119**	**193**	**438**	**1,124**	**-133**

Set out below is a discussion of period-on-period movements of the key line items in the Fund's consolidated income statement up to result after tax.

Gross rental income

The Fund’s gross rental income increased by €95,000, or 3.3% from €2.84 million in the first six months of 2015 to €2.94 million in the first 6 months of 2016 primarily due to a higher Czech occupancy rate.

The following table shows the Fund's gross rental income and the contribution of each country and property segment for the periods indicated:

Table 9.7 – Gross rental income divided over each country

	For the 6 month period ended 30 June		**For the years ended 31 December**		
(in €1,000)	**2016**	**2015**	**2015**	**2014**	**2013**
	unaudited	unaudited			
Czech Republic	611	594	1,148	1,389	1,631
Slovakia	2,331	2,318	4,540	4,716	4,922
Total gross rental income	**2,942**	**2,912**	**5,688**	**6,105**	**6,553**
Office	2,144	2,123	4,146	4,218	4,131
Other (mainly accommodation and storage)	798	789	1,542	1,887	2,422
Total gross rental income	**2,942**	**2,912**	**5,688**	**6,105**	**6,553**

Q2 2016/Q2 2015

Gross rental income increased from €2.91 million in the six months ended 30 June 2015 to €2.94 million in the six months ended June 2016, mainly as a result of the improved Czech occupancy rate.

(unaudited) (in €1,000)	**Rental income up to 30-06-2015**	**Acquisitions**	**Disposals**	**Organic**	**Rental income up to 30-06-2016**
Czech Republic	594	-	-	17	611
Slovakia	2,318	-	-	13	2,331
Total gross rental income	**2,912**	**0**	**0**	**30**	**2,942**

Gross rental income increased by €30,000.

The occupancy rate of the total portfolio decreased to 78.2% as per 30 June 2016, from 79.9% as per 30 June 2015. The occupancy rate per country as at 30 June 2016 was 92.3% in the Czech Republic and 72.2% in Slovakia.

2015/2014

Gross rental income decreased from €6.11 million 2014 to €5.69 million in 2015, mainly as a result of the Fund's disposal, of the GiTy property in Brno (€0.23 million on annual basis).

(in €1,000)	**Rental income 2014**	**Acquisitions**	**Disposals**	**Organic**	**Rental income 2015**
Czech Republic	1,389	-	-284	43	1,148
Slovakia	4,716	-	-222	46	4,540
Total gross rental income	**6,105**	**0**	**-506**	**89**	**5,688**

Gross rental income decreased by €417,000. This was caused by the disposal of the GiTy property in Brno.

The occupancy rate of the total portfolio increased to 78.0% as per 31 December 2015, from 75.0% as per year end 2014. The occupancy rate per country as at 31 December 2015 was 90.8% in the Czech Republic and 72.6% in Slovakia.

2014/2013

Gross rental income decreased from €6.55 million in 2013 to €6.11 million in 2014, mainly as a result of organic factors.

(in €1,000)	**Rental income 2013**	**Acquisitions**	**Disposals**	**Organic**	**Rental income 2014**
Czech Republic	1,631	0	0	-242	1,389
Slovakia	4,922	0	0	-206	4,716
Total gross rental income	**6,553**	**0**	**0**	**-448**	**6,105**

No acquisitions were made in 2014. The disposals in 2014 consisted of the Šaca property in Kosice in December 2014 and the Račianska property in Bratislava, also in December 2014. This had a negative impact of €206,000 on gross rental income.

The decrease in gross rental income pursuant to organic factors (€0.45 million) was caused by the increased vacancy rate in the first half of 2014 and renewal of leases at market conditions.

The occupancy rate of the entire portfolio increased to 75.0% as per year end 2014 from 73.7% as per year end 2013. The occupancy rate dipped to 71.2% at 30 June 2014.

Service costs not recharged

Service costs not recharged relate to costs incurred by the Fund in the event of vacant premises and other uncollectable service costs as a result of contractual limitations or service costs not recoverable from tenants. The following table shows the Fund's total service costs not recharged and the contribution of each country and property segment for the periods indicated:

Table 9.8 – Service costs not recharged for each country

(in €1,000)	For the 6 month period ended 30 June		For the years ended 31 December		
	2016	**2015**	**2015**	**2014**	**2013**
	unaudited	unaudited			
Czech Republic	-42	-26	-70	31	-9
Slovakia	644	663	1,273	1,338	1,396
Total	**602**	**637**	**1,203**	**1,369**	**1,387**

Q2 2016/Q2 2015

Service costs not recharged decreased from €637,000 in the six months ended 30 June 2015 to €602,000 in the six months ended 30 June 2016 due to increased occupancy in the Czech portfolio.

2015/2014

Service costs not recharged decreased from €1.37 million in 2014 to €1.20 million in 2015 due to increased occupancy in the portfolio. It is one the Fund's prime tasks to further improve the net result on these leases and in renewal situations these will not be extended whenever possible.

2014/2013

Service costs not recharged decreased slightly from €1.39 million in 2013 to €1.37 million in 2014. The decrease primarily resulted from the increased occupancy rate of the portfolio.

Property operating expenses

The property operating expenses of the Fund consist of costs directly related to the operations of the property, such as municipal taxes, insurance premiums, maintenance costs, contributions to owners' associations, property management, rental costs and other expenses. These costs are recorded as charges in the Fund's income statement when they occur. Costs relating to the commercial, technical and administrative management of real estate are included in the operating costs. The following tables show a breakdown of the Fund's operating costs and the contribution of each country for the periods indicated:

Table 9.9 – Property operating expenses

(in €1,000)	For the 6 month period ended 30 June		For the years ended 31 December		
	2016	**2015**	**2015**	**2014**	**2013**
	unaudited	unaudited			
Property management	220	221	463	493	745
Asset management	229	224	454	448	246
Maintenance expenses	196	138	329	310	388
Taxes on investment properties	103	99	181	223	213
Commission fees	24	75	95	140	162
Insurance premiums	14	14	23	27	27
Other operating expenses	6	11	18	68	70
Total	**792**	**782**	**1,563**	**1,709**	**1,851**
Czech Republic	181	264	429	393	434

Slovakia	611	518	1,134	1,316	1,417
Total	**792**	**782**	**1,563**	**1,709**	**1,851**

Q2 2016/Q2 2015

Property operating expenses increased slightly from €782,000 in the first six months of 2015 to €792,000 in the first six months of 2016. The increase primarily resulted from higher maintenance expenses, partly compensated by lower commission fees.

2015/2014

Property operating expenses decreased from €1.71 million in 2014 to €1.56 million in 2015. The decrease primarily resulted from lower property management costs, taxes on investment properties and commission fees in Slovakia.

2014/2013

Property operating expenses decreased from €1.85 million in 2013 to €1.71 million in 2014. This decrease was mainly due to lower maintenance expenses and property/asset management fees.

Net rental and related income

Net rental and related income comprises gross rental income minus operating costs and service costs not recharged. The table below shows the Fund's total net rental income and the contribution of each country for the periods indicated. The relative differences between gross and net rental income vary per country and property, as they are influenced by the amount of operating costs and service charges (for example, maintenance charges) that can be recovered from tenants, vacancy rates and/or property age and condition.

Table 9.10 – Net rental income per country

	For the 6 month period ended 30 June		For the years ended 31 December		
(in €1,000)	**2016**	**2015**	**2015**	**2014**	**2013**
	unaudited	unaudited			
Czech Republic	472	356	789	965	1,206
Slovakia	1,076	1,137	2,133	2,062	2,109
Total	**1,548**	**1,493**	**2,922**	**3,027**	**3,315**

Revaluation of investments

The following table shows the Fund's net revaluation result on investments and the contribution of each country for the periods indicated.

Table 9.11 – Revaluation of investments per country

(in €1,000)	For the 6 month period ended 30 June		For the years ended 31 December		
	2016	**2015**	**2015**	**2014**	**2013**
	unaudited	unaudited			
Czech Republic	-	-283	-291	-106	-804
Slovakia	-	-	285	10	-642
Total	**-**	**-283**	**-6**	**-96**	**-1,446**

Q2 2016/2015

Valuation result improved from €283,000 negative in the six months ended 2015 to nil in the first six months of 2016.

2015/2014

Valuation result improved from €96,000 negative in 2014 to a slight €6,000 negative in 2015 as improving yields offset further declines in net income.

2014/2013

Valuation result improved from €1.45 million negative in 2013 to a slight negative of €96,000 in 2014 as improving yields offset further declines in net income.

Other operating expenses

Other operating expenses are management costs, audit costs, consultancy costs, appraisal costs, compensation of members of the Supervisory Board and other costs. Other operating expenses are partly allocated to property operating expenses and partly to the real estate portfolio. The following table shows a breakdown of the Fund's other operating expenses for the periods indicated:

Table 9.12 – Other operating expenses

(in €1,000)	For the 6 month period ended 30 June		For the years ended 31 December		
	2016	**2015**	**2015**	**2014**	**2013**
	unaudited	unaudited			
Audit fees	31	40	102	92	62
Accounting expenses	73	66	155	136	77
Consultancy fees	444	4	224	342	25
Costs of valuing premises	0	0	14	16	18
Listing, paying and Fund agent fees	11	11	23	23	23
Marketing expenses	15	15	57	34	12
Custody fees	20	20	38	25	0
Portfolio fees	0	0	0	0	4
Supervisory Board fees	14	14	28	41	28
Supervisors' expenses	12	12	20	12	12
Insurance AIFMD	6	6	30	10	0
Non-refundable value added tax	40	42	136	159	133
Change in provision irrecoverable debtors	61	0	27	19	36
Wages and salaries statutory directors	3	3	6	6	10

Other general operating expenses	16	25	21	17	14
Due Diligence	0	0	117	0	0
Subtotal other operating expenses	**746**	**258**	**998**	**932**	**454**
Correction non-refundable value added tax previous years	0	-58	-58	0	0
Total administrative expenses	**746**	**200**	**940**	**932**	**454**

Q2 2016/Q2 2015

Total operating expenses increased in the six months ended June 2015 compared to the six months ended 30 June 2016 due to costs directly related to the acquisition of the Target Portfolio.

2015/2014

Total operating expenses increased in 2015 compared to 2014 due to costs directly related to the acquisition of the Target Portfolio (€117,000).

2014/2013

Total operating expenses increased from €0.45 million in 2013 to €0.93 million in 2014. This was due to higher accounting expenses and consultancy fees directly related to the Fund's re-financing in H2 2014.

Net financing result

Net financing result comprises the sum of financial income and financial expenses. Interest income on funds invested is recognised in the income statement as it accrues, by means of the effective interest method. Given the nature of the Fund (investment company) finance income is not netted against finance charges, but presented separately under the total of income. Financial income arises principally from the investments held in order to be used for investment in property. Financial income also includes the exchange and currency translation profits that arise principally from the settlement of monetary items or from the translation of monetary items in foreign currency.

Net finance charges comprise the interest expense on funds taken up, calculated using the effective interest method, exchange and currency translation losses, which arise principally from the settlement of monetary items, or in the translation of monetary items in foreign currency. Interest expense is recognised in the income statement as it accrues, by means of the effective interest rate method.

The following table shows the Fund's net financing result for the periods indicated:

Table 9.13 – Net financing result

	For the 6 month period ended 30 June		**For the years ended 31 December**		
(in €1,000)	**2016**	**2015**	**2015**	**2014**	**2013**
	unaudited	unaudited			
Financial income					
Interest income	-	3	4	60	75
Valuation gains on other investments	-	-	0	51	0
Other exchange & currency translation results	2	2	2	0	0
Dividend other investments	10	-	32	0	0
Released from "Reserve for currency	52	10	61	0	0

translation differences"					
Total	**64**	**15**	**99**	**111**	**75**
Financial expenses					
Interest expense on loans taken up	347	437	791	1,013	791
Other exchange & currency translation results	-	-	0	14	164
Fine interest on loans taken up	-	-	9	24	0
Released from 'Reserve for currency translation differences	-	-	0	18	0
Interest expense on convertible bonds	90	74	164	6	0
Valuation losses on other investments	17	-	15[2]	0	5
Total	**454**	**511**	**979**	**1,075**	**960**
Net financing result	**-390**	**-496**	**-880**	**-964**	**-885**

Q2 2016/Q2 2015

Net financing result improved in the six months ended 30 June 2016 compared to the six months ended June 2015 from €0.50 million negative to €0.39 million negative. The interest expense on loans taken up, decreased to €347,000 due to the amortisations that have been made. This positive trend was however partially eliminated by the interest expense on the convertible bonds of €90,000.

2015/2014

Net financing result improved in 2015 compared to 2014; from €0.96 million negative to €0.88 million negative. The interest expense on loans taken up decreased to €791,000 due to the amortisations that have been made. This positive trend was however partially eliminated by the interest expense on the convertible bonds of €164,000.

2014/2013

The negative net financing result increased slightly from a negative €0.89 million in 2013 to a negative €0.96 million in 2014. Interest charges accounted for a large portion of this change, increasing from €0.79 million in 2013 to €1.01 million in 2014. The increase in interest costs in 2014 was primarily caused by the implementation of the new financing conditions, which show a higher interest rate but lower amortisation rate.

Corporate income tax

The income tax expense for the financial period comprises the tax on profits and deferred tax on profits owed and deductible during the financial period. The tax on profits is recognised in the income statement.

The tax owed and deductible for the financial period is the anticipated tax payable on the taxable profits for the financial period, calculated on the basis of tax rates applicable at the statement of financial position's date, or which have been materially decided upon at the statement of financial position's date, and adjustments on the tax owed for preceding years.

The provision for deferred tax liabilities is formed on the basis of the statement of financial position method, whereby a provision is made for temporary differences between the book value of assets and liabilities for the purposes of financial reporting and the book value of those items for tax purposes. No provision is made for the following temporary differences: goodwill not deductible for tax purposes, the first inclusion of assets or liabilities that influence neither the profit for financial statements purposes nor the profit for tax purposes, and differences associated with investments in

[2] Concerns Yellow Properties, s.r.o.

subsidiaries to the extent that they will probably not be settled in the foreseeable future. The amount of the provision for deferred tax liabilities is based on the manner in which it is expected that the carrying value of the assets and liabilities will be realised or settled, whereby use is made of the tax rates adopted at the statement of financial position's date, or which have already been materially decided upon at the statement of financial position's date.

A deferred tax asset is included only to the extent that it is probable that taxable profits will be available in the future which can be used for realisation of the asset item. The amount of the deferred tax assets is reduced to the extent that it is no longer probable that the associated tax benefit will be realised.

Additional tax on profits as a result of dividend distributions is recognised at the same time as the obligation to distribute the dividend concerned.

The Fund is subject to different tax regimes. The table below identifies the tax impact on the Fund's consolidated results for the periods indicated:

Table 9.14 – Corporate income tax for the 6 month period ended 30 June

	For the 6 month period ended 30 June			
(unaudited)	**2016**		**2015**	
	in %	in €1,000	in %	in €1,000
Result before tax		**230**		**305**
Tax using the company's domestic tax rate	*25.2*	-58	*21.6*	-66
Effect of tax rates in foreign jurisdictions	*-10.0*	23	*2.9*	-9
Change in tax rate	-	0		
Tax effect of				
Non-deductible expenses	*1.7*	-4	-	0
Tax exempt revenues	*-6.9*	16	*-0.7*	2
Current year losses for which no deferred tax asset is recognised	*50.9*	-117	*138.7*	-423
Recognition of tax effect in respect of previously unrecognised tax losses	*-12.6*	29	*-120.6*	368
Unused fiscal losses in respect of previous years for which a deferred tax asset was recognised	-	0	-	0
Adjustment in respect to previous years	-	0	*-5.2*	16
	48.3	**-111**	***36.7***	**-112**

Table 9.15 – Corporate income tax for the years ended 31 December

	For the years ended 31 December					
	2015		**2014**		**2013**	
	in %	in €1,000	in %	in €1,000	in %	in €1,000
Result before tax		**701**		**705**		**4**
Tax using the company's domestic tax rate	*22.3*	-156	*23.5*	-166	*25.0*	-1
Effect of tax rates in foreign jurisdictions	*-1.0*	7	*-2.1*	15	*1,400.0*	-56
Change in tax rate	-	0	-	0	*-3,150.0*	126
Tax effect of						
Non-deductible expenses	*10.4*	-73	*0.6*	-4	*250.0*	-10
Tax exempt revenues	*-3.7*	26	*-21.1*	149	-	0

Current year losses for which no deferred tax asset is recognised	*66.9*	-469	*22.6*	-159	*3,925.0*	-157
Recognition of tax effect in respect of previously unrecognised tax losses	*-54.6*	383	*-63.7*	449	-	0
Unused fiscal losses in respect of previous years for which a deferred tax asset was recognised	-	0	*7.6*	-54	-	0
Adjustment in respect to previous years	*-2.7*	19	*-26.8*	189	*975.0*	-39
	37.6	**-263**	***-59.4***	**419**	***3,425.0***	**-137**

9.5 Other key performance indicators: direct and indirect investment result

The Fund measures operating performance using direct and indirect investment result measures. These are supplemental measures of the Fund's performance which are used for management purposes and should not be considered in isolation or as an alternative to net result or any other performance measure derived in accordance with IFRS. In addition, such measures, as defined by the Fund, may not be comparable to other similarly titled measures used by other companies.

Direct investment result is the result generated from lettings net of costs. Indirect investment result arises primarily from realised and unrealised increases in the value of the portfolio. The Fund believes that using the direct and indirect investment result measure enables it to better assess the underlying operating performance of the Fund, after adjusting principally for gains or losses on sales of investment property and revaluation effects (including on deferred taxes), which are driven by market conditions outside the Fund's control. The Fund presents direct and indirect investment results in its ongoing financial reporting and intends to use these measures going forward.

The following table sets forth the calculation of direct and indirect investment result for the periods indicated:

Table 9.16 – Consolidated direct and indirect investment result

	For the 6 month period ended 30 June		**For the years ended 31 December**		
(in €1,000)	**2016**	**2015**	**2015**	**2014**	**2013**
	unaudited	unaudited			
Gross rental income	2,942	2,912	5,688	6,105	6,553
Service costs not recharged	-602	-637	-1,203	-1,369	-1,387
Property operating expenses	-792	-782	-1,563	-1,709	-1,851
Net rental income	**1,548**	**1,493**	**2,922**	**3,027**	**3,315**
Financial income	64	15	99	111	75
Other operating income	11	1	5	22	28
Financial expenses	-454	-511	-979	-1,075	-960
Administrative expenses	-193	-210	-400	-352	-554
Other operating expenses	-746	-200	-940	-932	-454
Direct investment result before tax	**230**	**588**	**707**	**801**	**1,450**
Corporate income tax	-111	-112	-263	419	-137
Direct investment result	**119**	**476**	**444**	**1,220**	**1,313**
Valuation gains on investment property	-	4,129	4,458	1,946	-1,383
Valuation losses on investment property	-	-4,412	-4,464	-2,042	-63
Indirect investment result before tax	**-**	**-283**	**-6**	**-96**	**-1,446**
Corporate income tax	-	-	-	-	-
Indirect investment result	**-**	**-283**	**-6**	**-96**	**-1,446**
Total investment result	**119**	**193**	**438**	**1,124**	**-133**

Data per average outstanding ordinary					
Direct investment result at the end of	0.08	0.32	0.30	0.88	1.01
Indirect investment result at the end of	0.00	-0.19	0.00	-0.07	-1.11
Total investment result at end of period	**0.08**	**0.13**	**0.30**	**0.82**	**-0.10**
Weighted average number of outstanding ordinary shares	1,438,704	1,438,704	1,438,704	1,378,725	1,303,388

Direct investment result

Q2 2016/Q2 2015

Direct investment result decreased with 75.0%, from €476,000 in the first six months ended June 2015 to €119,000 in the first six months ended 2016. The decrease resulted from higher operating costs (Q2 2016: €746,000; Q2 2015: €200,000). The gross rental income increased (Q2 2016: €2.94 million; Q2 2015: €2.91 million) due to a higher occupancy rate.

2015/2014

Direct investment result decreased with 63.6%, from €1,220,000 in 2014 to €444,000 in 2015. The decrease primarily resulted from an increase in administrative expenses (2015: €400,000; 2014: €352,000) and from an increase in corporate income tax (2015: €263,000 negative; 2014: €419,000 positive). The gross rental income decreased (2015: €5.69 million; 2014: €6.11 million) due to the sale of the GiTy property in Brno.

2014/2013

Direct investment result decreased from €1.3 million in 2013 to €1.2 million in 2014, primarily as a result of an decrease in gross rental income from €6.55 million in 2013 to €6.10 million in 2014, which was largely caused by the sale of the properties Šaca in Košice and Mačianska in Bratislava and to the increase of vacancy in the first half of the year 2014.

Indirect investment result

Q2 2016/Q2 2015

Indirect investment result increased from negative €283,000 in the first six months ended 2015 to nil in the first six months ended 2016.

2015/2014

Indirect investment result increased from negative €96,000 in 2014 to negative €6,000 in 2015. The increase was the result of a net positive valuation gain.

2014/2013

Indirect investment result improved from a negative €1.45 million in 2014 into a slight negative €0.1 million in 2014. The decrease primarily resulted from the net result on the sale of the Račianska and Šaca properties in Slovakia.

9.6 Liquidity and capital resources

The Fund's main source of liquidity for its daily operations is net rental income. For the acquisition of new real estate properties and investments in properties, a combination of equity and debt financing is used.

At 30 June 2016, the Fund had €27.84 million total liabilities, compared to €27.53 at 30 June 2015. At 31 December 2015, the Fund had €27.63 million of total liabilities, compared to €30.08 million at 31 December 2014. The Fund had €33.89

million of total liabilities at 31 December 2013. Total liabilities consist of interest-bearing debt, deferred tax liabilities, redemption requirement long-term liabilities, trade and other payables and income tax payable.

As at 30 June 2016 the Fund has the following contingent liability. AC Bohemia has a potential liability under some circumstances (e.g. cancelled lease) for the amount of CZK 6,597,000 (€243,000) to Kooperativa (the lessee of the parking places Štefánikova), which has paid the rent in advance for parking places for several years. Based on the negotiations for the sale of the Štefánikova property, the new owner permits the lessee the usage of the parking places (free of payment) and the new owner will pay the tax from the rent.

