



ARCONA CAPITAL



**ARCONA PROPERTY FUND N.V.
SEMI-ANNUAL REPORT 2018**

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1 FOREWORD FROM THE MANAGEMENT

This reporting period represents the first six-monthly result with full integration of the 12 Polish assets acquired in late 2016 and March – July 2017. The gross income accordingly shows an 8.8% rise over the equivalent H1 2017 reporting period. Against a background of continuing strong economic growth across the CEE region, the Fund has succeeded in further increasing occupancy levels and gently reducing net debt. Management's focus remains on further growth of the Fund in its target markets with a number of attractive acquisition opportunities currently being pursued.

Table 1 - Key data per 30-06-2018 and 31-12-2017

| | 30-06-2018 | 31-12-2017 |
|--|-------------------|-------------------|
| Number of assets | 24 | 24 |
| Fair value Investment Properties (in € 1,000) ¹ | 89,623 | 89,798 |
| Total Assets (in € 1,000) | 94,785 | 98,843 |
| Shareholders' Equity (in € 1,000) | 41,905 | 42,036 |
| Total Liabilities (in € 1,000) | 52,880 | 56,807 |
| Bank Debts (in € 1,000) | 34,614 | 36,551 |
| Bonds + other loans (in € 1,000) | 45,771 | 49,105 |
| LTV (%) | 51.1 | 52.7 |
| Share price ultimo (in €) | 7.26 | 7.40 |
| Occupancy (in %) | 84.0 | 84.0 |
| Annual gross income (in € 1,000) | - | 10,529 |
| Semi-annual gross Income (in € 1,000) | 5,357 | - |

The number of outstanding shares is 3,165,149. The sum of outstanding bank loans decreased by € 1.94 million to € 34.61 million during the reporting period. The total LTV (including convertible bonds) decreased by 1.6% to 51.1% (31-12-2017: 52.7%). See 8.20.2 "Statement of changes in secured bank loans" for more information.

¹ Including € 1,465,000 asset held for sale

KEY FIGURES

Balance sheet statement (in € 1,000)

| | H1 2018 | H1 2017 | 2017 | 2016 | 2015 | 2014 |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Investment properties | 89,623 | 80,535 | 89,798 | 74,806 | 53,272 | 52,080 |
| Other non-current assets | 1,182 | 1,313 | 1,385 | 1,548 | 1,523 | 837 |
| Current assets | 3,980 | 6,280 | 7,660 | 7,598 | 1,408 | 5,719 |
| Total assets | 94,785 | 88,128 | 98,843 | 83,952 | 56,203 | 58,636 |
| Shareholders' equity | 41,905 | 38,870 | 42,036 | 36,452 | 28,569 | 28,554 |
| Deferred tax liabilities | 4,986 | 4,754 | 5,157 | 4,177 | 4,271 | 4,004 |
| Other non-current liabilities | 35,126 | 39,916 | 43,942 | 25,195 | 21,010 | 22,183 |
| Current liabilities | 12,768 | 4,588 | 7,708 | 18,128 | 2,353 | 3,895 |
| Total equity and liabilities | 94,785 | 88,128 | 98,843 | 83,952 | 56,203 | 58,636 |
| Loan-to-Value (in %) | 51.1 | 52.4 | 52.7 | 49.3 | 41.0 | 46.6 |

Profit and Loss statement (in € 1,000)

| | H1 2018 | H1 2017 | 2017 | 2016 | 2015 | 2014 |
|------------------------------------|------------|--------------------|--------------|----------------|------------|--------------|
| Direct result before tax | 852 | 852 | 3,161 | -/- 325 | 707 | 801 |
| Indirect result before tax | - | 1,549 ² | 3,250 | -/- 208 | -/- 6 | -/- 96 |
| Total result before tax | 852 | 2,401 | 6,411 | -/- 533 | 701 | 705 |
| Income tax expense | 282 | -/- 202 | 842 | -/- 241 | 263 | -/- 419 |
| Total result after tax | 570 | 2,199 | 5,569 | -/- 292 | 438 | 1,124 |
| Occupancy (in %) | 84.0 | 83.0 | 84.0 | 80.7 | 78.0 | 75.0 |
| Rentable area (in m ²) | 103,589 | 106,316 | 104,186 | 100,673 | 80,754 | 91,727 |

Issued capital

| | H1 2018 | H1 2017 | 2017 | 2016 | 2015 | 2014 |
|------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Ultimo outstanding shares | 3,165,149 | 3,165,149 | 3,165,149 | 3,165,149 | 1,438,704 | 1,438,704 |
| Basic earnings per share (€) | 0.18 | 0.69 | 1.76 | -/- 0.14 | 0.25 | 0.64 |

Data per share

| | H1 2018 | H1 2017 | 2017 | 2016 | 2015 | 2014 |
|---------------------------------|---------|---------|---------|----------------|---------|---------|
| (Interim-) dividend | 0.14 | - | 0.10 | - ³ | 0.35 | 0.30 |
| NAV ⁴ | - | 12.52 | 13.37 | 11.69 | 20.30 | 20.24 |
| NNNAV conform EPRA ⁵ | 14.01 | - | 14.05 | - | - | - |
| Avg. monthly turnover (in €) | 282,847 | 197,069 | 231,240 | 102,192 | 387,413 | 163,926 |
| Highest price (in €) | 7.95 | 6.68 | 7.40 | 8.15 | 9.51 | 7.05 |
| Lowest price (in €) | 7.01 | 5.20 | 5.20 | 5.00 | 6.84 | 5.87 |
| Ultimo price (in €) | 7.26 | 6.60 | 7.40 | 5.40 | 8.35 | 6.96 |

² € 332,000 net result on properties and € 1,217,000 result on acquisitions through business combinations.