The Fund has a potential liability towards the settlement agent regarding a fixed success fee for the amount of €400,000 related to the capital raise for the Acquisition, which is planned for Q4 2016. The fixed success fee will be due if the Offering is completed. The total amount of the retainer fee will be deducted from the total amount of the fixed success fee.

The Fund did not have any material off-balance sheet commitments as at 30 June 2016.

Interest bearing debt

The interest bearing debt of the Fund consists of secured and interest bearing loans. Per 30 June 2016 the interest bearing debt of the Fund amounted to €21.63 million.

Secured interest bearing loans were attracted by the Fund and guaranteed and secured by the Fund and its subsidiaries for the acquisition of properties and operation of the portfolio for an aggregate nominal value as per 30 June 2016 of €19.12 million (31 December 2015: €19.71 million; 31 December 2014: €22.30 million; 31 December 2013: €25.50 million).

At 30 June 2016, the weighted remaining maturity of the Fund's interest bearing loans and borrowings was 3.0 years (31 December 2015: 3.5 years; 31 December 2014: 4.4 years; 31 December 2013: 2.8 years).

The following tables show the periods in which the interest on the Fund's debt will (or was to) reset, at 30 June 2016, 30 June 2015, 31 December 2015, 31 December 2014 and 31 December 2013:

Table 9.17 – Maturity interest bearing debt (unaudited)

At 30 June 2016 (in €1,000)	**Effective Interest rate**	**Total**	**Less than 1 month**	**1 until 3 months**	**3 months until 1 year**	**1 until 5 years**	**More than 5 years**
Interest bearing loans and borrowings	3.60%	22,010	62	411	2,259	19,278	-

At 30 June 2015 (in €1,000)	**Effective Interest rate**	**Total**	**Less than 1 month**	**1 until 3 months**	**3 months until 1 year**	**1 until 5 years**	**More than 5 years**
Interest bearing loans and borrowings	3.69%	23,462	67	408	2,173	20,814	-

At 31 December 2015 (in €1,000)	**Effective Interest rate**	**Total**	**Less than 1 month**	**1 until 3 months**	**3 months until 1 year**	**1 until 5 years**	**More than 5 years**
Interest bearing loans and borrowings	3.64%	24,494	68	423	1,458	22,545	-

At 31 December 2014 (in €1,000)	**Effective interest rate**	**Total**	**Less than 1 month**	**1 until 3 months**	**3 months until 1 year**	**1 until 5 years**	**More than 5 years**

Interest bearing loans and borrowings	3.48%	27,105	72	434	2,794	23,805	-

At 31 December 2013 (in €1,000)	**Effective interest rate**	**Total**	**Less than 1 month**	**1 until 3 months**	**3 months until 1 year**	**1 until 5 years**	**More than 5 years**
Interest bearing loans and borrowings	3.03%	28,238	137	561	17,963	7,775	1,802

Limitations on borrowings, restrictions and covenants

Following completion of the Acquisition the Fund shall have outstanding loan facilities from three different banks and is required to comply with a number of financial covenants, which are briefly set out below. The agreements include customary representations and warranties, covenants, notice provisions, negative pledges, restrictions on subsidiary debt and asset disposals and events of default.

Loan agreements with Sberbank and Slovenska Sporitelňa

The main covenant in the loan agreements with Sberbank and Slovenska Sporitelňa is the DSCR. The minimum DSCR is set at 1.1 in the loan agreement with Sberbank and 1.25 in the loan agreement with Slovenska Sporitelňa. At 30 June 2016, the Fund's corporate DSCR was 1.71 (30 June 2015: 1.59). As at 1 September 2016 the loan with Tatra Banka had been refinanced by a loan from Slovenska Sporitelňa. On the basis of the financial information for 2015 and as per 31 December 2015, (i) debt service expenses would have to rise by 39% or (ii) net rental income would have to decrease by 28%, for the DSCR to reach a level of 1.15. A potential breach of the covenant would be in the short term remedied by a cash deposit, an additional equity injection or by a partial asset disposal.

Loan agreement with Raiffeisen Bank

On the basis of the binding term sheet, it is expected that this loan agreement will include (*inter alia*) the following financial covenants:

- LTV ratio of 65%;
- net rental operation income (“NOI”) out of Freehold Assets at a minimum level of 1.20 debt service;
- minimum DSCR of 1.20;
- the distribution of cash excess to the Fund is allowed provided that the debt service reserve and minimum CAPEX (equal to 5.00% of NOI) is fully funded, there is no ongoing event of default, the financial covenants under the loan agreement are satisfied and all amounts due under the loan agreement are paid when due and following the consent of Raiffeisen Bank.

The Fund regularly monitors its financial covenant compliance to ensure that it is in compliance on quarterly assessment dates set forth in its financing agreements. If a financial covenant were to be breached, then, with the expiry of an applicable grace period, such breach would result in an event of default under the relevant agreement. As a result, the defaulting party may not pay dividend or make other distributions to the Fund and the outstanding amounts under the loans become repayable. At the date of this Registration Document, the Fund complies with its covenants.

Further details on the loan agreements with Sberbank, Slovenska Sporitelňa and Raiffeisen Bank are outlined in Chapter 14 “General information”, section 14.8 “Material Agreements”.

Convertible bond***s***

In 2014 and 2015 the Fund raised gross proceeds of €2.49 million through the issuance of convertible bonds due, respectively, in 2019 and 2018 (the convertible bonds issued on 1 December 2014 the “**2014 Convertible Bonds**”, the convertible bonds issued on 20 February 2015 the “**2015 Convertible Bonds**” and the 2014 Convertible Bonds and the 2015 Convertible Bonds collectively the “**Convertible Bonds**”). As of date of this Registration Document, further to the conversion, a nominal amount of €1.07 million is still outstanding on the 2014 Convertible Bonds and a nominal amount of €1.42 million is still outstanding on the 2015 Convertible Bonds.

The Convertible Bonds bear an interest of 6.00% per annum, which is payable semi-annually in equal instalments. The Convertible Bonds are unsecured and unsubordinated obligations of the Fund and shall at all times rank pari passu and without preference among themselves.

Holders of the Convertible Bonds have the right to convert the amount that is still outstanding under their bonds (in whole) together with the amount of interest due, in Shares against the conversion price. The conversion price of the 2014 Convertible Bonds is the lowest of (1) 30% over the average Share price during the 40 trading days prior to 1 December 2014, or (2) €10, being 30% over a Share price of €7.69, provided that the conversion price shall not be lower than the nominal value per Share. The conversion price of the 2015 Convertible Bonds is €10.30. The conversion price of the Convertible Bonds will be reduced following the Offering based on the discount between the price of the Shares prior to the publication date of the Securities Note and the offer price of the new Shares.

The maturity date is 1 December 2019 for the 2014 Convertible Bonds and 20 February 2018 for the 2015 Convertible Bonds. The Fund is entitled to redeem the Convertible Bonds prior to the maturity date in whole, but not in part, by giving no less than 30 and no more than 60 days' notice and against payment of the nominal value of the Convertible Bonds including the interest due:

- at any time after 1 December 2015 for the 2014 Convertible Bonds and at any time after 20 February 2016 for the 2015 Convertible Bonds, if during 20 trading days within a period of 40 trading days, which period does not end earlier than 5 trading days prior to the date of the notice of early redemption by the Fund, the closing price of the Shares on each of these trading days amounts to more than 120%of the conversion price,
- at any time that the outstanding aggregate principal amount of the issued Convertible Bonds represents 15% or less of the aggregate principal amount of the Convertible Bonds originally issued.

Share issuance

In 2014, the Fund issued 98,997 Shares at an average net price of €6.43 per Share, raising in total approximately €646,000 gross proceeds.

Cash flow analysis

The following tables are a summary of the Fund's consolidated cash flow statements for the periods indicated.

	For the 6 month period ended 30 June		**For the years ended 31 December**		
(in €1,000)	**2016**	**2015**	**2015**	**2014**	**2013**
	unaudited	unaudited			
Cash flow from operations	372	-333	215	819	1,600
Cash flow from investment activities	-114	3,143	3,050	1,822	-174
Cash flow from financing activities	-588	-2,645	-3,318	-1,596	-1,925
Net increase in cash and bank	**-330**	**165**	**-53**	**1,045**	**-499**
Cash and bank balances at 1 January	1,660	1,692	1,692	659	1,107
Foreign exchange differences	-3	-13	21	-12	51
Cash and bank balances at end period	**1,327**	**1,844**	**1,660**	**1,692**	**659**

Cash flow from operations

(in €1,000)	For the 6 month period ended 30 June 2016	2015	For the years ended 31 December 2015	2014	2013
	Unaudited	Unaudited			
Result after tax	119	193	438	1,124	-133
Cash flow from operating activities	507	653	893	490	2,288
Movements in debtors and other account receivables	-240	-131	19	270	-10
Movements in other liabilities, accrued expenses and deferred income	403	-551	-200	-720	482
Interest received	-	3	4	657	1
Interest paid	-410	-497	-936	-1,002	-790
Income tax paid	-7	-3	-3	-	-238
Cash flow from operations	**372**	**-333**	**215**	**819**	**1,600**

Q2 2016/Q2 2015

Cash flow from operations was €372,000 in the six month period ended 30 June 2016, an increase of €705,000 from €-333,000 in the six month period ended 30 June 2015. Such increase was mainly due to movements in other liabilities, accrued expenses and deferred income.

2015/2014

Cash flow from operations was €215,000 in 2015, a decrease of €604,000 from €819,000 in 2014. Such decrease was mainly due to a decrease of the operational result.

2014/2013

Cash flow from operations was €819,000 in the year ended 31 December 2014, a decrease of €781,000 from €1.6 million in the year ended 31 December 2013. Such decrease was mainly due to a decrease of cash flow from operating activities.

Cash flow from investment activities

(in €1,000)	For the 6 month period ended 30 June 2016	2015	For the years ended 31 December 2015	2014	2013
	Unaudited	Unaudited			
Purchases of real estate and investments in existing properties	-124	-36	-511	-365	-415
Proceeds from sales of real estate	-	3,179	3,529	1,674	-99
Proceeds from sales of other investments	-	-	0	513	340
Dividend other investments	10	-	32	0	0
Cash flow from investment activities	**-114**	**3,143**	**3,050**	**1,822**	**-174**

Q2 2016/Q2 2015

Cash flow received from investment activities was €-114,000 in the six month period ended 30 June 2016 a decrease of €3.26 million from €3.14 million in the six month period ended 30 June 2016. The decrease was mainly due to no proceeds from sales of real estate.

2015/2014

Cash flow received from investment activities was €3.05 million in 2015. The increase was mainly due to the sale of the GiTy property in Brno (€3.18 million).

2013/2014

Cash flow received from investment activities was €1.82 million in the period ended 31 December 2014, an increase of almost €2 million from €174,000 negative in the period ended 31 December 2013. The increase was mainly due to the sale of the Slovakian properties Šaca (Košice) and Račianska (Bratislava).

Cash flow from financing activities

	For the 6 month period ended 30 June		For the years ended 31 December		
(in €1,000)	**2016**	**2015**	**2015**	**2014**	**2013**
	Unaudited	Unaudited			
Proceeds from the issue of share capital	-	-	-	637	-
Proceeds from the issue of convertible	-	1,420	1,420	1,070	-
Proceeds from loans and borrowings	47	32	48	10,799	99
Repayments of loans and borrowings	-581	-3,665	-4,211	-14,102	-2,024
Distribution to shareholders	-54	-432	-575	-	-
Cash flow from financing activities	**-588**	**-2,645**	**-3,318**	**-1,596**	**-1,925**

Q2 2016/Q2 2015

Cash flow from financing activities was €588,000 negative in the six month period ended 30 June 2016 and increased by €2.06 million from €2.64 million negative in the six month period ended 30 June 2015. Such increase was mainly due to fewer repayments of loans.

2015/2014

Cash flow from financing activities was €3.32 million negative in 2015; a decrease of €1.72 million from €1.60 million negative in 2014. The change in cash flow was primarily due to the lump sum instalment of part of the loan of Tatra Banka and the entire instalment of the loan of SNS Bank. Part of the instalment was possible to the issuance of the second tranche of convertible bonds.

2014/2013

Cash flow from financing activities was €1.60 million negative in the period ended 31 December 2014; an improvement of €330,000 from €1.93 million negative in the period ended 31 December 2013. The change in cash flow was primarily due to the issuance of the first tranche of convertible bonds (€1.07 million) and the equity raise (€637,000). This was used to repay bank loans.

9.7 Qualitative and quantitative disclosure about market risk

Operating in the real estate market subjects the Fund to various market risks, including credit risk, liquidity risk, interest rate risk and currency risk. The overall risk management is designed to minimise the potentially negative effects of the unpredictability of markets on the Fund's business performance. The Fund closely monitors the financial risks associated with its business and the financial instruments it holds. The Fund is a long-term investor in real estate and therefore applies the principle that the debt financing of the investments should also be long-term in nature in accordance with the risk profile of its business.

For additional qualitative and quantitative discussion of the market risks to which the Fund is exposed in the normal course of its business, please refer to the Fund's consolidated financial statements and related notes incorporated by reference in this Registration Document and Chapter 1 “Risk Factors”.

Credit risk

The Fund's credit risk is defined as the risk of an unforeseen decline in the value of an asset as a result of counterparties, such as banks and tenants, failing to meet their obligations as set out in detail below.

Banks

Entering into transactions for loans with various reputable banks minimises the risks associated with possible non-performance by financial counterparties.

Tenants

Careful screening in advance and active monitoring of debtor balances enables the Fund to closely monitor the creditworthiness of tenants. The Fund has a specific debtor policy in place, setting out procedures and timelines for collecting rent. The purpose of this policy is to reduce the amount of overdue rent and to minimise the amount of bad debts. In addition, substantially all rent is paid in advance monthly or quarterly and tenants are required to provide security for rent payments for a limited period in the form of guarantee payments or bank guarantees. Since the tenant base consists of a large number of different parties, the Fund believes there is limited concentration of credit risk.

The age structure of the debtors (predominantly comprising tenants) was as follows:

Table 9.18 – Age structure of debtors

	For the 6 month period ended 30 June		For the years ended 31 December		
(unaudited) (in €1,000)	**2016**	**2015**	**2015**	**2014**	**2013**
Up to 1 month expired	230	257	165	181	205
1 -3 months expired	55	68	23	66	96
3 - 12 months expired	37	87	38	74	66
More than 1 year expired	286	309	280	228	257
Total	**607**	**721**	**506**	**547**	**624**

Table 9.19 – Change in provision for asset impairment for debtors

	For the 6 month period ended 30 June		For the years ended 31 December		
(in €1,000)	**2016**	**2015**	**2015**	**2014**	**2013**
	unaudited	unaudited			
Beginning of the period	229	252	253	268	237
Addition to provisions	68	0	27	26	204
Write down of doubtful debtors	-7	0	-50	-41	-174
End of the period	**290**	**252**	**230**	**253**	**267**

Liquidity risk

To diversify its liquidity risk, the Fund has funded its operations with long-term debt to credit institutions and with shareholders' equity. Furthermore, measures have been taken to ensure a higher occupancy rate and to prevent financial damages resulting from bankruptcies of tenants. Maturity dates are spread as much as possible over time to limit liquidity risk. The Fund aims to have loans with a maturity of 5 or more years.

Interest rate risk

The Fund is subject to obligations pursuant to interest bearing loans entered into. Variable interest loans expose the Fund to uncertainty regarding interest expenses. There is currently no hedging derivative instrument in place for AC Bohemia and AC Slovakia. The interest rate risk is partially mitigated on Tranche B (CZK 200 million) of the loan agreement of AC Bohemia with Sberbank via a three year fixed interest rate.

Currency risk

The Fund conducts business in multiple currencies, principally the Euro and the CZK. The Fund’s principal currency translation risk arises from the fact that the financial records of the Fund are maintained in Euro, whilst a proportion of revenues are earned in CZK.

The investments in the Czech Republic are in CZK. The Fund Manager has decided not to hedge the currency risk as within the Czech part of the portfolio both income and costs are in CZK. All lease agreements in the Czech Republic are in CZK. All bank loans with Sberbank in the Czech Republic are also in CZK, which effectively hedges some of the currency risk within the portfolio. The net exposure to the CZK is 1.4% of the total Fund assets.

Taking into account the high costs involved and the Fund Manager’s expectation that the EUR/CZK exchange rate will continue to show relative stability over the long term, it has opted not to hedge the currency risk by means of financial derivatives, such as forward contracts.

Subsequent events

There has been no significant change in the trading or financial position of the Fund (including its subsidiaries) since 30 June 2016.

10 THE FUND

10.1 Investment objective

The Fund is a closed-end investment company with variable capital (*beleggingsmaatschappij met veranderlijk kapitaal*). Pursuant to section 3 of the Articles of Association, the corporate purpose (*doel*) of the Fund is to invest capital in securities and other assets, including loans for consumption of securities in such a manner that the risks are spread in order to have the Shareholders share in the proceeds, and to do all that is connected with the aforementioned objects or may be conducive thereto, all to be interpreted in the broadest sense.

The Fund offers institutional and private investors an opportunity to invest in a real estate portfolio in the established and emerging markets of Central and Eastern Europe. The Fund's investment policy is to deliver a high income return from a diversified commercial real estate portfolio whilst preserving capital values.

10.2 Fund Manager

Arcona Capital Fund Management B.V. is the Fund Manager. On 24 January 2006 it obtained a licence from the AFM under the Act on the Supervision of Investment Institutions. Since 1 January 2007 the Fund has operated under the Financial Supervision Act. The Fund is supervised by the Dutch Central Bank (*De Nederlandsche Bank*) and the AFM.

The Fund Manager has taken out a professional indemnity insurance against liability arising from professional negligence as required under the AIFMD.

10.3 Investment policy and restrictions

The Fund solely invests in commercial real estate in the CEE region. No other investment restrictions apply to the Fund. In the event of a breach of an investment restriction, the Fund Manager will announce the actions it will take to remedy the breach in a press release.

The Fund Manager applies the following investment policy with respect to the Fund:

- The Fund will directly and indirectly invest in commercial real estate in Central and Eastern Europe.
- No more than 60% of the book value of the Fund's real estate portfolio will be financed with borrowed capital (provided that if the value of the real estate decreases, this percentage could exceed 60%).
- The Fund is allowed to invest in securities or places funds in a deposit account in order to preserve cash and liquidity.
- Investments will be diversified across:
    - Countries, regions and cities in Central and Eastern Europe.
    - Commercial sectors, including offices, retail, industrial and logistics.
    - Property classes: A-/ B-/ C-class.
    - Sizes of individual projects.

The Fund Manager may use financial instruments to hedge interest rate risk and currency risks, though has opted not to do so at present. The Fund Manager actively manages the Fund's portfolio by using its thorough knowledge of the local real estate markets and its experience in various CEE countries to identify new investment opportunities. Assets held will be assessed regularly to determine whether they should be retained in the portfolio or sold.

Resolutions of the Fund regarding the change of its investment policy require approval of the General Meeting of Shareholders when such resolutions relate to an important change in the identity or character of the Fund or the underlying investments of the Fund.

The absence of approval by the General Meeting of Shareholders of a resolution to change its investment policy as described above, shall not affect the corporate power and authority of the Management Board to represent the Fund.

10.4 Investor profile

The Fund's investments are diversified in asset classes (offices, retail and others) and geographically over various regions and cities in Central and Eastern Europe. The Fund is attractive for institutional and private investors who wish to invest in a closed-end investment company whose objective is to provide investors with high relative income return and the potential for long-term capital appreciation from investing in offices and retail properties in Central and Eastern Europe.

10.5 Fees and expenses

Management fee

The Fund Manager is entitled to an annual management fee. This fee equals a percentage of the Fund's total assets at month-end and is calculated as follows:

- For total assets < €75 million: 1.50% per annum (0.125% per month).
- For total assets ≥ €75 million: 1.00% per annum (0.083% per month).

The management fee is charged monthly and includes the costs of the asset management provided by local investment specialists. The Fund Manager capped the 2013 management fee at €800,000 and permanently waived the 2014 management fee above €800,000.

Also, the Fund Manager has waived until further notice its right to receive a termination fee of five times the management fee over the past financial year, as well as five times the amount of performance-related remuneration to which the Fund Manager would be entitled over that financial year (see next section). This waiver has been included in the registration document dated 24 September 2013, as published on the website of the Fund Manager. On 16 February 2016, the Fund Manager resolved to remove the termination fee from the management agreement.

Performance-related remuneration

The Fund Manager is entitled to performance-related remuneration dependent on the Fund's total annual return. The total return is defined as the increase in net asset value per Share over the relevant financial period increased by dividends distributed during that financial period. The sum of these components is expressed as a percentage of the net asset value per Share at the start of the financial period. The total performance-related remuneration is calculated on the total average number of outstanding Shares during the relevant financial period multiplied by the net asset value per Share at the start of the relevant financial period.

The performance-related remuneration consists of three tiers:

	Total return	Performance-related remuneration	Performance fee Fund Manager	Total return Shareholder
1	< 12%	0%	0.0%	< 12.0%
2	≥ 12% and ≤ 15%	20% of the total return minus 12%	≥ 0.0% ≤ 0.6%	≥ 12.0% ≤ 14.4%
3	> 15%	30% of the total return minus 15% plus the remuneration set forth under 2 (above)	> 0.6%	>14.4%

The performance-related remuneration is charged annually in arrears and is budgeted and put aside on a three-monthly basis. This remuneration will not be due if the change in share price (which must be read as the net asset value per share since the conversion into a closed-end fund as of 5 January 2012) plus the dividends distributed in the relevant financial period is lower than that of a preceding period for which the remuneration was deducted.

Example for illustration purposes only:
If the total annual return for a single year is 18.5%, the net total return for the Shareholders, after deduction of the performance fee, will be: 12.0% (1st bracket) plus 2.40% (2nd bracket, 0.8 x 3.0%) plus 2.45% (3rd bracket, 0.7 x 3.5%) is 16.85% and the Fund Manager will receive: 0.0% (1st bracket) plus 0.60% (2nd bracket, 0.2 x 3.0%) plus 1.05% (3rd bracket, 0.3 x 3.5%) is 1.65%

Currently, there is no accrued performance-related remuneration due to the Fund Manager.

Compensation to service providers

Based on the fees and the performance-related remuneration paid by the Fund to all service providers other than the Fund Manager pursuant to existing agreements, the estimated maximum amount of all material fees payable directly or indirectly by the Fund is circa €0.9 million per annum. Reference is made to Chapter 9 “Operating and Financial Review”, section 9.4 “Comparison of results of operations for the period ended 30 June 2015 and 2016 and for the years ended 31 December 2015, 2014 and 2013” under “Administrative expenses”.

10.6 Fund governance and conflicts of interest

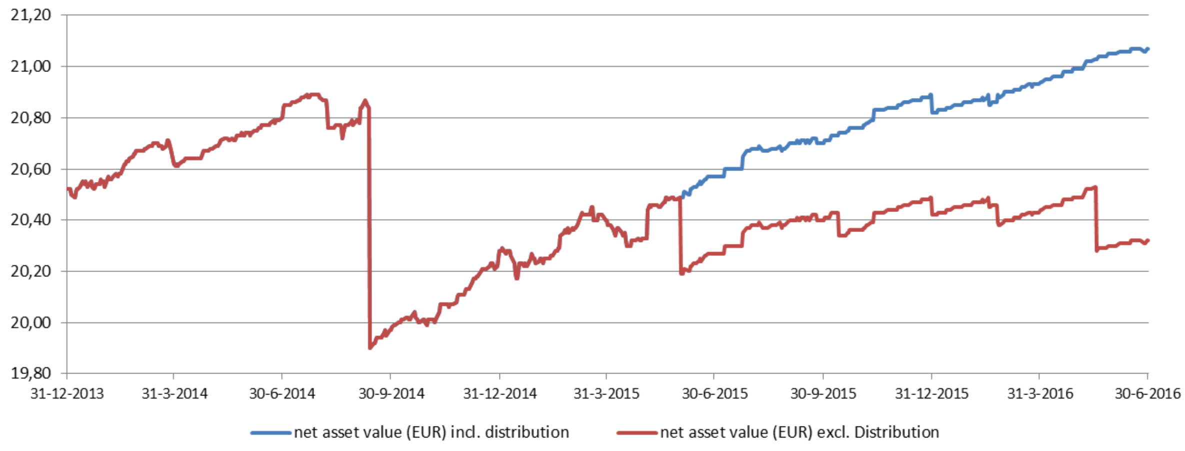
The Fund Manager endorses the DUFAS principles of fund governance, as formulated by the Dutch Fund and Asset Management Association (DUFAS). In accordance with these principles, the interests of the investors in the funds the Fund Manager manages are dominant.

DUFAS Principles of fund governance are presented on the website of DUFAS: www.dufas.nl.

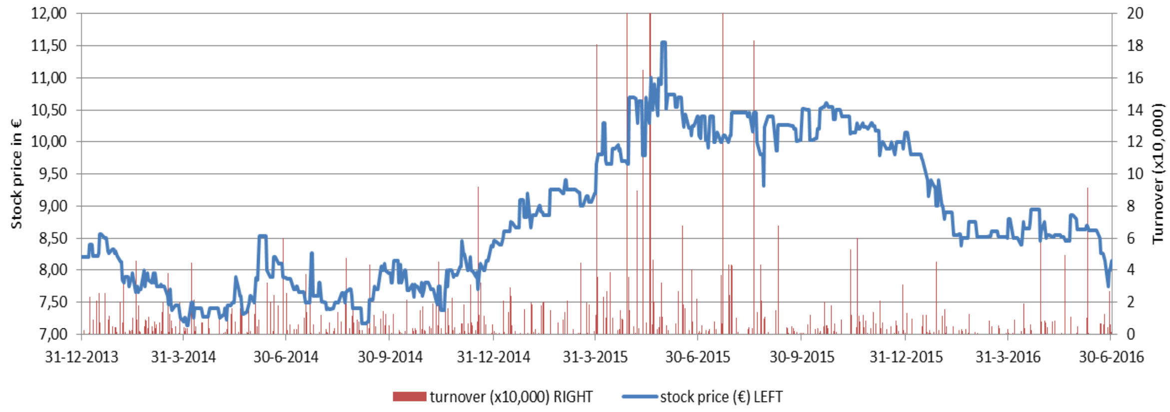
10.7 Net asset value

The Fund Manager is responsible for the determination and calculation of the net asset value of the Fund. The Fund’s administrator (KroeseWevers Accountants B.V.) periodically verifies the calculated net asset value of the Fund.

Graph 10.1 - Net Asset Value per Share in 2014, 2015 and H1 2016 (unaudited)



Graph 10.2 - The Share price development and turnover in 2014, 2015 and H1 2016 (unaudited)



Source: NYSE EURONEXT

Table 10.1 – Turnover and price development of a Share of the Fund[1]

	H1 2016	2015	2014	2013	2012
Average stock exchange turnover	1,111	1,814	1,038	1,578	1,593
Highest price (in €)	9.89	11.55	8.56	9.66	12.34
Lowest price (in €)	7.75	8.44	7.13	7.20	6.70
Closing price (in €)	8.15	10.15	8.45	8.49	9.50

[1] Shares per day, without double counting

The net asset value per Share as per the date of 14 October 2016 €20.23. This number has not been audited. The net asset value per Share is published on the Fund's website: (http://www.arconacapital.nl/index_mere.php?cat_id=4&fonds_id=55).

10.8 Existing portfolio

Valuations

An investment property is a property that is held to realise rental income or an increase in value, or both. The valuations of the Fund's investment properties are prepared for accounting purposes and are in accordance with relevant IFRS regulations. All investment properties are stated at fair value. An external valuer (as defined by the RICS Valuation – Professional Standards) with relevant recognised qualifications and recent experience with the location and the type of property to be appraised, values the portfolio annually. The valuations are made in accordance with the appropriate sections of the current Valuation Standards contained within the RICS Valuation - Professional Standards. Fair value is "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date". The valuations are made on the basis of the total of the net annual rents generated by the properties and, where relevant, the associated costs.

Change of surveyor

Prior to 2013, the investment properties in the Fund's portfolio were valued by DTZ. As of 2013, all investment properties in the Fund's portfolio are valued by CBRE.

Valuation details

In the following table an overview of all assets in the Fund's portfolio and their respective fair values as of 31 December 2015, 2014 and 2013 is presented. All amounts stated are in € thousands.

Table 10.2 – The fair value per property of the Fund's portfolio as at end 2015, end 2014 and end 2013

Name	Address	Ownership by	Fair value for the years ended 31 December		
(in €1,000)			**2015**	**2014**	**2013**
Drahobejlova	Drahobejlova 27, Prague	AC Bohemia	1,786	1,662	1,207
Palmovka	Na Žertvách 34, Prague	AC Bohemia	3,223	3,086	2,992
Karlin	Prvniho Pluku 621/8a, Prague	AC Bohemia	3,795	3,635	3,783
GiTy	Mariánské náměsti 617/1, Brno	AC Bohemia	sold	sold	3,484
VUP	Šujanovo náměsti 3, Brno	AC Bohemia	2,204	2,253[1]	3,281
Newton House	Politických Vězňu 10, Prague	AC Bohemia	4,694	4,594	4,344
Račianska	Račianska 71, Bratislava	AC Slovakia	sold	sold	552
Záhradnicka	Záhradnicka 46, Bratislava	AC Slovakia	4,210	4,100	4,160
Pražská	Pražská 2, Košice	AC Slovakia	2,630	2,740	2,710
Pražská	Pražská 4, Košice	AC Slovakia	2,520	2,500	2,530
Krivá	Krivá 18, Košice	AC Slovakia	3,140	2,890	2,960
Krivá	Krivá 23, Košice	AC Slovakia	3,020	2,840	2,900
Gemerská	Gemerská 3, Košice	AC Slovakia	1,460	1,620	1,650
Letná	Letná 45, Košice	AC Slovakia	9,940	9,880	9,950
Šaca	Železiarenska 49, Košice	AC Slovakia	sold	sold	935
Vural	Alexandra Rudnaya 21, Žilina	AC Slovakia	4,310	4,210	3,930
Kosmalt	Kysucká 16, Košice	AC Slovakia	6,340	6,070	5,700
Total			**53,272**	**52,080**	**57,068**

[1] Partly sold in 2014

The valuations have been carried out using the investment method of valuation. The income from the leases has been capitalised for the duration of the term at the rent passing. The values are totally dependent on the adequacy and accuracy of the information supplied and/or the assumptions made. Should these prove to be incorrect or inadequate, the accuracy of the valuations may be affected.

CBRE opined that the aggregate fair value of the existing portfolio of the Fund was €53.02 million as of 31 October 2015. Reference is made to Chapter 16 "Valuation Reports", section 16.1 "Existing portfolio valuation report".

11 MANAGEMENT BOARD AND SUPERVISORY BOARD

Set out below is a summary of certain significant provisions of Dutch corporate law and the Articles of Association in respect of the Management Board and the Supervisory Board and a summary of relevant information concerning the Management Board and Supervisory Board.

11.1 Management structure

The Fund has a two-tier board structure, consisting of a Management Board (*directie*) and a Supervisory Board (*raad van commissarissen*). The Management Board is the executive body and is responsible for the day-to-day management of the Fund and for the Fund's strategy and policy of operations. The Supervisory Board supervises and advises the Management Board.

11.2 Management Board

Powers, composition and function

The Management Board manages the Fund and is responsible for the general conduct of affairs of the Fund and its day to day operations and its business, under the supervision of the Supervisory Board. In performing its duties, the Management Board is required to act in the corporate interest of the Fund and its stakeholders. The Management Board is required to provide the Supervisory Board with all information necessary for the Supervisory Board to carry out its duties in a timely manner.

The Management Board currently comprises one member, Arcona Capital Fund Management B.V. (the Fund Manager), with its statutory seat at Deventer, the Netherlands and its business address at Parkweg 4, 7411 SH Deventer, the Netherlands. The Fund Manager is a 100% subsidiary of Arcona Capital Nederland N.V. A copy of the information recorded in the trade register concerning the Fund Manager is obtainable at the cost price for Shareholders from the offices of the Fund.

Appointment, suspension and dismissal

The Management Board consists of one or more members. In accordance with the Articles of Association, the number of Management Board members has been determined and set at one by a resolution of the Priority. Both individuals and legal entities can be Management Board members.

Management Board members are appointed by the General Meeting of Shareholders from a nomination drawn up by the Priority. A nomination for each vacancy consisting of:

a. one person shall not be binding.
b. two or more persons shall be binding.

The binding nomination shall be drawn up within one month from the day on which the Management Board has issued the invitation thereto. The General Meeting of Shareholders shall be free to make the appointment; if the Priority has either not made a binding nomination, or has not done so in time. The General Meeting of Shareholders can deprive a binding nomination of its binding character at any time by a resolution adopted with a majority of at least two thirds of the votes cast, representing more than half of the issued share capital.

Any Management Board member may be suspended or dismissed by the General Meeting of Shareholders at any time, provided that such a resolution may only be adopted with a majority of two thirds of the votes cast, representing more than half of the issued capital if such resolution is not based on a proposal thereto by the Priority. The Supervisory Board may also suspend a member of the Management Board. The General Meeting of Shareholders may discontinue any suspension by the Supervisory Board at any time. Any suspension may be extended one or more times, but may not last longer than three months in the aggregate. If, at the end of that period, no decision has been taken on termination of the suspension or on dismissal, the suspension shall end.

Decision-making process

The Management Board may establish board by-laws regarding its decision-making process and working methods. In this context, the Management Board may also determine the duties for which each Management Board member in particular shall be responsible. The Supervisory Board may decide that such rules and allocation of duties must be put in writing and that such rules and allocation of duties shall be subject to its approval. The Management Board and the Supervisory Board have adopted such board by-laws since 3 August 2009.

Management Board resolutions may at all times be adopted in writing, provided the proposal concerned is submitted to all Management Board members then in office and none of them objects to this manner of adopting resolutions.

The Supervisory Board may require Management Board resolutions to be subject to its approval. The Management Board shall be notified in writing of such resolutions, which shall be clearly specified.

The Fund Manager

The Fund Manager is managed by the following management board members:

Name	Age	Position	Member Since	Term
Mr G. St. J. Barker	56	Managing Director	27 February 2012	Indefinite
Mr P.H.J. Mars	40	Managing Director	24 January 2006	Indefinite

Guy St. J. Barker LLB FRICS - Managing Director (date of birth: 28 October 1959)
Guy Barker has been a board member of the Fund Manager since 27 February 2012. Guy is currently responsible for the corporate strategy and investor relations of Arcona Capital in continental Europe.

Guy trained as a chartered surveyor at Knight Frank & Rutley in London prior to setting up their German activities in the 1990's. After joining Bayerische Vereinsbank AG in Munich as Head of Real Estate Asset Management in 1998, he became the Head of Fund Management of Invesco Real Estate's European operations and was promoted to European CEO in 2005. In 2007, Guy founded Palmer Capital Investments GmbH, which was renamed as Arcona Capital GmbH in April 2016. In total, he brings nearly 30 years of experience in Pan-European real estate fund management to the business. Guy has been living in the Prague area since 2007 and prior to that he lived in Germany.

Peter H.J. Mars M.Sc. - Managing Director (date of birth: 28 May 1976)
Peter Mars has been a board member of the Fund Manager since 24 January 2006. Peter Mars is responsible for the management of the office of Arcona Capital Nederland N.V.

Peter studied business economics at the Hogeschool Windesheim and has subsequently completed a Master of Science degree at the Rijksuniversiteit Groningen specialising in Finance and Investments.

The following persons do not have a seat in the management board of the Fund Manager, but are considered co-policymakers.

Jean-Michel Poot M.Sc. – Fund Manager (date of birth: 10 August 1977)
Jean-Michel Poot joined Arcona Capital Nederland N.V. in 2004. He currently works for the Fund Manager and is responsible for the day-to-day management of the Fund. Since 2012, he is also responsible for the asset management of part of a Dutch real estate portfolio through Arcona Capital Asset Management B.V.

Mr Poot has a master's degree in Technology & Management from the Technical University Twente and several Real Estate investment module certificates from the Amsterdam School of Real Estate. From 2001 to 2004, Mr Poot was as management consultant involved in real estate knowledge transfer.

The business address of the Fund Manager is Parkweg 4, 7411 SH Deventer, the Netherlands and serves as the business address for the Fund Manager and the aforementioned employees.

Mateusz Siejka – Asset Manager Poland (date of birth: 19 August 1981)
Mateusz Siejka joined Arcona Capital in 2014 taking the role of managing director Poland. Mateusz is responsible for asset management of Polish real estate as well as sourcing new opportunities for the Fund and its investors.

Mateusz has a master's degree in Law & Administration from the University of Warsaw, a degree in Valuation from the Warsaw School of Economics and a degree in Property Investment and Management from Sheffield Hallam University. He has been a Member of the RICS since 2011. Mateusz has over 10 years experience in different roles in the Polish real estate sector. He is resident in Warsaw and speaks Polish and English.

Zdenek Hausvater, BSc.(Hons) MscRealEst – Asset Manager Slovakia (date of birth: 11 July 1979)

Zdenek Hausvater has been asset manager of Arcona Capital RE Slovakia, s.r.o. since April 2013, with direct responsibility for new lettings and relationship management with existing key tenants. Zdenek gained his degree as Master of Real Estate at the University of Reading, worked at C&W and King Sturge in tenant and landlord representation, then was responsible for leasing and asset management at CPI Group before joining Arcona Capital Czech Republic, s.r.o. in 2013.

Zbyněk Laube – Head of Asset Management CEE, Asset Manager Czech Republic (date of birth: 22 September 1976)

Zbyněk Laube joined Arcona Capital Czech Republic, s.r.o. in 2012. Zbyněk is Head of Asset and Development Management CEE and is directly responsible for the portfolio management of the Fund's 5 assets in the Czech Republic.

Zbyněk has a Civil Engineering degree from the Czech Technical University in Prague. He started his career in real estate as an acquisition manager for the UK-based Reit SEGRO and prior to joining Arcona was Head of Development for CZ and SK for Panattoni Europe.

11.3 Supervisory Board

Powers, composition and function

It is the duty of the Supervisory Board to supervise the management of the Management Board and the general course of affairs of the Fund and its business. The Supervisory Board shall render advice to the Management Board. In performing their duties, the Supervisory Board members shall act in accordance with the interests of the Fund and its business.

The Management Board must supply the Supervisory Board with the information required for the performance of its duties, in a timely manner.

The Supervisory Board shall have access to the buildings and premises of the Fund and shall be authorised to inspect the books and records of the Fund. The Supervisory Board may designate one or more persons from amongst its members or an expert to exercise these powers. The Supervisory Board may also in other instances be assisted by experts. The costs for these experts shall be for the account of the Fund.

The Supervisory Board currently consists of two members, Mr H.H. Kloos (chairman) and Mr B. Vos (deputy chairman).

Appointment, suspension and dismissal

The Supervisory Board consists of one or more individuals. The number of Supervisory Board members has been determined in accordance with the Articles of Association and set at two by a resolution of the Priority.

The members of the Supervisory Board are appointed by the General Meeting of Shareholders. A member of the Supervisory Board is appointed for a period of four years, unless determined otherwise in the resolution to appoint that member. The General Meeting of Shareholders may determine that the members of the Supervisory Board shall resign periodically in accordance with a roster to be determined by the Supervisory Board. At the date of this Registration Document, no such periodic resignation has been determined by the Supervisory Board.

The members of the Supervisory Board are appointed from a nomination drawn up by the Priority. A nomination for each vacancy consisting of:

a. one person shall not be binding.
b. two or more persons shall be binding.

A binding nomination shall be drawn up within one month from the day on which the Management Board has issued the invitation thereto. The General Meeting of Shareholders shall be free to make the appointment, if the Priority has either not made a binding nomination, or has not done so in time. The General Meeting of Shareholders can deprive a binding nomination of its binding character at any time by a resolution adopted with a majority of at least two thirds of the votes cast, representing more than half of the issued share capital of the Fund.

A Supervisory Board member may be suspended or dismissed by the General Meeting of Shareholders at any time. A resolution of the General Meeting of Shareholders to suspend or dismiss a Supervisory Board member other than on the proposal of the Priority may only be adopted with a majority of two thirds of the votes cast, representing more than half of the issued capital. Any suspension may be extended one or more times, but may not last longer than three months in the aggregate. If, at the end of that period, no decision has been taken on termination of the suspension or on dismissal, the suspension shall end.

Decision-making process

The Supervisory Board shall meet whenever the chairman determines, or at the request of two other Supervisory Board members or the Management Board.

All resolutions of the Supervisory Board shall be adopted by an absolute majority of the votes cast. Resolutions of the Supervisory Board are only valid if passed at a meeting at which the majority of the Supervisory Board members are present or represented.

A Supervisory Board member may be represented by a co-member of the Supervisory Board, who has been authorised by means of a written power of attorney. A Supervisory Board member may not act as representative for more than one co-member.

The Supervisory Board may also adopt resolutions without holding a meeting, provided the proposal concerned is submitted to all Supervisory Board members and none of them objects to this manner of adopting resolutions. The secretary shall draw up a report regarding a resolution thus adopted and shall attach the replies received to the report, which must be signed by the chairman and the secretary.

The Supervisory Board may lay down rules regarding the manner of meeting and its own decision making process. The Management Board and the Supervisory Board have adopted such board by-laws since 3 August 2009.

Members of the Supervisory Board

The Supervisory Board is composed of the following members:

Name	Age	Position	Member Since	Term
Mr H.H. Kloos	59	Chairman	19 June 2014	Until 19 June 2018
Mr B. Vos	77	Member	19 May 2009	Until 19 June 2018

H.H. Kloos - RBA (date of birth: 1 September 1957)
Mr Kloos has a degree from Nyenrode Business University and a post-graduate degree in Investment and Financial Analysis from VU University Amsterdam.

Current important positions outside the Group include:

Managing director a.i. of Mayflower Project (USA), chairman of the remuneration commission of Analysts with DSI and member of the Advisory Board with De Medici Vermogensbeheer.

During the past five years Mr Kloos has been, but is no longer: managing director a.i. at Robein, supervisory director a.i. at A SVB and consultant for the Dutch Central Bank.

B. Vos M.Sc. - Member (date of birth: 30 August 1939)
Mr B. Vos has a master's degree in Medicine from the University of Groningen.

Currently, Mr B. Vos is also chairman of the Raad van Toezicht of Kempen Capital Management and entrepreneur.

During the past five years Mr Vos has been, but is no longer Vice-Chairman of Koninklijke Reesink N.V., member of the supervisory board of Corio N.V., independent consultant, chairman of the supervisory board of the Orange European Property Fund N.V., general director of Bedrijfsvereniging Detam (now called Radiaal B.V.), management board member of De Boer Unigro N.V. (now called Jumbo Supermarkten B.V.), chairman of the management board of HEMA B.V., general director of NOC/NSF, managing director of the Henderson French Property Fund and CEO of Taxi Centrale Amsterdam.

The business address of the Fund, Parkweg 4, 7411 SH Deventer, the Netherlands, serves as the business address for all members of the Supervisory Board.

Remuneration

The total remuneration which the Fund paid to or for the benefit of members of the Supervisory Board in 2015 amounted to €28,000 (€14,000 for each member). The total remuneration paid to the Management Board consists of the management fee paid to the sole Management Board member, the Fund Manager. Reference is made to Chapter 10 "The Fund", section 10.5 "Fees and expenses" under "Management fee" for a description of the management fee.

Share ownership

Mr G. St. J. Barker indirectly holds 26,991 Shares through Arcona Capital GmbH which he acquired on 20 January 2016 from Mr R.J.S. Palmer. Mr B. Vos directly holds 2,000 Shares and indirectly holds 2,074 Shares through Bas Vos B.V. Mr Vos purchased these Shares prior to becoming a member of the Supervisory Board.

No other member of the Management Board and the Supervisory Board owns any Shares, options or any other type of rights over Shares, at the date of this Registration Document.

11.4 Other information

Confirmations

None of the members of the Management Board or Supervisory Board is, or has been, (i) subject to any convictions in relation to fraudulent offences in the last five years, (ii) in the last five years associated with any bankruptcies, receiverships or liquidations of any entities in which such members held any office, directorships or senior management positions, or (iii) subject to any official public incrimination and/or sanctions of such person by statutory or regulatory authorities (including designated professional bodies), or disqualification by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.

Management and supervisory bodies conflicts of interest

The Fund is not aware of any potential conflict of interest between the private interests or other duties of the members of the Management Board or Supervisory Board and their duties and responsibilities to the Fund.

No family ties exist among the members of the Management Board and the Supervisory Board.

12 MAJOR SHAREHOLDERS

The following table presents information about the ownership of the Shares as of the date of this Registration Document for each existing shareholder of which the Fund is aware to beneficially own 3% or more of the Shares.