³ The AGM rejected a share distribution from the share premium reserve, whereby 32 existing shares of the Fund gave an entitlement to one new share of the Fund.

⁴ Determined based on previous method

⁵ Determined based on market conform EPRA method

2 REPORT OF THE MANAGEMENT BOARD

The Management Board hereby presents the semi-annual report of 2018 of Arcona Property Fund N.V. ["the Fund"]. The reporting period is from 1 January 2018 to 30 June 2018.

2.1 SUMMARY OF EVENTS DURING THE FIRST HALF OF 2018

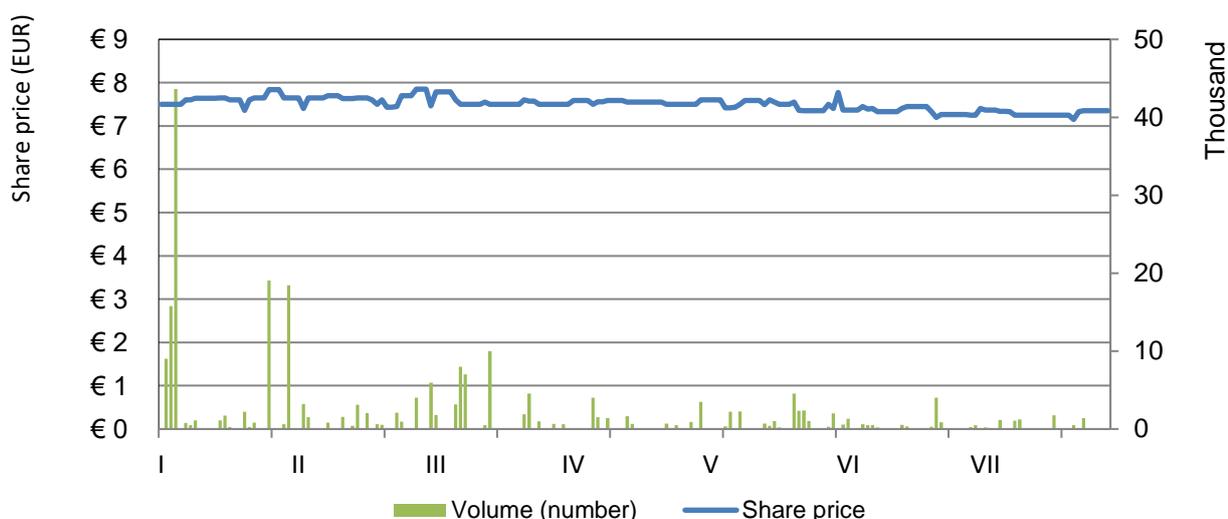
Table 2 – Total Return on share price and Net Asset Value during H1 2018

| | Based on share price | | Based on NNAV | |
|------------------------------|----------------------|------------|---------------|--------------|
| | In € | In % | In € | In % |
| Start period | 7.31 | | 14.05 | |
| End period | 7.26 | | 14.01 | |
| Return | -/- 0.05 | | -/- 0.04 | |
| Distribution to shareholders | 0.14 | | 0.14 | |
| Total Return | 0.09 | 1.2 | + 0.10 | + 0.7 |

2.1.1 DEVELOPMENTS DURING H1 2018

The key events during the reporting period were the AT&T expansion in Košice, Slovakia and a € 1.42 million investor loan repayment. As a result, the annual debt service decreased to € 3.05 million and the total LTV ratio decreased from 52.7% to 51.1%. The weighted occupancy over the reporting period kept stable at 84.0%. The annual net rental and related income increased compared to the same period last year by 5.8% to € 2.42 million as at 30 June 2018 (€ 2.29 million in 30 June 2017). The shareholders equity (see chapter 4) decreased during the reporting period by € 0.13 million to € 41.91 million. The Fund concluded the period with 0.3% lower net asset value⁶ (EPRA NNAV) per share of € 14.01 at 30 June 2018. During the same period the price per share on the stock exchange decreased by 0.7% to € 7.26. (figure 1)

Figure 1 –Development of the Fund's stock market price per share during H1 2018



⁶ The update market conform determined net asset value per share is considered

The following events took place during the reporting period:

Arcona Property Fund N.V. and AT&T expand their co-operation in Košice (25 January 2018)

The Fund announced it reached an agreement with AT&T Enterprises on the expansion of the existing lease for office space in the Letna 45 building in Košice, Slovakia. AT&T rents an additional 495 m², bringing the total to 5,892 m². The expansion of the lease contract will provide the Fund with approximately € 47,000 additional rental income on an annual basis. AT&T is the main occupier of the Letna 45 property and one of the largest office tenants in the Fund's portfolio.