As far as the Fund can ascertain, based on information from the public register of the AFM, the following Shareholders have an actual or potential interest in the Fund's share capital/voting rights of more than the minimum notification threshold of 3%.

Table 12.1 – Major Shareholders

	Notification	Actual interest shares		Potential interest		Actual interest votes	
	Date	Number	%	shares	in %	Number	%
Vereniging Beleggingsclub 't Stockpaert	19-05-15	100,000	6.95	0	0.0	100,000	6.95
St. Bewaarder Waardegroeifondsen	01-07-13	58,500	4.47	0	0.0	58,500	4.47
T. Horak (indirect through Vinohrady Investments, a.s. and BLUE MOUNTAIN, s.r.o.)	30-04-15	60,800	4.23	0	0.0	60,800	4.23
R.E. de Rooy (indirect through RCM Consultancy B.V.)	01-07-13	52,391	4.01	0	0.0	52,391	4.01
A.F.A.J. Wigmans	16-06-14	50,030	3.73	0	0.0	50,030	3.73
H.M. van Heijst (1)	22-07-15	50,000	3.48	242,000	16.82	50,000	3.48

(1) According to the Fund's records, Mr H.M. van Heijst currently holds 67,551 Shares.

In addition, the Priority has notified the holding of the Priority Share to the AFM. Save for the Priority, the Shareholders listed above have the same voting rights as the other Shareholders. Each Share entitles the holder to one vote at the General Meeting of Shareholders. The Priority Share carries various special rights (for more information, see Chapter 13 "Share Capital and Shareholders Meetings", section 13.2 "Summary of the Articles of Association").

13 SHARE CAPITAL AND SHAREHOLDERS' MEETINGS

The Fund's share capital and provisions regarding General Meeting of Shareholders are outlined in this chapter. For further reference, Articles of Association have been published on its website, which can be accessed through the following link: http://www.arconacapital.nl/algemeen/pdf/fondsen/20160921105837.pdf

13.1 Share capital

Authorised capital

At the date of this Registration Document, the Fund's authorised capital amounts to €25,000,000 and is divided into divided into 4,999,999 ordinary shares (elsewhere in this Registration Document referred to as Shares), with a nominal value of €5 and 1 Priority Share, with a nominal value of €5.

For the purpose of this Chapter, the term "**Shares**" also refers to the Priority Share. Each Share entitles the holder to one vote at the General Meeting of Shareholders. According to the Articles of Association, a person holding a right of pledge or a right of usufruct over an ordinary Share shall not be entitled to the voting right attached to such Share. The Fund shall not support the issue of depository receipts of Shares in its share capital.

Issued capital

At the date of this Registration Document, the Fund's issued share capital amounts to €7,193,525. The issued share capital is divided into 1,438,704 ordinary Shares and 1 Priority Share. The Priority Share is held by the Priority. At the date of this Registration Document, the entire issued share capital is fully paid-up.

The Fund's share capital consists of registered and bearer Shares. As per date of this Registration Document 26,991 registered Shares and 1,411,713 bearer Shares were issued and outstanding. No share certificates (*aandeelbewijzen*) are issued.

Below is an overview of changes in the share capital of the Fund during the period under review (including 1 Priority Share):

	Issued Shares 1 January	Issued Shares 30 June	Number of Shares issued
2016	1,438,705	1,438,705	0

	Issued Shares 1 January	Issued Shares 31 December	Number of Shares issued
2015	1,438,705	1,438,705	0
2014	1,339,708	1,438,705	98,997
2013	1,285,726	1,339,708	53,982
2012	1,180,944	1,285,726	104,782

Settlement of the share purchase agreement regarding Arcona Capital Nederland N.V. dated 24 February 2012

The number of Shares was increased (i) on 27 February 2012 by 104,782 Shares, (ii) on 26 April 2013 by 22,188 Shares and (iii) on 2 December 2013 by 31,794 Shares, at an issue price equal to the net asset value of approximately €21.30.

Private placement dated 9 September 2014

In 2014, the number of Shares was increased by 98,997 Shares issued at an average net price of €6.43 per Share based on the prevailing stock price for the re-finance of the Fund.

13.2 Summary of the Articles of Association

The following description summarises certain provisions of the Articles of Association relating to the Shares (which for the purpose of this section also includes the Priority Share). For a description of the provisions of the Articles of Association relating to Management Board and Supervisory Board reference is made to Chapter 11 "Management Board and Supervisory Board". This summary does not purport to be complete, and is subject to, and qualified in its entirety by reference to the Articles of Association, as well as to the relevant provisions of Dutch law.

General Meeting of Shareholders

A General Meeting of Shareholders shall be convened by the Management Board or the Supervisory Board. The General Meeting of Shareholders shall be held at Amsterdam, Rotterdam, The Hague, Deventer, Apeldoorn or Lochem. Each holder of Shares shall be entitled to attend the General Meeting of Shareholders, to address such meeting and, to the extent applicable, to exercise his voting rights.

The convocation notice of the meeting shall be effected no later than on the 42nd day prior to the date of the General Meeting of Shareholders and shall state the subjects to be dealt with, the place and time of the meeting, the procedure for participating at the meeting by written proxy-holder, the address of the website of the Fund and, if applicable, the procedure for participating at the meeting and exercising one's right to vote by electronic means of communication. Shareholders are convened by means of an electronic announcement that shall remain publicly available on the website of the Fund until the General Meeting of Shareholders.

The Management Board must be notified in writing of a Shareholder's intention to attend a General Meeting of Shareholders. Such notice must be received by the Management Board no later than four days prior to the General Meeting of Shareholders. In order to vote, a Shareholder (or its representative) must sign the attendance list, indicating the number of Shares represented by him.

Each Share confers the right to cast one vote. Except where the law or the Articles of Association require a qualified majority, all resolutions shall be adopted by absolute majority of the votes cast.

The Priority Share carries the following rights:

- The right to propose to reduce the issued share capital of the Fund; such proposal must be approved by the Supervisory Board;
- The right to determine that the Fund should support the issue of depositary receipts of ordinary shares;
- The right to determine the number of members of the Management Board and Supervisory Board;
- The right to make binding nominations for the appointment of members of the Management Board and the Supervisory Board;
- The right to propose to suspend or dismiss members of the Management Board and the Supervisory Board;
- The right to propose the remuneration of each member of the Supervisory Board;
- The right to determine what part of the profits that remains after dividend has been paid on the Priority Share shall be reserved;
- The right to determine that (interim) dividend payments should be made on ordinary shares at the expense of a financial reserve of the Fund;
- The right to propose to amend the Articles of Association; such proposal must be approved by the Supervisory Board;
- The right to propose to a statutory merger or statutory demerger of the Fund; such proposal must be approved by the Supervisory Board; and

- The right to propose to dissolve the Fund; such proposal must be approved by the Supervisory Board.

Annual meetings

According to the Articles of Association, the AGM is to be held every year within six months after the end of the financial year of the Fund. The matters considered at the AGM include:

a. the annual report;
b. adoption of the annual accounts;
c. discharge of the members of the Management Board and the members of the Supervisory Board;
d. filling of vacancies, if any;
e. determination of allocation of profits; and
f. any other proposals put forward by the Supervisory Board, the Management Board, or the Priority, or shareholders representing at least one hundredth of the issued capital and announced in accordance with the Articles of Association.

Other meetings

An extraordinary General Meeting of Shareholders (the "**EGM**") may be held as often as the Management Board or the Supervisory Board deems necessary or upon the written request of Shareholders jointly representing at least one tenth of the issued capital of the Fund, stating the subjects to be discussed in detail. If the Management Board fails to convene an EGM within four weeks, arranging that the requested meeting can be held within six weeks after receipt of such request, the requesting Shareholders are authorised to convene an EGM themselves.

Issuance of Shares

Shares are issued by the Management Board. The Management Board shall also determine the time of the issuance, the issue price and the other conditions of the issuance, such with due observance of the provisions in the Articles of Association. The same applies to granting rights to subscribe for Shares. Shareholders do not have a pre-emptive right (*voorkeursrecht*) to any issue of Shares when new Shares are issued, unless provided otherwise in the resolution to issue Shares.

Own Shares

The Management Board may resolve that the Fund may acquire fully paid up Shares, provided that the issued capital of the Fund, less the amount of the Shares to be acquired, shall amount to at least one tenth of the authorised share capital. The Management Board may dispose of Shares held by the Fund.

Reduction of issued capital

The General Meeting of Shareholders may resolve to reduce the issued capital of the Fund, upon proposal of the Priority which has been approved by the Supervisory Board by cancelling Shares or by reducing the amount of the Shares by means of an amendment to the Articles of Association. A resolution to cancel Shares may only relate to Shares held by the Fund itself. The Priority Share may be cancelled upon repayment by the Fund.

The provisions of Article 2:99 and 2:100 of the Dutch Civil Code shall apply to the reduction of the issued capital, with the exception that the provisions of Section 2:100 of the Dutch Civil Code shall not apply, if the Fund cancels legally acquired shares in its own capital.

Amendment of the Articles of Association

The General Meeting of Shareholders may resolve to amend the Articles of Association, at the proposal of the Priority and subject to the approval of such proposal by the Supervisory Board.

Statutory merger and statutory demerger

Except in the cases respectively referred to in Article 2:331and 2:334ff of the Dutch Civil Code, the General Meeting of Shareholders may resolve that the Fund shall enter into a statutory merger or demerger, at the proposal of the Priority and subject to the approval of the Supervisory Board, in accordance with a merger proposal (*fusievoorstel*) prepared by the management boards of the merging legal entities. Such a merger or demerger proposal (*fusievoorstel*) must be approved in advance by the Supervisory Board.

Dissolution and liquidation

The General Meeting of Shareholders may resolve to dissolve the Fund, at the proposal of the Priority and subject to the approval of such proposal by the Supervisory Board. From the balance remaining after payment of the debts of the Fund in liquidation, an amount equal to the nominal amount of the Priority Share will be paid to the Priority. The remaining balance will be transferred to the holders of the ordinary Shares in proportion to the aggregate nominal value of the ordinary Shares held by each of them.

13.3 Disclosure rules

Home member state for purposes of the EU Transparency Directive

The Netherlands is the home member state of the Fund for the purposes of the EU Transparency Directive (Directive 2004/109/EC), as amended. As a result, the Fund is subject to financial and other reporting obligations under the Financial Supervision Act and the Financial Reporting Supervision Act (*Wet toezicht financiële verslaggeving*), which both implement the EU Transparency Directive in the Netherlands.

Disclosure of information

The Fund is required to publish its annual financial statements four months after the end of each financial year and its half-yearly financial statements within three months after the end of the first six months of each financial year.

Financial Reporting Supervision Act

On the basis of the Financial Reporting Supervision Act, the AFM supervises the application of financial reporting standards by, amongst others, companies whose corporate seat is in the Netherlands and whose securities are listed on a regulated Dutch or foreign stock exchange.

Pursuant to the Financial Reporting Supervision Act, the AFM has an independent right to (i) request an explanation from the Fund regarding its application of the applicable financial reporting standards and (ii) recommend to the Fund the making available of further explanations. If the Fund does not comply with such a request or recommendation, the AFM may request that the Enterprise Chamber of the Amsterdam Court of Appeal orders the Fund to (i) provide an explanation of the way it has applied the applicable financial reporting standards to its financial reports or (ii) prepare its financial reports in accordance with the Enterprise Chamber's instructions.

Shareholder disclosure and reporting obligations

Pursuant to Chapter 5.3 of the Financial Supervision Act, each shareholder who holds a substantial holding in the Fund should forthwith notify the AFM of such substantial holding. Substantial holding means the holding of at least 3% of the shares or the ability to vote on at least 3% of the total voting rights. Any person who, directly or indirectly, acquires or disposes of an interest in the share capital or voting rights must without delay give notice to the AFM, if, as a result of such acquisition or disposal, the percentage of capital interest or voting rights held by such person, directly or indirectly, reaches, exceeds or falls below the following thresholds: 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%.

In addition, if, as a result of such change, a person's direct or indirect interest in the share capital or voting rights passively reaches, exceeds or falls below the abovementioned thresholds, the person in question must give notice to the AFM no later than the fourth trading day after the AFM has published the change in the share capital and/or voting rights in the public register.

For the purpose of calculating the percentage of capital interest or voting rights, amongst others, the following interests must be taken into account: (i) shares or depositary receipts for shares or voting rights directly held (or acquired or disposed of) by any person, (ii) shares or depositary receipts for shares or voting rights held (or acquired or disposed of) by such person's controlled undertakings or by a third party for such person's account or by a third party with whom such person has concluded an oral or written voting agreement (including a discretionary power of attorney), (iii) voting rights acquired pursuant to an agreement providing for a temporary transfer of voting rights against a payment, (iv) shares or depositary receipts for shares or voting rights which such person, or any controlled undertaking or third party referred to above, may acquire pursuant to any option or other right held by such person (including, but not limited to, on the basis of convertible bonds), and (v) shares which determine the value of certain cash settled instruments, whereby the increase in value of the financial instruments is dependent on the increase in value of the (underlying) shares or related dividends.

For the same purpose of calculating the percentage of capital interest or voting rights, the following instruments qualify as 'shares': (i) financial instruments of which the value depends on the increase in value of the shares or dividend rights and which will be settled other than in those shares, (ii) options for acquiring shares or depositary receipts, and (iii) negotiable instruments which provide for an economic position similar to the economic position of a holder of shares or depositary receipts.

If the composition of a notified holding differs from the previous notification, because options or any other form of negotiable security were converted into shares or depositary receipt for shares or vice versa, a notice must be given to the AFM within four trading days of the moment of change. The same applies if the different composition was caused by the exercise of rights to acquire voting rights.

The notification should indicate whether the interest is held directly or indirectly, and whether the interest is an actual or a potential interest.

A person is deemed to hold the interest in the share capital or voting rights that is held by its controlled undertakings as defined in the Financial Supervision Act. The controlled undertaking does not have a duty to notify the AFM because the interest is attributed to the undertaking in control, which as a result has to notify the interest as an indirect interest. Any person, including an individual, may qualify as an undertaking in control for the purposes of the Financial Supervision Act. A person who has a 3% or larger interest in the share capital or voting rights and who ceases to be a controlled undertaking for purposes of the Financial Supervision Act must without delay notify the AFM. As of that moment, all notification obligations under the Financial Supervision Act will become applicable to the former controlled undertaking.

A holder of a pledge or right of usufruct in respect of shares or depositary receipts for shares can also be subject to the reporting obligations of the Financial Supervision Act, if such person has, or can acquire, the right to vote on the shares or, in the case of depositary receipts for shares, the underlying shares. If a pledgee or usufructuary acquires the voting rights on the shares or depositary receipts for shares, this may trigger a corresponding reporting obligation for the holder of the shares or depositary receipts for shares. Special rules apply with respect to the attribution of shares or depositary receipts for shares or voting rights which are part of the property of a partnership or other community of property.

In addition to the above described notification obligations pertaining to capital interest or voting rights, notification must be made of any net short position of 0.2% in the issued share capital of the Fund, and of every subsequent 0.1% above this threshold. Notifications starting at 0.5% and every subsequent 0.1% above this threshold will be made public via the short selling register of the AFM.

Furthermore, gross short positions shall be notified in the event that a threshold is reached, exceeded or fallen below. The same subsequent disclosure thresholds as for holders of capital interests and/or voting rights apply.

Under the Dutch Financial Supervision Act, the Fund is required to notify the AFM without delay of any changes in its share capital if its share capital has changed by 1% or more compared to the previous disclosure in respect of its share capital. The Fund is also required to notify the AFM without delay of any changes in the voting rights, insofar as it has not already been notified at the same time as a related change in its share capital. Changes in its share capital and voting rights of less than 1% must also be notified; these changes can be notified at any time but at the latest within eight days after the end of each calendar quarter. The AFM will publish such notifications in a public register.

Furthermore, each member of the Management Board and Supervisory Board should notify the AFM of each change in the number of the shares he/she holds and of each change in the number of votes he/she is entitled to cast in respect of the Fund's issued and outstanding share capital, immediately after the relevant change.

The AFM keeps a public register of all notifications made pursuant to these disclosure obligations and publishes all notifications received by it, which can be accessed via www.afm.nl. The notifications referred to in this paragraph should be made in writing by means of a standard form or electronically through the notification system of the AFM.

Non-compliance with disclosure obligations

Non-compliance with the disclosure obligations set out in the paragraph above is an economic offence and may lead to criminal charges. The AFM may impose administrative penalties or a cease-and-desist order under penalty for non-compliance. If criminal charges are pressed, it is no longer allowed to impose administrative penalties and vice versa. Furthermore, a civil court can impose measures against any person who fails to notify or incorrectly notifies the AFM of matters required to be correctly notified. A claim requiring that such measures be imposed may be instituted by the Fund and/or one or more shareholders who alone or together with others represent(s) at least 3% of the Fund's issued and outstanding share capital. The measures that the civil court may impose include:

- an order requiring the person violating the disclosure obligations under the Financial Supervision Act to make appropriate disclosure;
- suspension of voting rights in respect of such person's shares for a period of up to three years as determined by the court;
- voiding a resolution adopted by a General Meeting of Shareholders, if the court determines that the resolution would not have been adopted but for the exercise of the voting rights of the person who is obliged to notify, or suspension of a resolution until the court makes a decision about such voiding; and
- an order to the person violating the disclosure obligations under the Financial Supervision Act to refrain, during a period of up to five years as determined by the court, from acquiring the shares and/or voting rights in the shares.

13.4 Insider trading and market manipulation

Reporting of insider transactions

Recently, the regulatory framework on market abuse within Europe has been amended and extended. These revisions are laid down in the Market Abuse Directive (2014/57/EU) (**MAD II**) as implemented in Dutch law and the Market Abuse Regulation (no. 596/2014) (**MAR**) which is directly applicable in the Netherlands.

Pursuant to the MAR, no natural or legal person is permitted to: (a) engage or attempt to engage in insider dealing in financial instruments listed on a regulated market or for which a listing has been requested, such as the Shares or the Offer Securities (b) recommend that another person engages in insider dealing or induce another person to engage in insider dealing or (c) unlawfully disclose inside information relating to the Shares, the Offer Securities or the Fund. Furthermore, no person may engage in or attempt to engage in market manipulation.

The Fund is required to inform the public as soon as possible and in a manner which enables fast access and complete, correct and timely assessment of the information, of inside information which directly concerns the Fund. Pursuant to the MAR, inside information is knowledge of concrete information directly or indirectly relating to the issuer or the trade in its securities which has not yet been made public and publication of which could significantly affect the trading price of the securities (i.e. information a reasonable investor would be likely to use as part of the basis of his or her investment decision). An intermediate step in a protracted process can also deemed to be inside information. The Fund is required to post and maintain on its website all inside information for a period of at least five years. Under certain circumstances, the disclosure of inside information may be delayed, which needs to be notified to the AFM after the disclosure has been made. Upon request of the AFM, a written explanation needs to be provided setting out why a delay of the publication was considered permitted.

Persons discharging managerial responsibilities, as well as persons closely associated with them (within the meaning of the MAR) are obliged to notify the Fund and the AFM, ultimately on the third trading day after the transaction date, of every transaction conducted on their own account relating to shares or debt instruments, such as convertible bonds, of (or other financial instruments linked to) the Fund, once the threshold of €5,000 has been reached within a calendar year.

Furthermore, a person discharging managerial responsibilities is not permitted to (directly or indirectly) conduct any transactions on its own account or for the account of a third party, relating to shares or debt instruments of the Fund or other financial instruments linked thereto, during a closed period of 30 calendar days before the announcement of an half-yearly report or an annual report of the Fund.

Persons discharging managerial responsibilities within the meaning of the MAR include: (a) members of the Management Board and Supervisory Board; or (b) members of the senior management who have regular access to inside information relating directly or indirectly to that entity and the authority to take managerial decisions affecting the future developments and business prospects of the Fund. A person closely associated means: (a) a spouse, or a partner considered to be equivalent to a spouse in accordance with national law; (b) a dependent child, in accordance with national law; (c) a relative who has shared the same household for at least one year on the date of the transaction concerned; or (d) a legal person, trust or partnership, the managerial responsibilities of which are discharged by a person discharging managerial responsibilities or by a person referred to in point (a), (b) or (c), which is directly or indirectly controlled by such a person, which is set up for the benefit of such a person, or the economic interests of which are substantially equivalent to those of such a person.

Non-compliance with the Dutch market abuse rules

In accordance with the MAR, the AFM has the power to take appropriate administrative sanctions, such as fines, and/or other administrative measures in relation to possible infringements.

Non-compliance with the market abuse rules set out above could also constitute an economic offense and/or a crime (*misdrijf*) and could lead to the imposement of administrative fines by the AFM. The public prosecutor could press criminal charges resulting in fines or imprisonment. If criminal charges are pressed, it is no longer allowed to impose administrative penalties and vice versa.

The AFM shall in principle also publish any decision imposing an administrative sanction or measure in relation to an infringement of the MAR.

The Fund has adopted a code of conduct in respect of the reporting and regulation of transactions in the Fund's securities by members of the Management Board and Supervisory Board. The Fund and any person acting on its behalf or on its account is obligated to draw up an insiders list, to promptly update the insider list and provide the insider list to the AFM upon its request. The Fund and any person acting on its behalf or on its account is obligated to take all reasonable steps to ensure that any person on the insider list acknowledges in writing the legal and regulatory duties entailed and is aware of the sanctions applicable to insider dealing and unlawful disclosure of inside information.

14 GENERAL INFORMATION

14.1 Available information

This Registration Document and all financial statements which are incorporated by reference in this Registration Document may be obtained free of charge for 12 months from the date of approval of this Registration Document (i.e. the life of this Registration Document) by sending a request in writing to the Fund at its business address: Parkweg 4, 7411 SH Deventer, the Netherlands and are also available on
http://www.arconacapital.nl/index_mere.php?cat_id=4 and
http://www.arconacapital.nl/index_mere.php?cat_id=4&fonds_id=38 for the life of this Registration Document.

This Registration Document will also be available to investors on the website of the AFM at www.afm.nl and through the Euronext Amsterdam website at www.euronext.com.

The Articles of Association will be available to investors on the website of the Fund at
http://www.arconacapital.nl/index_mere.php?cat_id=4&fonds_id=37 and may also be obtained free of charge by sending a request in writing to the Fund, Parkweg 4, 7411 SH Deventer, the Netherlands.