Arcona Property Fund N.V. redeems convertible bond (20 February 2018)

The Fund announced it redeemed its Tranche II 2015 convertible bond, due for repayment on 20 February 2018, in full. The bond was originally issued for a sum of € 1.42 million. Through the redemption of this the Loan to Value ratio of the Fund decreased to 52.4% as at 20 February 2018.

Publication of Annual Report 2017 (6 April 2018)

The Annual Report 2017 published on 6 April 2018 showed that the Fund occupancy rate increased to 84.0%. The Fund delivered a net profit of € 5.57 million in 2017, against a net loss of € 292,000 in 2016. The operational result for the year jumped from € 748,000 to € 2.13 million.

Publication of the Q1 figures 2018 (9 May 2018)

The figures of Q1 2018 reported an operational result (before tax, valuation gains, and non-recurring items) for Q1 2018 of € 400,000, compared to € 200,000 in Q1 2017. For the full year 2018 the Fund is maintaining its forecast of an operational result of € 2.4 million from the existing portfolio. The aim is to distribute ca. 35% of this amount to shareholders.

General Meeting of Shareholders (25 May 2018)

On 25 May 2018 the General Meeting of Shareholders adopted the annual accounts of 2017 and granted discharge to the Managing Board and the Supervisory Board. The proposal to distribute € 0.14 per share as a final cash dividend for the year 2017 was adopted. This follows the interim cash dividend of € 0.10 per share paid in August 2017. The shareholders also approved certain changes to the wording of the text in the Fund prospectus relating to 'performance- related remuneration [PRR]'.

2.1.2 NET ASSET VALUE PER SHARE AND SHARE PRICE DEVELOPMENT

The following tables show the development of the Fund's Net Asset Value during the period 1 January 2018 to 30 June 2018.

Table 3 – Comparative statement of the NAV per share

| | 30-06-2018 | 31-12-2017 |
|--|--------------|--------------|
| Shareholders' equity in accordance with EPRA NAV (in € 1,000) | 46,343 | 46,159 |
| Including: Fair value of financial instruments | 48 | 86 |
| Including: Fair value of debt | 151 | 261 |
| Including: Fair value of deferred tax | -/- 2,197 | -/- 2,047 |
| Shareholders equity in accordance with EPRA NNNNAV (in €1,000) | 44,344 | 44,459 |
| Number of ordinary shares in issue | 3,165,149 | 3,165,149 |
| Adjusted EPRA-NNNAV (in €) | 14.01 | 14.05 |
| Return on NAV YTD (in %) ⁷ | -/- 0.3% | |

Table 4 – Development of the share price per month in 2018

| Period | | Opening price begin period In € | Closing price end period In € | Volume per month Pieces | Volume per Quarter Pieces |
|----------------------------|----------|---------------------------------------|-------------------------------------|-------------------------------|---------------------------------|
| 2018 | January | 7.31 | 7.84 | 96,146 | |
| | February | 7.84 | 7.65 | 31,642 | 172,451 |
| | March | 7.60 | 7.50 | 44,663 | |
| | April | 7.60 | 7.55 | 18,044 | |
| | May | 7.50 | 7.35 | 23,017 | 52,999 |
| | June | 7.35 | 7.26 | 11,938 | |
| Average per quarter | | | | | 112,725 |

The above table shows an average trading volume of 1,789 shares per day of trading during the first half of 2018. The stock price traded at € 7.26 at the end of the reporting period, which corresponds to a 48.1% discount on the net asset value per share.

⁷ Including the shareholder distributions.

2.1.3 REAL ESTATE PORTFOLIO DEVELOPMENT

Table 5 – Comparative statement of the real estate portfolio

| | 30-06-2018 | 30-06-2017 | change | % |
|--------------------------------------|------------|------------|-----------|---------|
| Fair value (in € 1,000) ⁸ | 89,623 | 82,000 | 7,623 | 9.3 |
| Number of properties | 24 | 25 | -/- 1 | -/- 4.0 |
| Rentable area (in m ²) | 103,589 | 106,350 | -/- 2,761 | -/- 2.6 |
| Occupancy (in %) ⁹ | 84.0 | 83.0 | 1.0 | 1.2 |

The increase in fair value despite the decrease in number of assets is explained by the acquisition (Q3 2017) of the large office property in Szczecin, Poland and the disposition (Q4 2017) of the smaller Drahobejlova property in the Czech Republic and the Gemerska property in Slovakia.

Table 6 – Statement of changes in investment properties

| | 01-01-2018 to 30-06-2018 in € 1,000 | 01-01-2017 to 30-06-2017 in € 1,000 |
|--|--|--|
| Balance as at 1 January | 89,798 | 74,806 |
| Purchases and additions | 128 | 6,335 |
| Exchange rate differences | -/- 304 | 507 |
| Fair value adjustments | - | 320 |
| Reclassification (to “Assets held for sale”) | - | -/- 1,433 |
| Balance as at 30 June / 31 December | 89,622 | 80,535 |

The “Purchases and additions” for the amount of € 128,000 during H1 2018 are capex investments into the portfolio.

The “Exchange rate differences” for the amount of € 304,000 negative relates to exchange rate results on the assets denominated in PLN in Poland and the CZK in the Czech Republic.