14.2 Corporate information

Arcona Property Fund N.V. is an investment company with variable capital (*beleggingsmaatschappij met veranderlijk kapitaal*), incorporated on 27 November 2002 under the laws of and domiciled in the Netherlands and is registered with the trade register of the chamber of commerce in Oost Nederland under number 08110094. The Fund has its corporate seat in Amsterdam, the Netherlands. The Fund's business address is Parkweg 4, 7411 SH Deventer, the Netherlands and its telephone number is +31(0)570 665860.

The Fund's objective is to offer institutional and private investors the opportunity to invest in a real estate portfolio in the established and emerging markets of Central and Eastern Europe. It uses the expertise of in-company and external commercial real estate specialists, who operate in the local markets concerned. The Fund's investment policy is to deliver a high income return from commercial real estate whilst preserving capital value. The Fund currently specialises in commercial real estate investments in the Czech Republic and Slovakia.

The Fund Manager is Arcona Capital Fund Management B.V., a limited liability company incorporated on 10 June 2002 under the laws of the Netherlands with its corporate seat (*statutaire zetel*) in Deventer, the Netherlands, and its principal place of business at Parkweg 4, 7411 SH Deventer. The Fund Manager operates under a licence in accordance with Article 2:65 of the Financial Supervision Act and is registered with the trade register of the chamber of commerce under number 08107686. The Fund Manager's board of directors comprises Mr Guy St. J. Barker, LLB FRICS and Mr Peter H.J. Mars, M.Sc.

The Fund Manager is a 100% subsidiary of Arcona Capital Nederland N.V., a public limited company incorporated under the laws of the Netherlands on 10 June 2002 with its corporate seat in Deventer, the Netherlands, and its principal place of business at Parkweg 4, 7411 SH Deventer.

The sole shareholder of Arcona Capital Nederland N.V. is Arcona Capital GmbH.

Further information about the Fund, the Fund Manager and Arcona Capital can be found on the following websites:

- www.arconacapital.nl
- www.arconacapital.com

14.3 Organisational structure

The Fund is a holding company with no material, direct business operations. The principal assets of the Fund are the equity interests it directly holds in its portfolio companies. As a result, the Fund is dependent on loans, dividends and other payments from its subsidiaries to generate the funds necessary to meet its financial obligations. The ability of the Fund's subsidiaries to make such distributions and other payments depends on their earnings and may be subject to statutory, legal or contractual limitations.

The Fund has three subsidiaries which are all controlled by the Fund. In this context, control implies that the Fund is exposed or has rights to variable returns from its involvement with these subsidiaries and has the ability to affect those returns through its power over these subsidiaries. The subsidiaries are:

	Company	Registered office	Country of incorporation	Holding %
1.	Arcona Capital RE Bohemia, s.r.o.	Prague	Czech Republic	100%
2.	Arcona Capital RE Slovakia, s.r.o.	Bratislava	Slovakia	100%
3.	Arcona Capital Real Estate Poland Sp. z o.o.	Warsaw	Poland	100%

In addition to the investment properties, the Fund owns a stake of 5.0% in Yellow Properties, s.r.o., which holds one residential development in Prague. The other 95.0% of the shares in Yellow Properties, s.r.o. is held by Middle Europe Opportunity Fund II N.V.

14.4 Advisors

Loyens & Loeff N.V. acted as Dutch legal counsel for the Fund in connection with this Registration Document.

14.5 Statements by experts

The valuation report in respect of the existing portfolio in the Czech Republic and Slovakia included in Chapter 16 "Valuation Reports", section 16.1 "Existing Portfolio valuation report" has been prepared by CBRE s.r.o., Palladium, Nám. Republiky 1, Prague 1, 110 00, Czech Republic. CBRE have given and not withdrawn their written consent to the inclusion of their Valuation Reports in this Registration Document in the form and context in which they have been included.

The valuation report in respect of the Target Portfolio in Poland included in Chapter 16 "Valuation Reports", section **Error! Reference source not found.** "Target Portfolio Valuation Report" has been prepared by CBRE s.r.o., Rondo 1, Rondo ONZ, 00-125 Warsaw, Poland. CBRE have given and not withdrawn their written consent to the inclusion of their Valuation Reports in this Registration Document in the form and context in which they have been included.

Save for any responsibility arising under paragraphs 128 to 130 of the ESMA update of the CESR recommendations for the consistent implementation of Commission Regulation (EC) No. 809/2004 implementing the Prospectus Directive to any person as and to the extent there provided, to the fullest extent permitted by law CBRE do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in accordance with their Valuation Reports or their statement, required by and given solely for the purposes of complying with Annex I, item 23.1 of the Regulation 809/2004/EC, as amended, consenting to their inclusion in the Registration Document.

14.6 Independent auditors

The consolidated financial statements of the Fund for the financial years ended 31 December 2013, 2014 and 2015 have been audited by KPMG Accountants N.V., Papendorpseweg 83, 3528 BJ Utrecht, the Netherlands. The responsible partner of KPMG Accountants N.V. is a member of the Royal Netherlands Institute of Chartered Accountants (*Koninklijk Nederlands Instituut voor Registeraccountants*).

14.7 Legal proceedings

There are no governmental, legal or arbitration proceedings, including any such proceedings pending or threatened of which the Fund is aware, during a period covering at least the past 12 months which may have, or have had in the recent past, significant effects on the Fund (including its subsidiaries) and/or the financial position or profitability of the Fund (including its subsidiaries).

14.8 Material agreements

Save as described below, there are no contracts (not being entered into in the ordinary course of business) which are, or may be, material and which (i) have been entered into by the Fund or any of its subsidiaries during the two years immediately preceding the date of this Registration Document or (ii) which contain a provision under which the Fund or any of its subsidiaries has any obligation or entitlement which is material to the Group as at the date of this Registration Document.

Agreement on provision of economical, organisational and technical advisory services CZ

This agreement dated 23 March 2012, as amended on 1 November 2012 and 4 May 2015, outlines the details of the scope of services provided by asset manager ACCR to AC Bohemia. AC Bohemia entered into this agreement as it does not have the technical and personal resources for the asset management, real-estate administration and realisation of the various projects in the Czech Republic. This agreement has been entered into for an indefinite term with effect from 1 April 2012 and may be terminated by either party by giving a three months' notice (without reasons).

The annual asset management fee for the entire portfolio (all assets in both the Czech Republic and Slovakia) is included in the management fee of the Fund Manager.

Agreement on provision of economical, organisational and technical advisory services SK

This agreement dated 7 December 2012, as amended on 19 December 2013 and 4 May 2015, outlines the details of the scope of work provided to AC Slovakia by ACCR. AC Slovakia entered into this agreement as it does not have the technical and personal resources for the asset management, real-estate administration and realisation of various projects in the Slovak Republic. This agreement has been entered into for an indefinite term with effect from 1 January 2013 and may be terminated by giving a three months' notice (without reasons).

The annual asset management fee for the entire portfolio (all assets in both the Czech Republic and Slovakia) is included in the management fee of the Fund Manager.

Property Management Agreement CZ

This agreement, which is effective as of 1 January 2015, outlines the details of the scope of work of property management services provided by Knight Frank, spol. s.r.o. to AC Bohemia. The agreement may be terminated by written agreement or by written notice with a 120 calendar days notice period before the expiry of a contract period.

Property Management Agreement SK

This agreement, which is effective as of 1 January 2014, outlines the details of the scope of work of property management services provided by Zbereko, spol. s.r.o. to AC Slovakia for the Fund's investment properties in Slovakia. The agreement may be terminated by written agreement or by written notice with a 90 calendar days notice period before the expiry of a contract period.

Sale and purchase agreement GiTy property

On 6 February 2015 AC Bohemia and FC Properties a.s., a Czech joint stock company, Id No: 035 07 441, with its registered seat at Mariánské náměstí 617/1, Komárov, 617 00 Brno, Czech Republic, registered in the commercial register held by the District court in Brno, file no. B 7201 entered into a sale and purchase agreement relating to the sale of the GiTy property located at Mariánské náměsti 617/1, Brno for a purchase price of CZK 86.8 million (€3.18 million). The agreement is governed by Czech law. Title to the property was transferred to the purchaser on 19 February 2015. This agreement is fully settled.

Sale and purchase agreement of part of the Brno office building

On 21 August 2014 AC Bohemia and RegioHub s.r.o., a Czech limited liability company, Id No: 24145424, with its registered seat at Drtinova 557/10, Smíchov, 15000 Praha 5, Czech Republic, registered in the commercial register held by the Municipal court in Prague, file no. C 182818 entered into a sale and purchase agreement relating to the sale of part of the Brno office building located at Šujanova Náměsti 3, Brno for a purchase price of CZK 20 million (€725,000). The agreement is governed by Czech law. Title to the property was transferred to the purchaser on 21 August 2014. This agreement is fully settled.

Sale and purchase agreement Račianska office building

On 19 August 2014 AC Slovakia and SLOVUNIT – SLIAČSKA s.r.o., Id. No. 36 291 081, with its registered seat at Špitálska 27, 811 08 Bratislava, Slovakia, registered in the commercial register held by the District court in Bratislava I, file no. Sro 2240130/B, entered into a sale and purchase agreement relating to the sale of the Račianska 71 office building located at Račianska 71, Bratislava for a purchase price of €500,000. Title to the property was transferred to the purchaser on 3 September 2014. This agreement is fully settled.

Sale and purchase agreement Šaca logistic property

On 11 December 2014 AC Slovakia and STD DONIVO a.s., a Slovak joint stock company, Id. No.: 31 678 343, with its registered seat at Mlynská 1346, Vranov nad Topľou, 093 01, Slovakia, registered in the commercial register held by the District court in Prešov, file no. Sa 10388/P, entered into a sale and purchase agreement relating to the sale of the Šaca logistic property located at Šaca, Železiarenska 49, Košice for a purchase price of €775,000. Title to the property was transferred to the purchaser on 16 December 2014. This agreement is fully settled.

Loan agreement with Sberbank

On 30 March 2014 the borrower AC Bohemia concluded a loan agreement with Sberbank CZ, a.s. for the refinancing of its previous senior bank loan and a partial refinancing of its equity. The outstanding principal amount as per 31 December 2015 was CZK 231.1 million (or €8.6 million). The interest rate consists of two components: 6M PRIBOR plus margin of 2.70% (Tranche A) and 3 year PRIBOR plus margin of 2.70% (Tranche B) per annum. The loan will mature on 31 March 2019. The principal loan repayments are on a quarterly basis.

The loan agreement is, *inter alia,* secured by a first ranking mortgage on the real estate, a pledge on the ownership interest in the borrower, a pledge of the receivables from lease agreements and related guarantees, a subordination of receivables, a pledge of the receivables on current bank account, a blank promissory note and a notarial deed containing the borrower's consent to direct enforceability.

Loan agreement with Slovenska Sporitelňa

On 28 July 2016 the borrower AC Slovakia concluded a loan agreement with Slovenska Sporitelňa for the refinancing of the Slovak portfolio. The term of the loan is 5 years. The maximum outstanding principal amount is €13.4 million. The loan will mature on 30 June 2021. The interest rate is 3 months EURIBOR plus margin of 2.45% per annum. The principal loan repayments are on a quarterly basis.

The loan agreement is, *inter alia,* secured by a first ranking mortgage on the real estate, a pledge on the ownership interest in the borrower, a pledge of all receivables, a subordination of receivables, assignment of insurance proceeds and a notarial deed containing the borrower's consent to direct enforceability.

Term sheet with Raiffeisen Bank (the Bank Loan)

On 23 August 2016 AC Poland, the SPV and Raiffeisen Bank entered into a binding term sheet regarding a senior loan agreement. The Bank Loan will be used for the partial financing of the acquisition price of the Freehold Assets (the "**Investment Loan**" in the amount of approximately €10.5 million). The Investment Loan is split in Tranche A (in the amount of €9.5 million) and Tranche B (in the amount of €1.1 million). The loan will also be used to finance related VAT payments (the "**VAT Loan**" of PLN22 million). Tranche A of the Investment Loan matures the earlier of the date 5 years from drawdown or 30 November 2021 and Tranche B of the Investment Loan matures the earlier of the date 3 years from drawdown or 30 November 2019. Under certain conditions, both tranches can be consolidated after the end of the utilisation period of Tranche B, but not later than 3 years from the disbursement, having both tranches mature 5 years from drawdown. The VAT Loan matures the earlier of the date 6 months from drawdown or 15 June 2017. Drawdown must be made within 2 months from the execution of the loan agreement.

The Investment Loan must be repaid in monthly instalments from cash flows generated by the Target Portfolio, the Fund's own funds, revenues from the sale of the Target Portfolio or the refinancing of the Target Portfolio with another bank. The repayment schedule shall be based on an amortisation schedule of 20 years (comprising principal and interest payments) with a balloon repayment of the remaining loan principal at maturity. The interest rate will be the aggregate of (i) 1 month EURIBOR and (ii) a margin of 3.25% per annum. Interest rate hedging is required in the form of the Interest Rate Swap (IRS) for 70% of the Investment Loan exposure. The counterparty of the interest rate hedging is Raiffeisen Bank. The fixed interest form is hedged in a form of either an Interest Rate Swap (IRS) or CAP (hedging instrument to prevent the risk of an increasing interest rate in the future). The duration of the interest rate hedge is for the whole term of the loan. The collateral requirement is a mortgage over the properties (in case of IRS).

The loan agreement shall be fully cross-collateralised and secured, *inter alia*, but not limited to, by (i) a first ranking and second ranking joint mortgage on the Freehold Assets, (ii) a first ranking pledge on the shares in the capital of AC Poland and on the rights and assets of AC Poland and (iii) an assignment of rights and claims (among others) under lease agreements and related guarantees, leasehold agreements, existing performance guarantees and insurance policies.

In general, the distribution of cash excess to the Fund is allowed provided that the debt service reserve and the minimum CAPEX contribution (5% of NOI) are fully funded, there is no ongoing event of default, the financial covenants under the loan agreement are satisfied and all amounts due under the loan agreement are paid when due, subject to the consent of Raiffeisen Bank. Upon the occurrence and during the continuance of an event of default under the loan agreement, the loan shall bear interest at a rate equal to 200 bps above the regular interest rate and a cash trap is applied.

The closing of the Bank Loan is subject to *inter alia* the completion of the Offering which is expected to be fully underwritten and other customary conditions precedent (which will be more fully described in the Securities Note).

Vendor Loan

For the purpose of the financing of the purchase price for shares in the SPV holding the Leasehold Assets, the Vendors will grant the Fund a loan in the amount of €4.7 million by way of a set off against part of the Vendor's claim for receipt of the purchase price under the Sale and Purchase Agreement. If Tranche B of the Investment Loan is to be repaid to Raiffeisen Bank after two years from drawdown, the purchase price for the Leasehold Assets will be reduced to €4.2 million and the Vendor Loan will decrease accordingly.

The Vendor Loan must be repaid on the second anniversary of the closing date of the share purchase agreement of the shares in the SPV and will carry interest at a rate of 1% for the first 2 years and thereafter an interest rate of 6%.

The Vendor Loan will be secured by a pledge of shares in the capital of the SPV.

Sale and Purchase Agreement

Reference is made to Chapter 6 “The Acquisition”, section 6.7 “Sale and Purchase Agreement”.

14.9 Related party transactions

Save as disclosed in the Fund’s consolidated financial statements for the financial year ended 31 December 2013 on page 103, the Fund’s consolidated financial statements for the financial year ended 31 December 2014 on page 106, the Fund’s consolidated financial statements for the financial year ended 31 December 2015 on page 106 and the Fund’s consolidated interim financial statements for the six months period ended 30 June 2016 on page 34, no related party transactions involving the Fund (including its subsidiaries) were entered into between 1 January 2013 and the date of this Registration Document.

15 DEFINITIONS AND GLOSSARY OF SELECTED TERMS

AC Bohemia	Arcona Capital RE Bohemia, s.r.o.
ACCR	Arcona Capital Czech Republic, s.r.o.
AC Poland	Arcona Capital Real Estate Poland Sp. z o.o.
AC Slovakia	Arcona Capital RE Slovakia, s.r.o.
Acquisition	The purchase of the Target Portfolio (or the Freehold Assets) as provided by the Fund pursuant to the Sale and Purchase Agreement
Acquisition Value	Total acquisition cost for the Target Portfolio including transaction fees, advisory fees and financing costs
AFM	Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*)
AGM	The annual General Meeting of Shareholders
AIFMD	Alternative Investment Fund Managers Directive (2011/61/EU)
Arcona Capital	Arcona Capital GmbH and all of its associated entities and subsidiaries
Articles of Association	The articles of association (*statuten*) of the Fund as they currently read
Bank Loan	The binding term sheet regarding the €10.5 million senior loan from Raiffeisen Bank dated 23 August 2016 to partly fund the acquisition of the Freehold Assets.
CEE	Central and Eastern Europe
Class-A	Most prestigious buildings competing for premier office users with rents above average for the area. Buildings have high quality standard finishes, state of the art systems, exceptional accessibility and a definite market presence
Class-B	Buildings competing for a wide range of users with rents in the average range for the area. Building finishes are fair to good for the area and systems are adequate, but the building does not compete with Class A at the same price
Class-C	Buildings competing for tenants requiring functional space at rents below the average for the area
2014 Convertible Bonds	The convertible bonds issued by the Fund on 1 December 2014
2015 Convertible Bonds	The convertible bonds issued by the Fund on 20 February 2015
Convertible Bonds	The 2014 Convertible Bonds and 2015 Convertible Bonds
Czech Portfolio	The Fund's Czech portfolio comprising 5 offices
CZK	The currency of the Czech Republic
DSCR	Debt-service coverage ratio, i.e. NOI after tax divided by debt service obligations
EGM	An extraordinary General Meeting of Shareholders
EU	The European Union

EUR or €	Currency of the European Union
Euronext Amsterdam	A regulated market operated by Euronext Amsterdam N.V.
Financial Supervision Act	The Netherlands Financial Markets Supervision Act (*Wet op het financieel toezicht*)
Freehold Assets	The properties situated in Gdańsk, Glogów, Grudziądz, Inowroclaw, Piotrków Trybunalski, Kalisz and Slupsk held under a freehold title
Fund Manager	Arcona Capital Fund Management B.V., incorporated under the laws of the Netherlands
Fund	Arcona Property Fund N.V., an investment company with variable capital (*beleggingsmaatschappij met veranderlijk kapitaal*) incorporated under the laws of and domiciled in the Netherlands and its subsidiaries (as applicable)
G.l.a.	Gross lease area
GDP	Gross domestic product
General Meeting of Shareholders	The meeting of shareholders of the Fund entitled to vote, together with pledgees and usufructuaries to whom voting rights attributable to the Shares accrue or the body of the Fund consisting of persons entitled to vote on the Shares (as applicable)
Group	The Fund and its subsidiaries
IFRS	The international financial reporting standards and the related interpretations of these standards issued by the International Accounting Standards Board from time to time and adopted by the European Commission
Leasehold Assets	The properties situated in Lódź, Toruń and Bydgoszcz held under a leasehold title
LTV	Loan to open market value, i.e. the bank loans drawn down divided by the fair value of the relevant property or properties
Management Board	The management board (*directie*) of the Fund
N.l.a.	Net lettable area
NOI	Net rental operating income, i.e. the aggregate annual rent and service charges paid to AC Poland and the SPV by the lessees, pursuant to the lease agreements, after deducting any amounts owing or attributable to services and supplies (such as heating, electricity, water etc.), other payments which are not payable by tenants under the leases, adequate capex and taxes (including corporate income tax and management fee unless subordinated)
OCF	Ongoing Charges Figure, calculated by dividing the cost (excluding interest expense) by the average net asset value (the expense ratio is annualised)
Offer Securities	The securities to be offered by the Fund for which a Securities Note and Summary will be published

Offering	Offering and/or admission to listing and trading of Offer Securities
PLN	The currency of Poland
Priority	Stichting Prioriteit MERE as holder of the Priority Share
Priority Share	The single priority share (*prioriteitsaandeel*) in the issued share capital of the Fund, with a nominal value of €5.00
Prospectus	This Securities Note, the Registration Document and the Summary collectively
Prospectus Directive	Directive 2003/71/EC, as amended
Raiffeisen Bank	Raiffeisen Bank Polska S.A.
Registration Document	This document
Sale and Purchase Agreement	The sale and purchase agreement and related agreements dated 14 October 2015 regarding the Acquisition between AC Poland and Sellers (as amended)
Securities Act	The U.S. Securities Act of 1933, as amended
Securities Note	The securities note that is an integral part of the Prospectus
Sellers	The sellers of the Target Portfolio
Shareholders	The holders of Shares in the Fund
Shares	The ordinary shares in the capital of the Fund, each with a nominal value of €5.00, issued from time to time
Slovak Portfolio	The Fund's portfolio in Slovakia comprising 9 properties
SPV	RECE Progress Sp. Z o.o.
Summary	The summary that is an integral part of the Prospectus
Supervisory Board	The supervisory board (r*aad van commissarissen*) of the Fund
Target Portfolio	Eleven neighbourhood retail centres located in Polish regional cities
Target Portfolio Valuation Report	The valuation report as at 1 October 2016 of CBRE Sp. Z o.o. regarding the Target Portfolio
Unaudited Pro Forma Financial Information	The unaudited pro forma financial information as of 31 December 2015 and for the twelve month period ended 31 December 2015 combining the Fund and the Target Portfolio
United States	The United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
Vendors	the Sellers providing the Vendor Loan
Vendor Loan	The €4.7 million loan from the Vendors dated 11 October 2016 to fund the acquisition of the Leasehold Assets.

ISSUER

Arcona Property Fund N.V.
Parkweg 4
7411 SH Deventer
The Netherlands

LEGAL ADVISORS TO THE ISSUER

Loyens & Loeff N.V.
Fred. Roeskestraat 100
1076 ED Amsterdam
The Netherlands

INDEPENDENT AUDITORS

KPMG Accountants N.V.
Papendorpseweg 83
3528 BJ Utrecht
The Netherlands

16 VALUATION REPORTS

16.1 Existing Portfolio Valuation Report

SUMMARY REPORT

Arcona Capital RE Bohemia s.r.o. Portfolio (ACREB)
&
Arcona Capital RE Slovakia s.r.o. Portfolio (ACRES)

Prepared for:
Arcona Capital RE Poland Sp z.o.o.

Valuation Date: 31st October 2015

VALUATION REPORT

CBRE s.r.o.
Palladium
Nam. Republiky 1
Prague 1
110 00

Switchboard +420 224 814 060
Fax + 420 224 814 111

Report Date	14th October 2016
Addressees	Arcona Capital RE Poland Sp z.o.o. Parkweg 4 7411 SH Deventer The Netherlands FAO: Guy Barker and NIBC Markets N.V. Postbus 235 1000 AE Amsterdam FAO: Mr. Dirk-Jan de Graaff in their capacity Listing Agent and Lead Manager
The Properties	The properties held by Arcona Capital RE Bohemia s.r.o. & Arcona Capital RE Slovakia s.r.o., as listed in the Schedule of Properties set out in Appendix A below.
Property Descriptions	The portfolios consists of office, storage and retail accommodation
Ownership Purpose	Investment
Instruction	To value on the basis of Fair Value the relevant interests in the Properties as at the Valuation Date in accordance with the letter of instruction and terms of engagement dated 4th December 2015.
Valuation Date	31st October 2015

Capacity of Valuer

External (as defined by the RICS Valuation – Professional Standards (January 2014).

Purpose

The Valuation has been prepared for a Regulated Purpose as defined in the RICS Valuation – Professional Standards (January 2014) ("Red Book"). We understand that our valuation report and the Appendices to it (together the "Valuation Report") is required for inclusion in a registration document (the "Registration Document") which is to be published by Arcona Capital RE Poland Sp z.o.o. pursuant to Secondary Public Offering on the Euronext Amsterdam Stock Exchange as a result of which the shares of Arcona Capital RE Poland Sp z.o.o. will be admitted to the Euronext Amsterdam Stock Exchange.

The effective date of valuation is 31st October 2015.

In accordance with the RICS Valuation – Professional Standards (January 2014) ("Red Book") we have made certain disclosures in connection with this valuation instruction and our relationship with Arcona Capital RE Poland Sp z.o.o.

Fair Value of the ACREB portfolio

CZK 423,600,000 (FOUR HUNDRED AND TWENTY-THREE MILLION, SIX HUNDRED THOUSAND CZECH CROWNS) exclusive of purchasers' costs and VAT.

Equating to:

€15,640,000 (FIFTEEN MILLION, SIX HUNDRED AND FORTY THOUSAND EUROS) exclusive of purchaser's costs and VAT and on the basis of the exchange rate stated below.

The Fair Value of each property is given in Appendix B below.

Fair Value of the ACRES portfolio

€37,380,000 (THIRTY SEVEN MILLION, THREE HUNDRED AND EIGHTY THOUSAND EUROS) exclusive of purchaser's costs and VAT.

The Fair Value of each property is given in Appendix B below.

We confirm that the "Fair Value" reported above, for the purpose of financial reporting under International Financial Reporting Standards is effectively the same as "Market Value".

Our opinion of Fair Value is based upon the Scope of Work and Valuation Assumptions attached, and has been primarily derived using comparable recent market transactions on arm's length terms.

We have valued the Properties individually and no account has been taken of any discount or premium that may be negotiated in the market if all or part of the portfolio was to be marketed simultaneously, either in lots or as a whole.

For the avoidance of doubt, we have valued the Properties as real estate and the values reported herein represent 100% of the market values of the assets. No account has been taken in reporting these fair values of the extent of Arcona Capital RE Poland Sp z.o.o.'s interests in the companies holding the subject Properties.

There are no negative values to report.

On the basis of updated tenancy schedules as at 30.04.2016 that have been received between the valuation date and the date of the report, there have been certain changes to a number of the properties. These changes include:

ACREB

- Sujanovo namesti 3, Brno – the net income has increased to 4,539,499 CZK as a result of new leases at the Property.
- Prvniho pluku 621/8a, Prague - the net income has increased to 9,128,459 CZK as a result of new leases at the Property.

ACRES

- Zahradnicka 46, Bratislava - the net income has decreased to 165,823 CZK as a result of tenants leaving the Property and higher non-recoverable costs.
- Kriva 18, Kosice - the net income has decreased to 339,263 CZK as a result of tenants leaving the Property and higher non-recoverable costs.
- Kriva 23, Kosice - the net income has decreased to 201,319 CZK as a result of tenants leaving the Property and higher non-

recoverable costs.

- Prazska 2, Kosice, - the net income has increased to 211,747 CZK as a result of new leases at the Property.
- Prazska 4, Kosice - the net income has decreased to 160,076 CZK as a result of tenants leaving the Property and higher non-recoverable costs.
- Gemerska 3, Kosice - the net income has increased to 44,858 CZK as a result of new leases at the Property.
- Letna 45, Kosice - the net income has increased to 994,683 CZK as a result of new leases at the Property.
- Kysucka 16, Kosice - the net income has increased to 494,005 CZK as a result of new leases at the Property

All the properties are freehold-equivalent.

Report Format

Appendix A of this Valuation Report contains the Schedule of Properties. Appendix B provides the Property Details and Fair Values of the Portfolio.

Compliance with Valuation Standards

The valuation has been prepared in accordance with the RICS Valuation – Professional Standards (January 2014) ("Red Book"). The property details on which each valuation is based are as set out in this report.

The valuations are compliant with the International Valuation Standards, and are in accordance with paragraphs 128 to 130 of the ESMA update of the Committee of European Securities Regulators' (CESR) recommendations for the consistent implication of the European Commission Regulation (EC) no. 809/2004 implementing the Prospectus Directive and the Euronext Amsterdam Stock Exchange requirements.

We confirm that we have sufficient current local and national knowledge of the particular property market involved, and have the skills and understanding to undertake the valuation competently. Where the knowledge and skill requirements of The Red Book have been met in aggregate by more than one valuer within CBRE, we confirm that a list of those valuers has been retained within the working papers, together with confirmation that each named valuer complies with the requirements of The Red Book.

Assumptions

We have made various assumptions as to tenure, letting, town planning, and the condition and repair of buildings and sites – including ground and groundwater contamination – as set out below.

If any of the information or assumptions on which the valuation is based are subsequently found to be incorrect, the valuation figures may also be incorrect and should be reconsidered.

Variation from Standard Assumptions

None.

ESMA 130 (vi)

ESMA paragraph 130 (vi) requires us to comment on any differences between the valuation figure in this Valuation Report and the valuation figure included in issuer's latest published annual accounts. We confirm that there is no difference between the valuation for annual accounts dated 31st October 2015 and the values reported herein.

Market Conditions

The values stated in this report represent our objective opinion of Fair Value in accordance with the definition set out above as of the date of valuation. Amongst other things, this assumes that the properties had been properly marketed and that exchange of contracts took place on this date.

Valuer

The Properties have been valued by a valuer who is qualified for the purpose of the valuation in accordance with the RICS Valuation – Professional Standards (January 2014).

Independence

The total fees, including the fee for this assignment, earned by CBRE s.r.o. (or other companies forming part of the same group of companies within the Czech

Republic and Slovak Republic) from the Addressee (or other companies forming part of the same group of companies) are less than 5.0% of the total Czech Republic and Slovak revenues.

It is not anticipated this situation will vary in the financial year to 31st December 2015.

We confirm that we do not have any material interest in Arcona Capital RE Poland Sp z.o.o. or the Properties.

We do not consider that any conflict of interest arises in us preparing this Valuation Report and Arcona Capital RE Poland Sp z.o.o. has confirmed to us that it also considers this to be the case.

Disclosure

We confirm that we have had previous involvement with the properties which we valued for Arcona Capital Czech Republic s.r.o.

CBRE have valued the subject properties included in both portfolios for Arcona Capital Czech Republic s.r.o from the year 2013. The latest valuation has been done in October 2015.

Responsibility

We are responsible for this Valuation Report and accept responsibility for the information contained in this Valuation Report and confirm that to the best of our knowledge (having taken all reasonable care to ensure that such is the case), the information contained in this Valuation Report is in accordance with the facts and contains no omissions likely to affect its import. This Valuation Report complies with the Amsterdam stock exchange prospectus rules and Paragraphs 128 to 130 of the ESMA update of CESR'S recommendations for the consistent implementation the European Commission Regulation (EC) No. 809/2004 implementing the Prospectus Directive.

Save for any responsibility arising under the above to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in accordance with this Valuation Report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulation, consenting to its inclusion in the Prospectus.

Reliance

This report is for the use only of the party to whom it is addressed for the specific purpose set out herein and no responsibility is accepted to any third party for the whole or any part of its contents save as set out in "Responsibility" above.

No reliance may be placed upon the contents of this Valuation Report by any party for any purpose other than in connection with the Purpose of Valuation.

Publication

Neither the whole nor any part of our report nor any references thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form and context in which it will appear.

Before this Valuation Report, or any part thereof, is disclosed orally or otherwise to a third party, CBRE's written approval of the form and context of such publication or disclosure must first be obtained. Such publication or disclosure will not be permitted unless where relevant it incorporates the Assumptions referred to herein. For the avoidance of doubt, such approval is required whether or not CBRE is referred to by name and whether or not the contents of our Valuation Report are combined with others.

Such publication of, or reference to this report will not be permitted unless it contains a sufficient contemporaneous reference to any departure from the Royal Institution of Chartered Surveyors Valuation Standards or the incorporation of the special assumptions referred to herein.

Currency

Where Czech Crowns have been converted into Euros we have applied an exchange rate of CZK 27.090/ €1. (Source: the Czech National Bank; date: 30 October 2015).

Yours faithfully

Clare Sheils MRICS
Senior Director, Head of Valuation CEE
RICS Registered Valuer

For and on behalf of
CBRE s.r.o.

T: +420 221 711 018
E: clare.sheils@cbre.com

Yours faithfully

Jan Kulhanek MRICS
Head of Valuation
RICS Registered Valuer

For and on behalf of
CBRE s.r.o.

T: + 421 (0) 3255 3317
E: jan.kulhanek@cbre.com

CBRE – Valuation & Advisory Services
T: +420 224 814 060
F: +420 224 814 111
W: www.cbre.cz

SCOPE OF WORK & SOURCES OF INFORMATION

Sources of Information

We have carried out our work based upon information supplied to us by Arcona Capital RE Bohemia s.r.o., which we have assumed to be correct and comprehensive.

We have been provided with copies of the following documents:

- Tenancy schedules for Portfolio ACREB as at 29/10/2015
- Tenancy schedules for Portfolio ACRES as at 23/10/2015
- Tenancy schedules for Portfolio ACREB as at 30/04/2016
- Tenancy schedules for Portfolio ACRES as at 30/04/2016
- Cadastral extracts as at 12/11/2015
- Schedules of capital expenditure required for the year 2016

We have requested but not been provided with:

- Due diligence; legal, environment, technical

The Properties

Our report contains a brief summary of the properties details on which our valuation has been based.

Inspection

We have inspected the Properties as follows:

Property	Inspection Date	Type of Inspection
Politickych veznu 10, Prague	30th October 2015	Internal
Prvniho pluku 621/8a, Prague	30th October 2015	Internal
Na Zertvach 34, Prague	30th October 2015	Internal
Drahobejlova 27, Prague	30th October 2015	Internal
Sujanovo namesti 3, Brno	30th October 2015	Internal
Zahradnicka 46, Bratislava	28th October 2015	Internal

Gemerska 3, Kosice	29th October 2015	Internal
Lenta 45, Kosice	29th October 2015	Internal
Kriva 18, Kosice	29th October 2015	Internal
Kriva 23, Kosice	29th October 2015	Internal
Prazska 2, Kosice	29th October 2015	Internal
Prazska 4, Kosice	29th October 2015	Internal
Kysucka 16, Kosice	29th October 2015	Internal
A. Rudnaya 21, Zilina	29th October 2015	Internal

Areas

We have not measured the Properties but have relied upon the floor areas provided. We have not checked these on sites.

We have relied upon the floor areas given in the Tenancy schedules provided, which Arcona Capital RE Bohemia s.r.o. and Arcona Capital RE Slovakia s.r.o. advises us are correct.

Unless advised specifically to the contrary, we have made the Assumption that the floor areas supplied to us have been calculated in accordance with local practice as appropriate. All areas quoted in this Valuation Report are approximate.

Environmental Matters

We have not undertaken, nor are we aware of the content of, any environmental audit or other environmental investigation or soil survey which may have been carried out on the Properties and which may draw attention to any contamination or the possibility of any such contamination.

We have not carried out any investigations into the past or present uses of the Properties, nor of any neighbouring land, in order to establish whether there is any potential for contamination and have therefore assumed that none exists.

Repair and Condition

We have not carried out building surveys, tested services, made independent site investigations, inspected woodwork, exposed parts of the structure which were covered, unexposed or inaccessible, nor arranged for any investigations to be carried out to determine whether or not any deleterious or hazardous materials or techniques have been used, or are present, in any part of the Properties. We are unable, therefore, to give any assurance that the Properties are free from defect.

Town Planning

We have not undertaken planning enquiries.

Titles, Tenures and Lettings

Details of title/tenure under which the Properties are held and of lettings to which they is subject are as supplied to us. We have not generally examined nor had access to all the deeds, leases or other documents relating thereto. Where information from deeds, leases or other documents is recorded in this report, it represents our understanding of the relevant documents. We should emphasise, however, that the interpretation of the documents of title (including relevant deeds, leases and planning consents) is the responsibility of your legal adviser.

We have not conducted credit enquiries on the financial status of any tenants. We have, however, reflected our general understanding of purchasers' likely perceptions of the financial status of tenants.

VALUATION ASSUMPTIONS

Introduction

An Assumption is defined in the Red Book Glossary and Appendix 3 to be a "supposition taken to be true" (an "Assumption").

Assumptions are facts, conditions or situations affecting the subject of, or approach to, a valuation that it has been agreed need not be verified by the valuer as part of the valuation process. Assumptions are made when it is reasonable for the valuer to accept that something is true without the need for specific investigation.

Arcona Capital RE Bohemia s.r.o. has confirmed and we confirm that our Assumptions are correct as far as Arcona Capital RE Bohemia s.r.o. and we, respectively, are aware. In the event that any of these Assumptions prove to be incorrect then our valuations should be reviewed. The principal Assumptions which we have made are stated within this Valuation Report.

For the avoidance of doubt, the Assumptions made do not affect compliance with the approach to Market Value under the Red Book.

Capital Values

Each valuation has been prepared on the basis of "Fair Value", which is defined as:

"The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

"Fair Value", for the purpose of financial reporting under International Financial Reporting Standards, is effectively the same as "Market Value", which is defined as:

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

The valuation represents the figure that would appear in a hypothetical contract of sale at the valuation date. No allowances have been made for any expenses of realisation nor for taxation which might arise in the event of a disposal. Acquisition costs have not been included in our valuation.

No account has been taken of any inter-company leases or arrangements, nor of any mortgages, debentures or other charges.

No account has been taken of the availability or otherwise of capital based Government or other grants.

Taxation, Costs and Realisation Costs

As stated above, no allowances have been made for any expenses of realisation nor for taxation which might arise in the event of a disposal.

Our valuations reflect purchasers' statutory and other normal acquisition costs.

VAT

We have not been advised whether the properties are elected for VAT.

All rents and capital values stated in this report are exclusive of VAT.

Passing Rent

Passing rents quoted in this report are the rents which are currently payable under the terms of the leases. Passing rents exclude service charges and VAT and are prior to deduction of any non-recoverable costs. Passing rents exclude turnover rents, mall incomes and other miscellaneous incomes.

Net Annual Rent

Net annual rent is defined for the purposes of this transaction as "the current income or income estimated by the valuer:

(i) ignoring any special receipts or deduction arising from the property;

(ii) excluding Value Added Tax and before taxation (including tax on profits and any allowances for interest on capital or loans); and

(iii) after making deductions for superior rents (but not for amortisation), and any disbursements including, if appropriate, expenses of managing the property and allowances to maintain it in a condition to command its rent".

Estimated Net Annual Rental Value

The estimated net annual rental value is based on the current rental value of each of the Properties. The rental value reflects the terms of the leases where the Properties, or parts thereof, are let at the date of valuation. Where the Properties, or parts thereof, are vacant at the date of valuation, the rental value reflects the rent we consider would be obtainable on an open market letting as at the date of valuation.

Rental Values

Rental values indicated in our report are those which have been adopted by us as appropriate in assessing the capital value and are not necessarily appropriate for other purposes nor do they necessarily accord with the definition of Market Rent.

Lease Expiries

Fixed-term leases frequently incorporate either tenants' options to extend or tenants' break clauses; other leases are rolling to indeterminate, subject to stated notice periods. For the purposes of our valuations, we have made assumptions as to appropriate presumed expiry dates.

Any weighted average unexpired terms indicated in our Valuation report reflect these assumptions.

The Properties

Where appropriate we have regarded the shop fronts of retail and showroom accommodation as forming an integral part of the building.

Landlord's fixtures such as lifts, escalators, central heating and other normal service installations have been treated as an integral part of the building and are included within our valuations.

Process plant and machinery, tenants' fixtures and specialist trade fittings have been excluded from our valuations.

All measurements, areas and ages quoted in our report are approximate.

Environmental Matters

In the absence of any information to the contrary, we have assumed that:

(a) the Properties are not contaminated and are not adversely affected by any existing or proposed environmental law;

(b) any processes which are carried out on the Properties which are regulated by environmental legislation are properly licensed by the appropriate authorities.

Energy Performance Certificates

We have assumed that the Properties possess or will possess current Energy Performance Certificates as required under Government Directives.

Repair and Condition

In the absence of any information to the contrary, we have assumed that:

(a) there are no abnormal ground conditions, nor archaeological remains, present which might adversely affect the current or future occupation, development or value of the property;

(b) the Properties are free from rot, infestation, structural or latent defect;

(c) no currently known deleterious or hazardous materials or suspect techniques, including but not limited to Composite Panelling, have been used in the construction of, or subsequent alterations or additions to, the Properties; and

(d) the services, and any associated controls or software, are in working order and free from defect.

We have otherwise had regard to the age and apparent general condition of the Properties. Comments made in the property details do not purport to express an opinion about, or advice upon, the condition of uninspected parts and should not be taken as making an implied representation or statement about such parts.

Title, Tenure, Planning and Lettings

Unless stated otherwise within this report, and in the absence of any information to the contrary, we have assumed that:

(a) the Properties possess a good and marketable title free from any onerous or hampering restrictions or conditions;

(b) all buildings have been erected either prior to planning control, or in accordance with planning permissions, and have the benefit of permanent planning consents or existing use rights for their current use;

(c) the Properties are not adversely affected by town planning or road proposals;

(d) all buildings comply with all statutory and local authority requirements including building, fire and health and safety regulations;

(e) only minor or inconsequential costs will be incurred if any modifications or alterations are necessary in order for occupiers of each Property to comply with the provisions of the relevant disability discrimination legislation;

(f) there are no tenant's improvements that will materially affect our opinion of the rent that would be obtained on review or renewal;

(g) tenants will meet their obligations under their leases;

(h) there are no user restrictions or other restrictive covenants in leases which would adversely affect value;

(i) where appropriate, permission to assign the interest being valued herein would not be withheld by the landlord where required; and

(j) vacant possession can be given of all accommodation which is unlet or is let on a service occupancy.

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Appendix A: Schedule of Properties

Country	Property Name	Address	Tenure	Fair Value (100%)
ACREB Portfolio - Properties Held for Investment				
Czech Republic	Politickych veznu 10	Prague	Freehold	CZK 126,850,000
Czech Republic	Prvniho pluku 621/8a	Prague	Freehold	CZK 102,550,000
Czech Republic	Na Zertvach 34	Prague	Freehold	CZK 87,100,000
Czech Republic	Drahobejlova 27	Prague	Freehold	CZK 47,550,000
Czech Republic	Sujanovo namesti 3	Brno	Freehold	CZK 59,550,000
ACRES Portfolio - Properties Held for Investment				
Slovak Republic	Zahradnicka 46	Bratislava	Freehold	€4,210,000
Slovak Republic	Gemerska 3	Kosice	Freehold	€1,460,000
Slovak Republic	Lenta 45	Kosice	Freehold	€9,940,000
Slovak Republic	Kriva 18	Kosice	Freehold	€3,030,000
Slovak Republic	Kriva 23	Kosice	Freehold	€2,940,000
Slovak Republic	Prazska 2	Kosice	Freehold	€2,630,000
Slovak Republic	Prazska 4	Kosice	Freehold	€2,520,000
Slovak Republic	Kysucka 16	Kosice	Freehold	€6,340,000
Slovak Republic	A. Rudnaya 21	Zilina	Freehold	€4,310,000

CBRE

Appendix B: Properties Details ACREB Portfolio

Property Details: Properties held for Investment

Sub-Portfolio or Property	Description, Age and Tenure	Tenancy	Net Passing Rent Per Annum	Estimated Rental Value per Annum	Fair Value (100%)
Politickych veznu 10, Prague 1	The Property comprises 4 buildings. The estimated age of the buildings is approximately 100 years. Reconstruction of the buildings was undertaken in the second half of the 1990's. In total the buildings offer 2,364.37 sq m of lettable B Class offices (1,810 sq m), storage and apartments as well as 35 car parking spaces. The street Politickych veznu comprises mainly dated office buildings with restaurants or small retail units on the ground floor. The building is situated in the centre of Prague. All types of public transport including all metro lines can be found within walking distance of the property. The Property is held freehold.	The Property is let to 68 tenants; 50 have indefinite lease terms. The main tenants are: BNG Group s.r.o., PRAGOIMPORT - ADAM a.s. and NEWTON Management a.s. The property has a total vacancy of 13%.	CZK 6,380,680	CZK 11,488,000	CZK 126,850,000
Prvniho pluku 621/8a, Prague 8	The Property comprises two separate buildings built in 1955 and refurbished in 1997 and 2003 to provide B Class office accommodation totalling 2,722.37 sq m, as well as 34 car parking spaces. In total the buildings offer 3,282.91 sq m, the difference is made up of storage and common area space which can be let. The buildings are both detached and face each other over a shared courtyard. The reception for both buildings is via building A. Each floor of both buildings offers sanitary facilities together with a small kitchen area. The Property is situated in the city district of Karlin which is a developing district, where many new office buildings have recently been built. All types of public transport including two out of the three metro lines can be found within walking distance from the property. The Property is held freehold.	The Property is let to 45 tenants; 18 have indefinite lease terms. The main tenants are: Central European Data Agency, a.s., Flow media s.r.o. and Agility Logistics s.r.o. The property has a total vacancy of 12%.	CZK 8,008,599	CZK 9,858,000	CZK 102,550,000