Table 7 – Comparative semi-annual statement of real estate income within portfolio

| | 01-01-2018 until 30-06-2018 in € 1,000 | 01-01-2017 until 30-06-2017 in € 1,000 | Change in € 1,000 | Change In % |
|--------------------------|---|---|----------------------|----------------|
| Gross rental income | 4,383 | 4,083 | 300 | 7.3% |
| Service cost income | 973 | 841 | 132 | 15.7% |
| Total income | 5,356 | 4,924 | 432 | 8.8% |
| Service costs | -/- 1,577 | -/- 1,408 | -/- 169 | 12.0% |
| Operational costs | -/- 1,363 | -/- 1,231 | -/- 132 | 10.7% |
| Net rental income | 2,417 | 2,285 | 132 | 5.8% |

The net rental income increased by € 132,000 (+ 5.8%) and relates to the net additional income from the newly-acquired Polish office property since previous reporting period.

⁸ Including € 1,465,000 (sales price) asset held for sale (Gemerska)

⁹ Weighted based on fair value

Table 8 – Comparative quarterly statement of real estate income within portfolio

| | 01-04-2018 until 30-06-2018 in € 1,000 | 01-01-2018 until 31-03-2018 in € 1,000 | Change in € 1,000 | Change In % |
|--------------------------|---|---|-----------------------------|-----------------------|
| Gross rental income | 2,192 | 2,191 | 1 | 0.0% |
| Service cost income | 459 | 514 | -/- 55 | -/- 10.7% |
| Total income | 2,651 | 2,705 | -/- 54 | -/- 2.0% |
| Service costs | -/- 682 | -/- 895 | 213 | -/- 23.8% |
| Operational costs | -/- 716 | -/- 647 | -/- 69 | 10.7% |
| Net rental income | 1,254 | 1,163 | 91 | 7.8% |

The quarterly comparison shows that net rental income increased with € 91,000 or 7.8%, which is explained by the net lower service costs.

2.2 FINANCIAL HIGHLIGHTS

2.2.1 BALANCE

Table 9 – Balance statement

| | 30-06-2018 in € 1,000 | 31-12-2017 in € 1,000 |
|---|---------------------------------|---------------------------------|
| Investment property | 89,623 | 89,798 |
| Non-current assets | 1,182 | 1,385 |
| Current assets | 3,980 | 7,660 |
| Total assets | 94,785 | 98,843 |
| Shareholders' equity | 41,905 | 42,036 |
| Deferred tax liabilities | 4,986 | 5,157 |
| Long-term loans and borrowings | 35,126 | 43,942 |
| Total current liabilities | 12,768 | 7,708 |
| Total shareholders' equity and liabilities | 94,785 | 98,843 |

The net € 0.18 million change in "*Investment property*" is explained by the net effect from investments into the portfolio and the negative exchange rate results (see also table 6).

"*Shareholders' equity*" decreased by the € 0.13 million, due to € 0.44 million dividend distribution in combination with the € 0.57 million operational result and -/- € 0.26 million exchange rate result during the period.

The increase in "*Long-term loans and borrowings*" relates to the reclassification of Raiffeisen Polbank loan. The Managing Board determined that all conditions have been met to classify the loan as long-term. See for more details 8.20.1 "Analysis of interest-bearing loans and borrowings".

2.2.2 RESULT

The profit for the first half of 2018 after tax (see table 10 and chapter 8) amounted to € 0.57 million (H1 2017: € 2,199) and is fully attributable to direct result, in contrast to the same period of the previous year which contained a positive indirect result from the acquisition of three retail properties. A detailed summary with comparative figures of the direct and indirect result is provided in the consolidated annual accounts in chapter 7 and in the following paragraphs.

Table 10 – Comparative statement of semi-annual results

| | 01-01-2018 until 30-06-2018 | 01-01-2017 until 30-06-2017 | Change | Change |
|----------------------------|--|--|------------------|-----------------|
| | In € 1,000 | In € 1,000 | In € 1,000 | In % |
| Direct result before tax | 852 | 852 | 0 | 0 |
| Indirect result before tax | 0 | 1,549 | -/- 1,549 | n/a |
| Result before tax | 852 | 2,401 | -/- 1,549 | -/- 64.5 |
| Tax | -/- 282 | -/- 202 | -/- 80 | 39.6 |
| Result after tax | 570 | 2,199 | -/- 1,629 | -/- 74.1 |

The “*direct result before tax*” was stable at € 852,000.

The “*indirect result before tax*” of € 0 was € 1.5 million lower than the comparable previous period. The indirect result in the previous period derived from the valuation profit booked on the acquisition of three Polish retail properties.

Table 11 – Comparative statement of quarterly results

| | 01-04-2018 until 30-06-2018 | 01-01-2018 until 31-03-2018 | Change | Change |
|----------------------------|--|--|---------------|------------------|
| | In € 1,000 | In € 1,000 | In € 1,000 | In % |
| Direct result before tax | 451 | 401 | 50 | 12.5% |
| Indirect result before tax | 0 | 0 | 0 | n/a |
| Result before tax | 451 | 401 | 50 | 12.5% |
| Tax | -/- 207 | -/- 75 | -/- 132 | n.m. |
| Result after tax | 244 | 326 | -/- 82 | -/- 25.1% |

The quarterly “*direct result before tax*” increased by 12.5% to € 451,000 due to additional rental income from the Slovak and Polish portfolio. Despite the higher result before tax, the quarterly result in Q2 decreased due to a higher tax charge.