Na Zertvach 34, Prague 8	The Property comprises two basements, a ground and seven upper floors (including a mezzanine) which totals 1,877 sq m of B Class office premises. The building offers 27 underground parking spaces. In total the building offers 2,185 sq m, the difference is made up of storage and common area space which can be let. The property benefits from a CCTV system, openable windows, suspended ceilings, air conditioning and perimeter trunking. Typically each floor has cellular offices, separated by plasterboard partitioning. Na Zertvach 34 is located in the city district of Liben, on edge of the centre, traditionally a residential area. There are a number of tram lines running in front of the Property and a bus station and metro line B "Palmovka" are located ca. 200 m from the Property. The Property is held freehold.	The Property is let to 12 tenants; 5 have indefinite lease terms. The main tenants are: EGP INVEST, spol. s.r.o., Straumann s.r.o. and COMPELSON Trade, s. r. o. The property is fully occupied.	CZK 7,182,054	CZK 7,508,000	CZK 87,100,000
Drahobejlova 27, Prague 9	The floor area of the Property comprises 2,404.35 sq m and also has 10 car parking spaces and a single storey unit adjoining the main structure. All office premises (1,807 sq m) are to a B Class standard and have kitchen and toilet facilities with standard fittings. The 1st floor has recently been refurbished, the 2nd and 4th floors were refurbished in 2002 and the 3rd floor was refurbished in 2003. Drahobejlova 27 is situated in the suburb of Liben which is traditionally an industrial area. Opposite the Property is an important sports arena, Sazka Arena, and neighbouring the property is a residential scheme developed by Arcona Capital in 2014 but which is not included in this Portfolio. All types of public transport including metro line B "Ceskomoravska" can be found within walking distance of the property. The Property is held freehold.	The Property is let to 25 tenants; 10 have indefinite lease terms. The main tenants are: Zasilkovna s.r.o., Mark2 Corporation Czech a.s. and Elyse T&C s.r.o. The property has a total vacancy of 12.4%.	CZK 3,613,063	CZK 5,593,700	CZK 47,550,000

Sujanovo namesti 3, Brno	The Property is a B Class mixed use office building which totals 5,014.8 sq m and has 27 car parking spaces. The building comprises 3,347.28 sq m of office space, 652.75 of storage space, 472 sq m of production area, 508.12 sq m of common space (which can be let) and 34.65 sq m of retail space. The condition of the above-ground office floors varies on a floor by floor basis. The technical specification of the office space includes solid floors and ceilings, wood-framed casement double-glazed windows, and central heating throughout. The property is situated in the city of Brno (population approx. 730,000) which is 210 km south-east of Prague. The Property is fairly centrally located, though just outside the main commercial district of Brno city. However, the Property suffers from somewhat poor visibility due to the high number of residential developments in the vicinity. Access to the Property is of average quality with the local network of tributary roads connecting to the more significant Krinova Street. The Property is held freehold.	The Property is let to 19 tenants; 12 have indefinite lease terms. The main tenants are: Ceska republika - Urad prace Ceske republiky, VUP Medical, a.s. and Pocitacova sluzba s.r.o. The property has a total vacancy of 13.4%.	CZK 4,239,031	CZK 6,903,800	CZK 59,550,000

Appendix B: Properties Details ACRES Portfolio

Property Details: Properties held for Investment

Sub-Portfolio or Property	Description, Age and Tenure	Tenancy	Net Passing Rent Per Annum	Estimated Rental Value per Annum	Fair Value (100%)
Zahradnicka 46, Bratislava	The Property consists of a mixture of office (2,198 sq m), storage (677,2 sq m), retail (879.8 sq m); the latter are in separate ownership and are not included in this valuation. The subject property has a total net internal area of 3,755 sq m and 59 surface car parking spaces belong to the Property. The building benefits from partial air-conditioning, a 24/7 security guard and CCTV. The Property is located in the north part of Bratislava in the district of Nivy in a predominantly residential area. Surrounding buildings are typically older than the subject property. Public transport in the area is provided by bus and tram and the property is also easily accessible by car. The Property is held freehold.	The Property is let to 69 tenants; 54 have indefinite lease periods. The main tenants are: BL Consulting, s.r.o., DERMA CLINIC s.r.o. and BIO CULTURE s.r.o. The property has a total vacancy of 36%.	€193,796	€526,600	€4,210,000
Gemerska 3, Kosice	The Property consists of two main buildings which are connected via a two storey building. The total net lettable area is 4,528.40 sq m. The typical floor has cellular offices. The Property has 88 surface car parking spaces situated in front of the building with a security entrance. The property is situated in the city of Kosice (population approx. 240,000) which is 400 km east of Bratislava. The Property is situated approximately 2.2 km south from the historic city centre in the city district of Juh. In the close vicinity to the property are several high-rise low-cost residential buildings. Public transport to the building is provided by trams and buses both situated within walking distance from the property. The Property is held freehold.	The Property is let to 57 tenants; 36 have indefinite lease terms. The main tenants are: BYTY - SERVIS, spol. s r.o. Kosice, CENTRUM RELAXU AMIJA, s.r.o. and SWISS spol. s r.o. The property has a total vacancy of 47%.	€31,123	€361,300	€1,460,000

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Lenta 45, Kosice	The Property comprises a six-storey prefabricated office building which has a U-shaped structure built in 1965. The property offers 11,162.70 sq m of net lettable areas and there are 89 car parking spaces. The building comprises 9,081.1 sq m of office space, 1,111.6 of storage space, 177.7 sq m of production area, 68.5 sq m of common space and 723.8 sq m of retail area. Letna 45 has recently been refurbished both internally and externally. Whilst the Property is prominently office use there is also a bank, a medical centre and a restaurant and cafe on the ground floor. The building is situated approximately 1 km north-west from the historic city centre in the city district of Sever. The surrounding area is a mixture of residential properties and high-rise low-cost Grade C office buildings. A number of bus and tram lines run in front of the property. The Property is held freehold.	The Property is let to 85 tenants; 62 have indefinite lease terms. The main tenants are: Ceskoslovenska obchodna banka, a.s., Sykes Slovakia s.r.o., KARDIOCOMP s.r.o. and ZEPTER SLOVAKIA spol. s.r.o. The property has a total vacancy of 12%.	€891,643	€1,163,700	€9,940,000
Kriva 18, Kosice	The Property is a 9-storey prefabricated structure built in the 1960's originally for low-cost residential purposes, and later converted to office accommodation. The Property comprises 6,061.70 sq m of net lettable area and there are no parking spaces. The Property was refurbished internally in 2009 and recently a first phase of reconstructing the front facade has been completed. Whilst the Property is prominently B Class offices (5,817.4 sq m) there is also a restaurant (237 sq m) on the ground floor with its own entrance at the front of the property and minor storage space (7.3 sq m). The property is situated approximately 500 m to the south-east from the historical city centre in the city district of Juh. The surrounding area is mainly occupied by high-rise low-cost residential properties and some office buildings. Bus and train stations are located approximately 500 m from the subject property. The Property is held freehold.	The Property is let to 102 tenant; 95 have indefinite lease terms. The main tenants are: Slovenska inovacna a energeticka agentura (SIEA), UniPro Automation s.r.o. and JOFID s.r.o. The property has a total vacancy of 33%.	€200,958	€504,500	€3,030,000

Kriva 23, Kosice	The Property comprises a 9-storey prefabricated structure built in the 1960's originally for low-cost residential purposes, and later converted to office accommodation. The Property comprises 7,317.10 sq m of net lettable area and 111 parking spaces. The building comprises 5,848 sq m of office space, 634.4 of storage space, 642.5 sq m of common space and 192.2 sq m of retail area. The typical floor plate contains a corridor with a number of small B Class office suites. The property is situated approximately 500 m to the south-east from the historic city centre in the city district of Juh. The surrounding area is mainly occupied by high-rise low-cost residential properties and some office buildings. Bus and train stations are located approximately 500 m from the subject property. The Property is held freehold.	The Property is let to 120 tenants; 107 have indefinite lease terms. The main tenants are: Reprogyn, s.r.o., Kolajove a dopravne stavby s.r.o. Kosice and PROFI CREDIT Slovakia, s.r.o. The property has a total vacancy of 34%.	€228,941	€616,600	€2,940,000
Prazska 2, Kosice	The Property comprises a 9-storey prefabricated structure built for traditional low-cost residential purposes and since converted to office accommodation (3,443 sq m) and student housing (2,421.4 sq m). There is 6,034.70 sq m of lettable area and 23 car parking spaces in front of the building. Individual floors are very similar in layout, with a long central hall with small office units of 12 to 18 sq m. Floors with student dormitories have the same layout with 3 to 6 beds per room. Further, there is a common kitchenette and bathroom on each floor. The Property is situated approximately 1.2 km south-west of the historic city centre. There are a number of high-rise low-cost prefabricated properties in the immediate vicinity of the building. The Property is held freehold.	The Property is let to 99 tenants; 89 have indefinite lease terms. The main tenants are: MCN, s.r.o., FOREVER LIVING PRODUCTS SLOVAK REPUBLIC, s.r.o. and CLINTRIAL s.r.o. The property has a total vacancy of 24%.	€160,291	€494,450	€2,630,000

Prazska 4, Kosice	The Property comprises a 9-storey prefabricated structure, built originally for traditional low-cost residential purposes and since converted to offices. There is 6,086.90 sq m of net lettable area and 47 parking spaces. Individual floors are very similar in layout. A long central corridor on each floor runs through the length of the building. Off this are small office units of 12 to 18 sq m, many of which are interconnected into larger units. All floors are leased predominantly as offices (5,789.7 sq m) and part of the building is used as student accommodation. The Property is situated approximately 1.2 km south-west of the historic city centre. There are a number of high-rise low-cost prefabricated properties in the immediate vicinity of the building. The Property is held freehold.	The Property is let to 127 tenants; 118 have indefinite lease terms. The main tenants are: GEOMETRA SK s.r.o., COMPSERVICE, spol. s r.o. Kosice and G1 MONITOR, s.r.o. The property has a total vacancy of 39%.	€175,561	€509,900	€2,520,000
Kysucka 16, Kosice	The Property comprises a 13-storey prefabricated structure and comprises 10,728.30 sq m of net rentable area which is split into student accommodation (5,664.40 sq m), B Class offices (1,268.3 sq m), hostel (3,214 sq m) and restaurant. The room specification differs according to the use type category however every room has a balcony and its own sanitary facilities. The student accommodation has a study room on every floor and a kitchenette. Rooms for letting to tourists are differentiated into luxury and standard accommodation. The Property is situated approximately 1.5 km west of the historic city centre in the city district of Zapad. The surrounding area is mostly of residential properties. The building can be reached via public transport namely trams, trolley buses and buses. The Property is held freehold.	The Property is let to 47 tenants; 43 have indefinite lease terms. The main tenants are: ALLATRA s.r.o., O2 Slovakia,s r.o. and SWAN, a.s. The property has a total vacancy of 32%.	€429,377	€1,225,324	€6,340,000

A. Rudnaya 21, Zilina	The Property comprises eight storeys with a basement. The Property was built in 1971 and offers 9,735 sq m of net lettable floor area together with 58 car parking spaces. The building comprises 7,617.5 sq m of office space, 411.5 of storage space, 152 sq m of production area and 1,554 sq m of retail area. There are plans for ongoing refurbishment of the Property. The building benefits from CCTV, a chip card entrance (for only one floor), security guard and air-conditioning (only in refurbished offices). The property is situated in the city of Zilina (population approx. 85,000) which is 200 km north-east of Bratislava. The property is situated approximately 1.5 km to the south of the historic city centre in the city district of Hliny. Adjoining the premises are residential properties. Public transport is via bus and trolley-bus stops located nearby. The Property is held freehold.	The Property is let to 51 tenants; 46 have indefinite lease terms. The main tenants are: KROS a.s., Slovak telekom a.s. and EL TORO, s.r.o. The property has a total vacancy of 26%.	€222,746	€909,500	€4,310,000

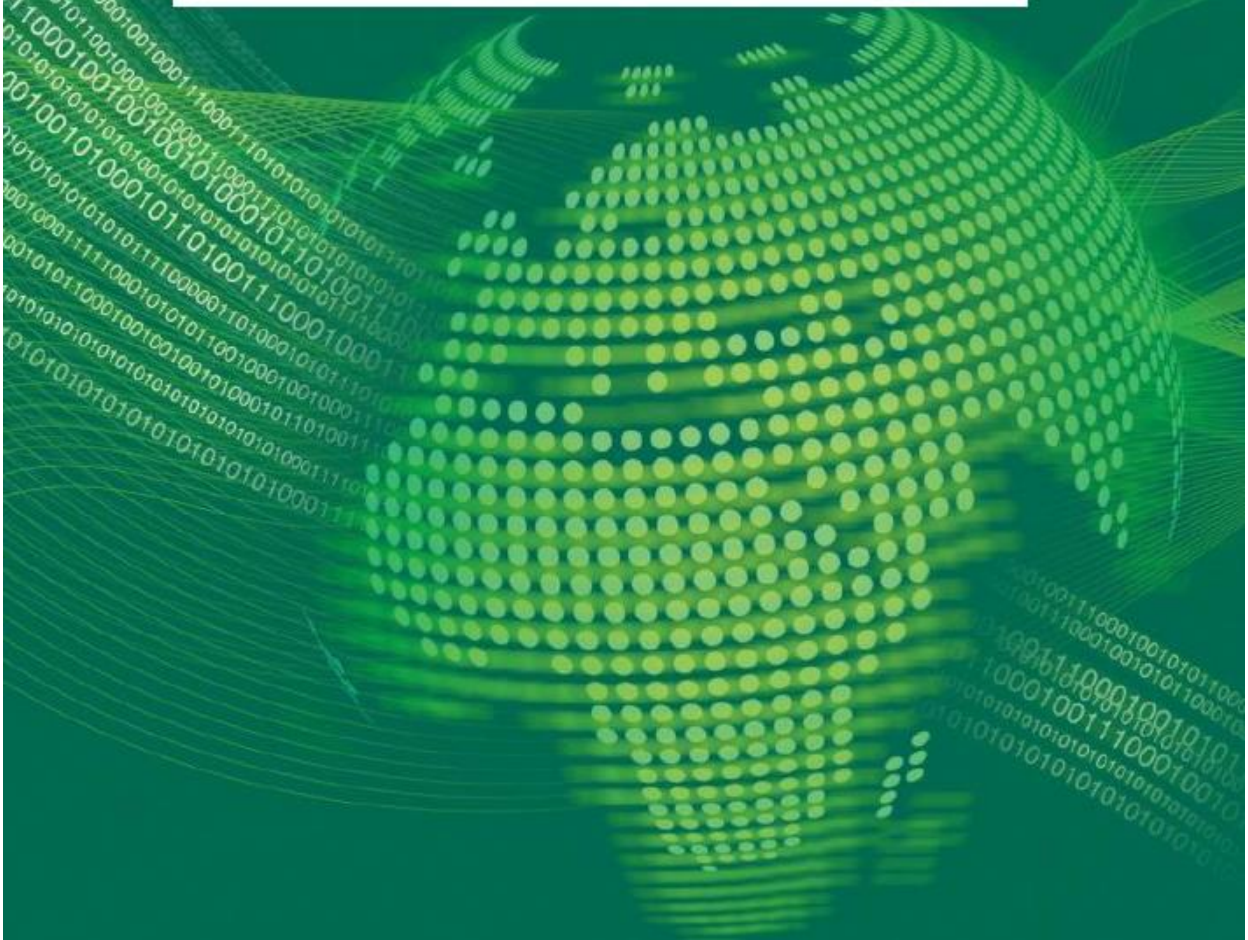
16.2 Target Portfolio Valuation Report

SUMMARY REPORT

11 convenience retail centres known as "Skwer Handlowy" located in Bydgoszcz, Inowroclaw, Gdansk, Glogow, Grudziadz, Lodz, Piotrkow Trybunalski, Slupsk, Torun, Kalisz

Prepared for:
Arcona Capital RE Poland Sp z.o.o

Valuation Date: 1st October 2016



CBRE

CBRE Polska Sp. z o.o.

Rondo ONZ 1
00-124 Warsaw
Poland

Switchboard +48 22 5448000
Fax + 48 22 5448001

Report Date	14th October 2016
Addressee	Arcona Capital RE Poland Sp z.o.o Parkweg 4 7411 SH Deventer The Netherlands FAO: Guy Barker And NIBC Markets N.V. Postbus 235 1000 AE Amsterdam Attn: Mr Dirk-Jan de Graaff in their capacity as Listing Agent and Lead Manager
The Properties	The properties as listed in the Schedule of Properties set out in Appendix A below.
Property Description	Neighbourhood retail centres as detailed in Appendix B below.
Ownership Purpose	Investment and development.
Instruction	To value on the basis of Fair Value of the freehold/leasehold interest in the properties as at the Valuation Date in accordance with your instruction agreement dated 4th December 2015.
Valuation Date	1st October 2016

Capacity of Valuer

External (as defined by the RICS Valuation Professional Standards (January 2014).

Purpose

The Valuation has been prepared for a Regulated Purpose as defined in the RICS Valuation – Professional Standards (January 2014) ("Red Book"). We understand that our valuation report and the Appendices to it (together the "Valuation Report") is required for inclusion in a registration document (the "Registration Document") which is to be published by Arcona Capital RE Poland Sp z.o.o pursuant to Secondary Public Offering on the Euronext Amsterdam Stock Exchange as a result of which the shares of Arcona Capital RE Poland Sp z.o.o will be admitted to the Euronext Amsterdam Stock Exchange.

The effective date of valuation is 1st October 2016.

In accordance with the RICS Valuation – Professional Standards (January 2014) ("Red Book") we have made certain disclosures in connection with this valuation instruction and our relationship with Arcona Capital RE Poland Sp z.o.o

Fair Value

€27,203,000

(TWENTY SEVEN MILLION, TWO HUNDRED AND THREE THOUSAND EUROS)

exclusive of purchaser's costs, as shown in Appendix B below.

We confirm that the "Fair Value" reported above, for the purpose of financial reporting under International Financial Reporting Standard 13, is effectively the same as "Market Value."

Our opinion of Fair Value is based upon the Scope of Work and Valuation Assumptions attached, and has been primarily derived using comparable recent market transactions on arm's length terms.

We have valued the Properties individually and no account has been taken of any discount or premium that may be negotiated in the market if all or part of the portfolio was to be marketed simultaneously, either in lots or as a whole.

For the avoidance of doubt, we have valued the Properties as real estate and the values reported herein represent 100% of the market values of the assets. No account has been taken in reporting these fair values of the extent of Arcona Capital RE Poland Sp z.o.o interests in the companies holding the subject Properties.

There are no negative values to report.

We are required to show the split of values between freehold-equivalent and leasehold property, and to report the following categories of property separately.

	Investment	Development	Total	No of properties
Freehold	€18,979,000	€2,006,000	€20,985,000	8
Leasehold	€6,218,000		€6,218,000	3
Total	€25,197,000	€2,006,000	€27,203,000	11

Report Format

Appendix A of this Valuation Report contains the Schedule of Properties. Appendix B provides the Property Details and Fair Values of the Portfolio.

Compliance with Valuation Standards

The valuation has been prepared in accordance with The RICS Valuation – Professional Standards (January 2014) ("the Red Book").

The valuations are compliant with the International Valuations Standards and in accordance with paragraphs 128 to 130 of the ESMA update (ESMA/2013/319) of the Committee of European Securities Regulators' (CESR) recommendations for the consistent implementation of the European Commission regulation (EC) n. 809/2004 implementing the Prospectus Directive and the Euronext Amsterdam Stock Exchange requirements.

We confirm that we have sufficient current local and national knowledge of the particular property market involved, and have the skills and understanding to undertake the valuation competently. Where the knowledge and skill requirements of The Red Book have been met in aggregate by more than one valuer within CBRE, we confirm that a list of those valuers has been retained within the working papers, together with confirmation that each named valuer complies with the requirements of The Red Book.

Assumptions

The property details on which each valuation is based are as set out in this report. We have made various assumptions as to tenure, letting, town planning, and the condition and repair of buildings and sites – including ground and groundwater contamination – as set out below.

If any of the information or assumptions on which the valuation is based are subsequently found to be incorrect, the valuation figures may also be incorrect and should be reconsidered.

Variation from Standard Assumptions

None.

ESMA 130 (vi)

ESMA 130 (vi) is not applicable as Arcona Capital RE Poland Sp z.o.o has not yet acquired the subject properties.

Development Property

The property in Kalisz is currently vacant and it is planned to redevelop it into a retail park. The existing building, which has previously been used for multi-let retail, will be remodelled and refitted out, together with other works. We have valued the property by the investment method, allowing for a vacancy period of 12 months, service charge loss, letting costs and fit-out/redevelopment costs of €200,000 as provided by Palmer Capital.

It should be noted that factors including but not limited to delays in timing, increased costs and market movement prior to completion can have a significant impact on the fair value of a development property.

Market Conditions

The values stated in this report represent our objective opinion of Fair Value in accordance with the definition set out above as of the date of valuation. Amongst other things, this assumes that the properties had been properly marketed and that exchange of contracts took place on this date.

Valuer

The Property has been valued by a valuer who is qualified for the purpose of the valuation in accordance with the RICS Valuation – Professional Standards (January 2014) (The Red Book).

Independence

The total fees, including the fee for this assignment, earned by CBRE Sp. z o.o. (or other companies forming part of the same group of companies within Poland) from the Addressee (or other companies forming part of the same group of companies) are less than 5.0% of the total Polish revenues.

It is not anticipated this situation will vary in the financial years to 31st December 2016 or 2017.

We confirm that we do not have any material interest in

Arcona Capital RE Poland Sp z.o.o or the Properties.

We do not consider that any conflict of interest arises in us preparing this Valuation Report and Arcona Capital RE Poland Sp z.o.o has confirmed to us that it also considers this to be the case.

Disclosure

CBRE valued the subject properties for Pekao S.A. bank in August 2015, for loan security purposes. The valuation was completed and submitted to the bank before commencing the subject valuation. We have also prepared a valuation dated 31st October 2015 for Palmer Capital and gave reliance to Raiffeisen Bank in order to use it for loan security purposes.

Responsibility

We are responsible for this Valuation Report and accept responsibility for the information contained in this Valuation Report and confirm that to the best of our knowledge (having taken all reasonable care to ensure that such is the case), the information contained in this Valuation Report is in accordance with the facts and contains no omissions likely to affect its import. This Valuation Report complies with the Amsterdam stock exchange prospectus rules and Paragraphs 128 to 130 of the ESMA update of CESR'S recommendations for the consistent implementation the European Commission Regulation (EC) No. 809/2004 implementing the Prospectus Directive.