2.2.3 CASH FLOW

The net cash flow of the Fund after operating, investment and financing activities was € 0.28 million (H1 2017: € 1.72 million). The table below provides a summary of the cash flow.

Table 12 – Consolidated cash flow statement

| | 01-01-2018 to 30-06-2018 | 01-01-2017 to 30-06-2017 |
|---|---|---|
| | in € 1,000 | in € 1,000 |
| Cash flow from operating activities | 314 | 5,510 |
| Cash flow from investing activities | 3,663 | 151 |
| Cash flow from financing activities | -/- 3,694 | -/- 3,944 |
| Net increase / decrease (-/-) in cash and cash equivalents | 283 | 1,717 |

The “*Cash flow from operating activities*” is the net cashflow from operating activities minus the interest and income tax payments.

The “*Cash flow from investing activities*” is the net cash flow from proceeds from sales of properties and capital investment costs for properties in the portfolio. It records € 3.79 million proceeds from the Drahobejlova 27 sale in Prague and € 130,000 capital investments.

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

Table 13 – Statement of recognised income and expense

| | H1 2018 | H1 2017 |
|---|----------------|----------------|
| | in € 1,000 | in € 1,000 |
| Foreign currency exchange differences on net investment in group companies | -/- 303 | 239 |
| Income tax on foreign currency exchange differences on net investments in group companies | 45 | -/- 20 |
| | -/- 258 | 219 |
| Net gain/ (loss) recognised directly in shareholders’ equity | -/- 258 | 219 |
| Result for the period | + 570 | + 2,199 |
| Total comprehensive income for the period | 312 | 2,418 |

2.2.4 BANK LOANS

Table 14 – Overview of interest-bearing loans and borrowings

| | 30-06-2018 in € 1,000 | 31-12-2017 in € 1,000 |
|---|---------------------------------|---------------------------------|
| Secured bank loans | 25,687 | 34,424 |
| Convertible bonds | 4,447 | 4,427 |
| Subtotal | 30,134 | 38,851 |
| Other long-term liabilities | 4,710 | 4,710 |
| Total long-term interest-bearing loans and borrowings | 34,844 | 43,561 |
| Current portion of secured bank loans ¹⁰ | 8,927 | 2,127 |
| Current portion other long-term liabilities | 2,000 | 2,000 |
| Current portion of convertible bonds | - | 1,417 |
| Total short-term interest-bearing loans and borrowings | 10,927 | 5,544 |
| Total interest-bearing loans and borrowings | 45,771 | 49,105 |
| Debt Service ¹¹ | 3,050 | 3,205 |

Over the past six months the total loan-to-value ratio [“LTV”] of the portfolio has decreased from 52.7% to 51.1%. The Fund Management intends to maintain the total LTV-ratio of the portfolio in the range 40% – 50%, although a Loan-to-Value percentage of up to 60% is possible.

See section 8.21 (“Interest-bearing loans and borrowings”) for more information on statement of financial position’s date with the secured bank loans.

2.2.5 FOREIGN CURRENCY

| | 30-06-2018 | 31-12-2017 | 30-06-2017 |
|----------------------------|-------------------|-------------------|-------------------|
| Czech Koruna (EUR / CZK) | 26.02000 | 25.53500 | 26.19700 |
| <i>% change</i> | <i>-/ 1.9%</i> | <i>2.5%</i> | <i>3.0%</i> |
| Polish Zloty (EUR / PLN) | 4.37320 | 4.1770 | 4.2259 |
| <i>% change</i> | <i>-/ 4.7%</i> | <i>1.2%</i> | <i>4.2%</i> |
| Pound Sterling (EUR / GBP) | 0.88605 | 0.88723 | 0.87933 |
| <i>% change</i> | <i>0.0%</i> | <i>-/ 0.9%</i> | <i>-2.7%</i> |

Source: European Central Bank (ECB)

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

¹¹ End of year annual scheduled amount of contractual interest and instalments related to bank loans, vendor loan and (convertible) bonds.

2.3 DIVIDEND

During the General Shareholder Meeting in May 2018 the Managing Board recommended for 2017 a final €0.14 cash distribution per share. This proposal was adopted by the shareholders.

The intention is to pay an interim dividend with the half year results, as well as a final dividend each year, both in cash. Dividend proposals will, however, need to reflect considerations including expected future capital requirements, growth opportunities available to the Fund, net cash generation and regulatory developments.

Based on the preliminary first half year results for 2018, the Fund will distribute an interim dividend of 10 cent per share.

2.4 FUND OUTLOOK

With the extension and expansion of the main lease in the Maris office property in Szczecin (Poland) on 10 August after closing of the reporting period and the roll-out of the new brand TuzTuz for the Polish convenience shopping centres (see 8.38 'Events after statement of financial position's date' for more information), the Fund can demonstrate continuing successful attention to operational detail and value preservation within the existing portfolio. In parallel, Management remains committed to an ambitious growth strategy and is pursuing several opportunities to grow the Fund further and to increase distributions to shareholders.

During the reporting period the Fund also introduced a liquidity provider to improve the trading liquidity of the Fund's stock, which is a priority of Management. In this respect, detailed negotiations are continuing with the Prague Stock Exchange to achieve a secondary listing of the Fund in the CEE region.

2.5 DECLARATION OF THE MANAGING BOARD

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

Amsterdam, 30 August 2018

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

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT
30 JUNE 2018**

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3 EPRA PERFORMANCE INDICATORS

The following performance indicators have been prepared in accordance with best practices recommendations as defined by EPRA (European Public Real Estate Association) in its Best Practices Recommendations guide, available on EPRA's website (www.epra.com).

3.1.1 EPRA Net Asset Value (general)

Net Asset Value (NAV) is a key performance measure used for real estate investment funds. However, NAV reported in the financial statement under IFRS (see also section 12.40) does not provide shareholders with the most relevant information on the fair value of the assets and liabilities within an ongoing real estate investment company with a long-term investment strategy.

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

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

3.1.2 Calculation of EPRA Net Asset Value

| | 30-06-2018 | 31-12-2017 |
|---|------------------|------------------|
| Shareholders' equity in accordance with IFRS (in € 1,000) | 41,905 | 42,036 |
| <i>Exclude:</i> | | |
| 1. Fair value of financial instruments | -/- 48 | -/- 86 |
| 2. Deferred tax | 4,486 | 4,209 |
| Shareholders' equity in accordance with EPRA NAV (in € 1,000) | 46,343 | 46,159 |
| Total number of shares in issue entitled to profit | 3,165,149 | 3,165,149 |
| 3. Effect of exercise of options, convertibles and other equity interests (fully diluted basis) | - | - |
| Total number of outstanding profit-sharing shares (fully diluted) | 3,165,149 | 3,165,149 |
| EPRA NAV per profit-sharing share (in €) | 14.64 | 14.58 |

3.1.3 Explanation of adjustments calculation EPRA Net Asset Value

1. Fair value of financial instruments

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

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

The above adjustments do not include (possibly) foreign currency hedging instruments (fair value hedges or net investment hedges) where the hedged item market value changes are also reflected in the consolidated statement of financial position. The fair value of such instruments should remain in EPRA NAV to offset the movement in the underlying investment being hedged.

2. *Deferred tax*

This adjustment includes the recognised deferred taxes in the consolidated statement of financial position in respect of the difference between the fair value and tax value of investment property, development property held for investment or other non-current investments (including investments in group companies) as these deferred taxes would only become payable if the assets are sold.

The deferred tax liability relating to the above items 3 and 4, which would not crystallise until or unless the property or financial instrument is sold, should be also be added back.

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

According to EPRA Best Practices Recommendations guide a convertible bond is viewed as dilutive provided that the following criteria are satisfied:

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

3.1.4 EPRA Triple Net Asset Value (general)

The EPRA Triple Net Asset Value (EPRA NNAV) measures the Net Asset Value including fair value adjustments in respect of all material statement of financial position's items which are not reported at their fair values as part of the EPRA NAV.

3.1.5 Calculation of EPRA Triple Net Asset Value

| | 30-06-2018 | 31-12-2017 |
|---|-------------------|-------------------|
| Shareholders' equity in accordance with EPRA NAV (in € 1,000) | 46,343 | 46,159 |
| <i>Include:</i> | | |
| 1. Fair value of financial instruments | 48 | 86 |
| 2. Fair value of debt | 151 | 261 |
| 3. Fair value of deferred tax | -/- 2,197 | -/- 2,047 |
| Shareholders' equity in accordance with EPRA NNAV (in € 1,000) | 44,344 | 44,459 |
| Total number of shares in issue entitled to profit | 3,165,149 | 3,165,149 |
| 4. Effect of exercise of options, convertibles and other equity interests (fully diluted basis) | - | - |
| Total number of outstanding profit-sharing shares (fully diluted) | 3,165,149 | 3,165,149 |
| EPRA NNAV per profit-sharing share (in €) | 14.01 | 14.05 |

3.1.6 Explanation of adjustments calculation EPRA Triple Net Asset Value

With regard to the items mentioned above the following explanation can be given:

1. *Fair value of financial instruments*

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

2. *Fair value of debt*

This adjustment includes the difference between interest-bearing loans and borrowings included in the consolidated statement of financial position at amortised cost, and the fair value of interest bearing loans and borrowings.

3. *Fair value of deferred tax*

This adjustment includes the fair value of the deferred taxes concerning investment property, development property held for investment or other non-current investments (including investments in group companies; these three items hereinafter mentioned as “non-current investments”). The deferred taxes are calculated with regard to all temporary differences with regard to the “non-current investments”, whether these deferred taxes are included in the statement of financial position or not. For items not included in the statement of financial position, we refer to section 12.28.3 in the Annual report 2017.

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

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

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

For the explanation of the effect of exercise of options of options, convertibles and other equity interests (fully diluted basis) we refer to the explanation in (3), mentioned in section 8.19.3 “Explanation of adjustments calculation EPRA Net Asset Value”.