Save for any responsibility arising under the above to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in accordance with this Valuation Report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulation, consenting to its inclusion in the Prospectus.

Reliance

This report is for the use only of the party to whom it is addressed for the specific purpose set out herein and no responsibility is accepted to any third party for the whole or any part of its contents saves as set out in "Responsibility" above.

No reliance may be placed upon the contents of this Valuation Report by any party for any purpose other than in connection with the Purpose of Valuation.

Publication

Neither the whole nor any part of our report nor any references thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form and context in which it will appear.

Before this Valuation Report, or any part thereof, is disclosed orally or otherwise to a third party, CBRE's written approval of the form and context of such publication or disclosure must first be obtained.

Such publication or disclosure will not be permitted unless where relevant it incorporates the Assumptions referred to herein. For the avoidance of doubt, such approval is required whether or not CBRE is referred to by name and whether or not the contents of our Valuation Report are combined with others.

Such publication of, or reference to this report will not be permitted unless it contains a sufficient contemporaneous reference to any departure from the Royal Institution of Chartered Surveyors Valuation Standards or the incorporation of the special assumptions referred to herein.

Currency

About 6% of rental income, capex and non recoverable costs are quoted in PLN. Where Polish Zlotys have been converted into Euros we have applied an exchange rate of PLN 4.31/ €1.00 (Source: Polish National Bank; date 30th September 2016).

Yours faithfully

Maciej Wójcikiewicz MRICS
Senior Director,
Head of Valuation Poland

For and on behalf of
CBRE

T:+48 22 544 8021
E: maciej.wojcikiewicz@cbre.com

Yours faithfully

Clare Sheils MRICS
Senior Director,
Head of Valuation CEE

For and on behalf of
CBRE

T:+420 221 711 018
E: clare.sheils@cbre.com

CBRE – Valuation Advisory
T: +48 22 544 8000
F: +48 22 544 8001
W: www.cbre.pl

SCOPE OF WORK & SOURCES OF INFORMATION

Sources of Information

We have carried out our work based upon information and documents supplied to us by Palmer Capital and Arcona Capital RE, which we have assumed to be correct and comprehensive.

We have been provided with copies of the following documents:

Legal: Linklaters, RECE Retail portfolio Legal Due Diligence Report dated 26th October 2015 and tenure documents

Technical: APP Projekt, Due Diligence Reports dated 23rd -29th September 2015.

Tenancy: Tenancy schedules dated 7th September 2016.

Capex: Capex schedule for 2016.

We have requested but not been provided with:

- Environmental due diligence report

The Properties

Our report contains a brief summary of the properties details on which our valuation has been based.

Inspection

We have inspected the Properties externally and internally as follows:

Property	Inspection Date
Kalisz	15 July 2015
Slupsk	17 July 2015
Bydgoszcz	30 July 2015
Inowroclaw	30 July 2015
Torun	30 July 2015
Grudziadz	31 July 2015
Gdansk	31 July 2015
Piotrkow Trybunalski	6 August 2015
Lodz	6 August 2015
Glogow	13 August 2015

Areas

We have not measured the Properties but have relied upon the floor areas provided. We have not checked this on site.

We have relied upon the floor areas given in the tenancy schedules provided, which Arcona Capital advised us are correct.

Unless advised specifically to the contrary, we have made the Assumption that the floor areas supplied to us have been calculated in accordance with local practice as appropriate. All areas quoted in this Valuation Report are approximate.

Environmental Matters

We have not undertaken, nor are we aware of the content of, any environmental audit or other environmental investigation or soil survey which may have been carried out on the Properties and which may draw attention to any contamination or the possibility of any such contamination.

We have not carried out any investigations into the past or present uses of the Properties, nor of any neighbouring land, in order to establish whether there is any potential for contamination and have therefore assumed that none exists.

Repair and Condition

We have not carried out building surveys, tested services, made independent site investigations, inspected woodwork, exposed parts of the structure which were covered, unexposed or inaccessible, nor arranged for any investigations to be carried out to determine whether or not any deleterious or hazardous materials or techniques have been used, or are present, in any part of the properties. We are unable, therefore, to give any assurance that the Properties are free from defect.

- We have seen a copy of Building Survey reports carried out by mgr. inz. Marek Fafara dated 7th May 2015 (Grudziadz and Gdansk), 6th November 2014 (Inowroclaw Laubitza and Inowroclaw Rabin), 16th May 2015 (Lodz and Piotrkow Trybunalski), 9th May 2015 (Torun, Bydgoszcz and Kalisz), 8th May 2015 (Slupsk) and 23rd May 2015 (Glogow). According to these surveys the buildings are generally in a proper technical condition, however, some repairs are needed.

- We have been provided with 'Due Diligence Report on RECE convenience retail portfolio; Red Flag Report' prepared by APP Projekt in August 2015.
- We have provided with 'Due Diligence Report prepared by APP-Projekt Sp. z o.o. in September 2015.

We have carried out inspections of the properties with only limited attention to their technical condition and have solely relied on the information provided by the property manager.

Town Planning

We have made verbal Planning enquiries only. Information supplied to us by planning officers is given without liability on their part and we cannot therefore accept responsibility for incorrect information or for material omissions in the information supplied to us.

Titles, Tenures and Lettings

Details of title/tenure under which the Properties are held and of lettings to which they is subject are as supplied to us. We have not generally examined nor had access to all the deeds, leases or other documents relating thereto. Where information from deeds, leases or other documents is recorded in this report, it represents our understanding of the relevant documents. We should emphasise, however, that the interpretation of the documents of title (including relevant deeds, leases and planning consents) is the responsibility of your legal adviser.

We have not conducted credit enquiries on the financial status of any tenants. We have, however, reflected our general understanding of purchasers' likely perceptions of the financial status of tenants.

VALUATION ASSUMPTIONS

Introduction

An Assumption is defined in the Red Book Glossary and Appendix 3 to be a "supposition taken to be true" (an "Assumption").

Assumptions are facts, conditions or situations affecting the subject of, or approach to; a valuation that it has been agreed need not be verified by the valuer as part of the valuation process. Assumptions are made when it is reasonable for the valuer to accept that something is true without the need for specific investigation.

Arcona Capital has confirmed and we confirm that our Assumptions are correct as far as Arcona Capital and we, respectively, are aware. In the event that any of these Assumptions prove to be incorrect then our valuations should be reviewed. The principal Assumptions which we have made are stated within this Valuation Report.

For the avoidance of doubt, the Assumptions made do not affect compliance with the approach to Market Value under the Red Book.

Capital Values

Each valuation has been prepared on the basis of "Market / Fair Value", which is defined as:

"The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

"Fair Value", for the purpose of financial reporting under International Financial Reporting Standards is effectively the same as "Market Value", which is defined as:

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

The valuation represents the figure that would appear in a hypothetical contract of sale at the valuation date. No allowances have been made for any expenses of realisation nor for taxation which might arise in the event of a disposal. Acquisition costs have not been included in our valuation.

No account has been taken of any inter-company leases or arrangements, nor of any mortgages, debentures or other charges.

No account has been taken of the availability or otherwise of capital based Government or other grants.

Taxation, Costs and Realisation Costs

As stated above, no allowances have been made for any expenses of realisation nor for taxation which might arise in the event of a disposal.

Our valuations reflect purchasers' statutory and other normal acquisition costs.

VAT

We have not been advised whether the properties are elected for VAT.

All rents and capital values stated in this report are exclusive of VAT.

Passing Rent

Passing rents quoted in this report are the rents which are currently payable under the terms of the leases. Passing rents exclude service charges and VAT and are prior to deduction of any non-recoverable costs. Passing rents exclude turnover rents, mall incomes and other miscellaneous incomes.

Net Annual Rent

Net annual rent is defined for the purposes of this transaction as "the current income or income estimated by the valuer:

(i) ignoring any special receipts or deduction arising from the property;

(ii) excluding Value Added Tax and before taxation (including tax on profits and any allowances for interest on capital or loans); and

(iii) after making deductions for superior rents (but not for amortisation), and any disbursements including, if appropriate, expenses of managing the property and allowances to maintain it in a condition to command its rent".

Estimated Net Annual Rental Value

The estimated net annual rental value is based on the current rental value of each of the Properties. The rental value reflects the terms of the leases where the Properties, or parts thereof, are let at the date of valuation. Where the Properties, or parts thereof, are vacant at the date of valuation, the rental value reflects the rent we consider would be obtainable on an open market letting as at the date of valuation.

Rental Values

Rental values indicated in our report are those which have been adopted by us as appropriate in assessing the capital value and are not necessarily appropriate for other purposes nor do they necessarily accord with the definition of Market Rent.

Lease Expiries

Fixed-term leases frequently incorporate either tenants' options to extend or tenants' break clauses; other leases are rolling to indeterminate, subject to stated notice periods. For the purposes of our valuations, we have made assumptions as to appropriate presumed expiry dates.

Any weighted average unexpired terms indicated in our Valuation report reflect these assumptions.

The Properties

Where appropriate we have regarded the shop fronts of retail and showroom accommodation as forming an integral part of the building.

Landlord's fixtures such as lifts, escalators, central heating and other normal service installations have been treated as an integral part of the building and are included within our valuations.

Process plant and machinery, tenants' fixtures and specialist trade fittings have been excluded from our valuations.

All measurements, areas and ages quoted in our report are approximate.

Environmental

In the absence of any information to the contrary, we

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have assumed that:

(a) the Properties are not contaminated and are not adversely affected by any existing or proposed environmental law;

(b) any processes which are carried out on the Properties which are regulated by environmental legislation are properly licensed by the appropriate authorities.

Energy Performance Certificates

We have assumed that the Properties possess or will possess current Energy Performance Certificates as required under Government Directives.

Repair and Condition

In the absence of any information to the contrary, we have assumed that:

(a) there are no abnormal ground conditions, nor archaeological remains, present which might adversely affect the current or future occupation, development or value of the property;

(b) the Properties are free from rot, infestation, structural or latent defect;

(c) no currently known deleterious or hazardous materials or suspect techniques, including but not limited to Composite Panelling, have been used in the construction of, or subsequent alterations or additions to, the Properties; and

(d) the services, and any associated controls or software, are in working order and free from defect.

We have otherwise had regard to the age and apparent general condition of the Properties. Comments made in the property details do not purport to express an opinion about or advice upon, the condition of uninspected parts and should not be taken as making an implied representation or statement about such parts.

Title, Tenure, Planning and Lettings

Unless stated otherwise within this report, and in the absence of any information to the contrary, we have assumed that:

(a) the Properties possess a good and marketable title free from any onerous or hampering restrictions or conditions;

(b) all buildings have been erected either prior to planning control, or in accordance with planning permissions, and have the benefit of permanent planning consents or existing use rights for their current use;

(c) the Properties are not adversely affected by town planning or road proposals;

(d) all buildings comply with all statutory and local authority requirements including building, fire and health and safety regulations;

(e) only minor or inconsequential costs will be incurred if any modifications or alterations are necessary in order for occupiers of each Property to comply with the provisions of the relevant disability discrimination legislation;

(f) there are no tenant's improvements that will materially affect our opinion of the rent that would be obtained on review or renewal;

(g) tenants will meet their obligations under their leases;

(h) there are no user restrictions or other restrictive covenants in leases which would adversely affect value;

(i) where appropriate, permission to assign the interest being valued herein would not be withheld by the landlord where required; and

(j) vacant possession can be given of all accommodation which is unlet or is let on service occupancy.

Appendix A: Schedule of Properties

Country	Address	Town	Tenure	Fair Value (100%)
Poland	8 Laubitza St.	Inowroclaw	Freehold	€2,381,000
Poland	27 800-lecia Inowroclawia St.	Inowroclaw	Freehold	€3,569,000
Poland	1 Krzemowa St.	Gdansk	Freehold	€2,930,000
Poland	1 Plutona St.	Glogow	Freehold	€1,799,000
Poland	82 Kalinkowa St.	Grudziadz	Freehold	€3,015,000
Poland	137 Wojska Polskiego St.	Piotrkow Trybunalski	Freehold	€3,932,000
Poland	6 Wolnosci St.	Slupsk	Freehold	€1,353,000
Poland	80-82 Graniczna St.	Kalisz	Freehold	€2,006,000
Poland	20 Grzymaly Siedleckiego St.	Bydgoszcz	Leasehold	€1,565,000
Poland	107 Kardynala Wyszynskiego St.	Lodz	Leasehold	€1,976,000
Poland	216 Legionow St.	Torun	Leasehold	€2,677,000

Appendix B: Properties Details

Property Details: Properties held for Investment

Sub-Portfolio or Property	Description, Age and Tenure	Tenancy	Net Passing Rent € Per Annum	Market Rent € per Annum	Fair Value (100%) €
8 Laubitza St. Inowroclaw	The property is located in the Stare Miasto district. The retail building, completed in 2001, is single-storey with 1,763 sq m of total lettable area and 41 parking spaces. The property is freehold. Inowroclaw, with a population of 75,000 inhabitants, is in north-west Poland, around 250 km from Warsaw. It has an unemployment rate of 18.1% which is above the national average. The property is located in the town centre and surrounded by medium-density residential and commercial properites. It is situated on the major road (Laubitza St.) opposite a McDonalds restaurant and Tesco supermarket, and has good accessibility and visibility, but a limited number of parking spaces.	The property is let to 8 tenants on institutional terms, occupying ca. 92% of the property. One unit of 149 sq m remains vacant. The main tenant is Mila (Polomarket) supermarket accounting for 29% of the passing rent with an unexpired term of 3 years.	160,982	234,095	2,381,000
27 800-lecia Inowroclawia St. Inowroclaw	The property is located in the Rabin district. The retail building, completed in 2010, is single-storey with a small mezzanine over the grocery shop of total 2,549 sq m lettable area; there are 100 parking spaces. The property is freehold. Inowroclaw, with a population of 75,000 inhabitants, is in north-west Poland, around 250 km from Warsaw. It has an unemployment rate of 18.1% which is above the national average. The property is located on the outskirts of Inowroclaw, next to a large multi- and single-family residential estate. It is situated at the junction of major local roads (800 Lecia St. and Niepodleglosci St.) and benefits from good accessibility, visibility and a large number of parking spaces.	The property is let to 10 tenants on institutional terms, occupying ca.95% of the property. Two units of 29 sq m and 112 sq m remain vacant. The main tenant is Piotr and Pawel supermarket accounting for 61% of the passing rent with an unexpired term of 3 years.	335,252	299,986	3,569,000
1 Krzemowa St. Gdansk	The property is located in the Chelm District. The retail building, completed in 2002, is single-storey with a mezzanine (ventilation room) and has a total lettable area 1,573 sq m and 46 parking spaces The property is freehold. Gdansk, with a population of 461,000 inhabitants, is in north Poland, around 350 km from Warsaw. It has an unemployment rate of 4.5% which is below the national average and the average monthly salary is 5,148 PLN, which is above the national average. The property is located on the southern outskirts of Gdansk within a large multi-family residential estate. It is situated at the junction of major local roads (Platynowa St. and Krzemowa St.), close to Polo Market and Lidl supermarkets and	The property is fully let to 14 tenants on institutional terms. The main tenant is Biedronka supermarket accounting for 31% of the passing rent with an unexpired term of 7 months.	221,335	253,375	2,930,000

	benefits from good accessibility and visibility, but has a limited number of parking spaces.				
1 Plutona St. Glogow	The property is located in the Kopernik district. The retail building, completed in 2002, is single-storey with a total 1,825 sq m lettable area and 62 parking spaces. The property is freehold. Glogow, with a population of 69,000, is in west Poland, around 400 km from Warsaw. It has an unemployment rate of 11.8% which is above the national average. The property is located on the southern outskirts of Glogow within a multi-family residential estate. It is situated on the major local road (Gwiazdzista St.) and benefits from good accessibility and visibility.	The property is fully let to 5 tenants on institutional terms. The main tenant is Piotr and Pawel supermarket accounting for 75% of the passing rent with an unexpired term of 7 years.	139,627	161,870	1,799,000
82 Kalinkowa St. Grudziadz	The property is located in the Kopernika district. The retail building, completed in 2010, is single-storey with a mezzanine above the grocery shop and 2,558 sq m total lettable area and 126 parking spaces. The property is freehold. Grudziadz, with a population of 97,000 inhabitants, is in north-east Poland, around 250 km from Warsaw. It has an unemployment rate of 13.4% which is above the national average and the average monthly salary is 3,490 PLN, which is below the national average. The property is located on the western outskirts of Grudziadz, next to a large multi-family residential estate, between a local road (Kalinkowa St.) and the bank of the River Vistula. It benefits from good accessibility and visibility and a large number of parking spaces.	The property is let to 9 tenants on institutional terms, occupying ca.95% of the property. One unit of 120 sq m remains vacant. The main tenant is Piotr and Pawel supermarket accounting for 57% of the passing rent with an unexpired term of 3 years.	261,216	266,356	3,015,000
137 Wojska Polskiego St. Piotrkow Trybunalski	The retail building, completed in 2009, is single-storey with a mezzanine above the grocery shop and 2,643 sq m total lettable area and 95 parking spaces. The property is freehold. Piotrkow Trybunalski, with a population of 76,000 inhabitants, is in central Poland, around 150 km from Warsaw. It has an unemployment rate of 9.9% which is at the national average. The property is located on the western outskirts of Piotrkow Trybunalski, close to single-family housing and smaller multi-family residential estates. It is situated on the major local road (Wojska Polskiego St.), oposite a Biedronka discount store and close to a Kaufland hypermarket and benefits from good accessibility and visibility.	The property is let to 13 tenants on institutional terms, occupying ca.95 % of the property. Three units of 72, 40 and 24 sq m remain vacant. The main tenant is Piotr and Pawel supermarket accounting for 55% of the passing rent with an unexpired term of 3 years.	320,958	337,283	3,932,000
6 Wolnosci St. Slupsk	The property is located in the Srodmiescie District. The retail building, completed in 2002, is single-storey with 1,872 sq m total lettable area and 48 parking spaces. The property is freehold. Slupsk, with a population of 93,000 inhabitants, is in north-west Poland, around 500 km from	The property is let to 7 tenants on institutional terms, occupying ca.99 % of the property. One unit of 13.30 sq m remains vacant. There is no food operator in the centre. The main tenant	107,890	148,043	1,353,000

	Warsaw. It has an unemployment rate of 8.1% which is below the national average. The property is located on the fringe of the town centre and is surrounded by medium-rise multi-family residential and public buildings. It is situated on a major road (Wolnosci St.) opposite a Biedronka discount store and close to a Kaufland hypermarket and benefit from good accessibility and visibility, but has a limited number of parking spaces.	is Kopalnia Skarbow (Chinese market) accounting for 69% of the passing rent with an unexpired term of 6 years.			
20 Grzymaly Siedleckiego St. Bydgoszcz	The property is the Wyzyny District. The retail building, completed in 2001, is single-storey with a mezzanine above the grocery shop and a total 1,793 sq m of lettable area and 64 parking spaces. The property is leasehold until 2025 with possible further extension. Budgoszcz, with a population of 358,000 inhabitants, is in north-west Poland, around 250 km from Warsaw. It has an unemployment rate of 5.7% which is below the national average and the average monthly salary is 3,586 PLN, which is below the national average. The property is located in the southern part of Bydgoszcz, within large multi-family residential estates and close to public buildings. It is situated between the major road (Wojska Polskiego St.) and the local street (Grzymaly Siedleckiego St.) and benefits from very good visibility and accessibility.	The property is fully let to 4 tenants on institutional terms. The main tenant is Piotr and Pawel, accounting for 81% of the passing rent with an unexpired term of 6 years.	141,461	196,821	1,565,000
107 Kardynala Wyszynskiego St. Lodz	The property is located in the Polesie District. The retail building, completed in 2001, is single-storey with 1,580 sq m of total lettable area and 60 parking spaces. The property is leasehold until 2029 with possible further extension. Lodz, with a population of 706,000 inhabitants, is in central Poland, around 150 km from Warsaw. It has an unemployment rate of 9.9% which is below the national average and the average monthly salary is 3,816 PLN, which is below the national average. The property is located in the western part of Lodz, within a large multi-family residential estate. It is situated on the major local road (Wyszynskiego Ave.), close to an Intermarche supermarket, and benefits from good accessibility and visibility.	The property is fully let to 10 tenants on institutional terms, following the recent letting to Telepizza whose lease will commence as at 17/10/2016. The main tenant is Tesco supermarket accounting for 45% of the passing rent with an unexpired term of 5 years.	171,087	235,556	1,976,000
216 Legionow St. Torun	The property is located in the Chelminskie Przedmiescie district. The retail building, completed in 2001, is single-storey with 2,229 sq m of total lettable area and 64 parking spaces. The property is leasehold until 2030 with possible further extension. Torun, with a population of 203,000 inhabitants, is in north-west Poland, around 200 km from Warsaw. It has an unemployment rate of 7.1% which is below the national average	The property is fully let to 9 tenants on institutional terms. The main tenant is Piotr and Pawel supermarket, accounting for 45% of the passing rent with an unexpired term of 6 years.	234,395	317,111	2,677,000

	and the monthly salary is 3,810 PLN, which is below the national average. The property is located in the western part of Torun, within multi- and single-family residential estates. It is situated at the junction of Wielki Row Str. and Legionow Str. and benefits from very good accessibility and visibility.				

Property Details: Properties held for Development

Sub-Portfolio or Property	Description, Age and Tenure	Tenancy	Net Passing Rent € Per Annum	Market Rent € per Annum	Fair Value (100%) €
80-82 Graniczna St. Kalisz	The property is the Dobrzec. The existing retail building, completed in 2009, is single-storey with mezzanines and with a total current lettable area of 2,490 sq m and 108 parking spaces. The property is to be redeveloped into a retail park of 3,070 sq m GLA using the existing building. The property is freehold. Kalisz, with a population of 103,000 inhabitants, is in west Poland, around 250 km from Warsaw. It has an unemployment rate of 5.5% which is below the national average and the average monthly salary is 3,650 PLN, which is below the national average. The property is located in the western part of Kalisz within a large residential estate, close to a retail park with a Biedronka discount store and Pepco. It benefits from good provision of parking spaces and good accessibility from Graniczna St.	The property is 100% vacant.	(49,734)	251,748	2,006,000