3.1.7 Calculation of EPRA Triple Net Asset Value before distributions to shareholders

| | 30-06-2018 | 31-12-2017 |
|--|-------------------|-------------------|
| Shareholders' equity in accordance with EPRA NNAV (in € 1,000) | 44,324 | 44,415 |
| <i>Exclude:</i> | | |
| 1. Cumulative distributions to shareholders | 1,695 | 1,252 |
| Shareholders' equity in accordance with EPRA NNAV before distributions to shareholders (in € 1,000) | 46,019 | 45,667 |
| Total number of shares in issue entitled to profit | 3,165,149 | 3,165,149 |
| 2. Effect of exercise of options, convertibles and other equity interests (fully diluted basis) | - | - |
| Total number of outstanding profit-sharing shares (fully diluted) | 3,165,149 | 3,165,149 |
| EPRA NNAV per profit-sharing share before distributions to shareholders (in €) | 14.54 | 14.43 |

4 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

After proposal result appropriation

| | Notes | 30-06-2018 In € 1,000 | 31-12-2017 In € 1,000 |
|---|-------|--------------------------|--------------------------|
| Assets | | | |
| Investment property | 9.10 | 89,623 | 89,798 |
| Other investments | 9.11 | 6 | 6 |
| Deferred tax assets | 9.13 | 732 | 1,000 |
| Trade and other receivables | 9.14 | 10 | 10 |
| Prepayments and lease incentives | 9.15 | 34 | 69 |
| Cash and cash equivalents | 9.16 | 400 | 300 |
| Total non-current assets | | 90,805 | 91,183 |
| Current tax assets | 9.16 | 15 | 76 |
| Trade and other receivables | 9.14 | 860 | 4,432 |
| Prepayments and lease incentives | 9.15 | 350 | 533 |
| Cash and cash equivalents | | 2,755 | 2,619 |
| Total current assets | | 3,980 | 7,660 |
| Total assets | | 94,785 | 98,843 |
| Shareholders' equity¹ | | | |
| | 9.18 | | |
| Issued capital | | 15,826 | 15,826 |
| Share premium | | 15,667 | 16,110 |
| Revaluation reserve | | 7,218 | 7,196 |
| Reserve for currency translation differences | | 2,046 | 2,304 |
| Equity component convertible bonds | | 210 | 266 |
| Retained earnings | | 938 | 334 |
| Total shareholders' equity (attributable to parent company shareholders) | | 41,905 | 42,036 |
| Liabilities | | | |
| Loans and borrowings | 9.19 | 34,844 | 43,561 |
| Trade and other payables | 9.20 | 91 | 71 |
| Deferred income and tenant deposits | 9.21 | 191 | 310 |
| Deferred tax liabilities | 9.12 | 4,986 | 5,157 |
| Total non-current liabilities | | 40,112 | 49,099 |
| Current tax liabilities | 9.22 | 199 | 138 |
| Loans and borrowings | 9.19 | 10,927 | 5,544 |
| Trade and other payables | 9.20 | 1,310 | 1,699 |
| Deferred income and tenant deposits | 9.21 | 332 | 327 |
| Total current liabilities | | 12,768 | 7,708 |
| Total liabilities | | 52,880 | 56,807 |
| Total shareholders' equity and liabilities | | 94,785 | 98,843 |

¹ Group equity

5 CONSOLIDATED INCOME STATEMENT

| | <i>Notes</i> | 01-01-2018 to 30-06-2018 In € 1,000 | 01-01-2017 to 30-06-2017 In € 1,000 |
|---|--------------|---|---|
| Gross rental income | | 4,384 | 4,083 |
| Service charge income | | 973 | 841 |
| Service charge expenses | | -/- 1,577 | -/- 1,408 |
| Property operating expenses | 9.27 | -/- 1,363 | -/- 1,231 |
| Net rental and related income | | 2,417 | 2,285 |
| Valuation results of properties | | - | 1,899 |
| Results on disposals of properties | | - | -/- 103 |
| Net results on properties | | - | 1,796 |
| Financial income | 9.28 | 162 | 123 |
| Other operating income | 9.29 | 86 | 47 |
| Other income | | 248 | 170 |
| Total income | | 2,665 | 4,251 |
| Administrative expenses | 9.30 | 348 | 319 |
| Other operating expenses | 9.31 | 561 | 425 |
| | | 909 | 744 |
| Net operating result before financial expenses | | 1,756 | 3,507 |
| Financial expenses | 9.32 | 904 | 823 |
| Profit before income tax | | 852 | 2,684 |
| Income tax expense | | 282 | 485 |
| Profit for the period | | 570 | 2,199 |
| Attributable to: | | | |
| Parent company shareholders | | 570 | 2,199 |
| Profit for the period | | 570 | 2,199 |
| Basic earnings per share (€) | 9.33.1 | 0.18 | 0.69 |
| Diluted earnings per share (€) | 9.33.4 | 0.18 | 0.62 |

6 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | <i>Notes</i> | 01-01-2018 to 30-06-2018 In € 1,000 | 01-01-2017 to 30-06-2017 In € 1,000 |
|--|--------------|--|--|
| Items that are or may be reclassified subsequently to profit or loss: | | | |
| Foreign currency translation differences on net investment in group companies | | -/- 303 | 239 |
| Income tax on foreign currency translation differences on net investments in group companies | | 45 | -/- 20 |
| | | -/- 258 | 219 |
| Net gain / loss (-/-) recognised directly in shareholders' equity | | -/- 258 | 219 |
| Profit for the period | 5 | 570 | 2,199 |
| Total comprehensive income for the period | | 312 | 2,418 |
| Attributable to: | | | |
| Parent company shareholders | | 312 | 2,418 |
| Total comprehensive income for the period | | 312 | 2,418 |

7 CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| | Issued capital In € 1,000 | Share premium In € 1,000 | Revaluation reserve In € 1,000 | Reserve for currency translation differences In € 1,000 | Equity component convertible bonds In € 1,000 | Retained earnings In € 1,000 | Total shareholders' equity In € 1,000 |
|-----------------------------------|------------------------------|-----------------------------|-----------------------------------|--|--|---------------------------------|--|
| Balance as at 1 January 2018 | 15,826 | 16,110 | 7,196 | 2,304 | 266 | 334 | 42,036 |
| Total comprehensive income | - | - | 22 | -/- 258 | -/- 56 | 604 | 312 |
| Distributions to shareholders | - | -/- 443 | - | - | - | - | -/- 443 |
| Balance as at 30 June 2018 | 15,826 | 15,667 | 7,218 | 2,046 | 210 | 938 | 41,905 |
| Balance as at 1 January 2017 | 15,826 | 16,426 | 4,524 | 1,973 | 266 | -/- 2,563 | 36,452 |
| Total comprehensive income | - | - | 1,466 | 219 | - | 733 | 2,418 |
| Balance as at 30 June 2017 | 15,826 | 16,426 | 5,990 | 2,192 | 266 | -/- 1,830 | 38,870 |

8 CONSOLIDATED STATEMENT OF CASH FLOW

| | <i>Notes</i> | 01-01-2018 to 30-06-2018 In € 1,000 | 01-01-2017 to 30-06-2017 In € 1,000 |
|---|--------------|---|---|
| Cash flow from operating activities | | | |
| Profit for the period | 4 | 570 | 2,199 |
| <i>Adjustments for:</i> | | | |
| Net results on properties ² | | - | -/- 1,796 |
| Net valuation gains / losses on derivatives | | -/- 18 | 70 |
| Financial income | 9.27 | -/- 162 | -/- 123 |
| Financial expenses | 9.31 | 904 | 823 |
| Income tax expense | | 282 | 506 |
| <i>Changes in:</i> | | | |
| Change in current tax assets | | - | 4,934 |
| Change in trade and other receivables | | -/- 215 | -/- 17 |
| Change in prepayments and lease incentives | | 219 | -/- 110 |
| Change in current tax liabilities | | 66 | 96 |
| Change in trade and other payables | | -/- 335 | -/- 375 |
| Change in deferred income and tenant deposits | | -/- 114 | 45 |
| Cash generated from operating activities | | 1,197 | 6,252 |
| Interest received | | 23 | 2 |
| Interest paid | | -/- 840 | -/- 718 |
| Income tax paid | | -/- 66 | -/- 26 |
| Net cash from / used in (-/-) operating activities | | 314 | 5,510 |
| Cash flow from investing activities | | | |
| Proceeds from the sale of properties | | 3,791 | 205 |
| Proceeds from the sale of other investments | | - | 70 |
| Acquisition of subsidiaries, net of tax | | - | 13 |
| Acquisition of / additions to properties | | -/- 128 | -/- 137 |
| Net cash from / used in (-/-) investing activities | | 3,663 | 151 |
| Cash flow from financing activities | | | |
| Proceeds from other long-term liabilities | | - | 2,000 |
| Repayments of secured bank loans | | -/- 1,831 | -/- 5,939 |
| Repayment of convertible bonds | | -/- 1,420 | - |
| Repayment of other long-term liabilities | | - | -/- 5 |
| Distributions to shareholders | | -/- 443 | - |
| Net cash from / used in (-/-) financing activities | | -/- 3,694 | -/- 3,944 |
| Net increase / decrease (-/-) in cash and cash equivalents | | 283 | 1,717 |
| Cash and cash equivalents as at 1 January | | 2,919 | 2,403 |
| Effect of exchange and currency translation result on cash held | | -/- 47 | 30 |
| Cash and cash equivalents as at 30 June | | 3,155 | 4,150 |

² Transaction costs and transfer tax excluded.

9 NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

9.1 GENERAL

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

The Fund is registered in Amsterdam (the Netherlands), Kollenbergweg 56 and is entered in the Trade Register of the Chamber of Commerce under number 08110094.

The Fund is managed by Arcona Capital Fund Management B.V, which is responsible for the Management of the Fund.

The consolidated interim financial statements of the Fund for the financial period comprise the Fund and its subsidiaries.

9.2 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

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

9.3 STATEMENT OF COMPLIANCE AND FUTURE RELATED ASSUMPTIONS

The Fund has applied the significant accounting principles as set out in the financial statements 2017 (section 12.5 to 12.29). The Managing Board authorised the consolidated interim financial statements for issue on 30 August 2018.

As at 30 June 2018, shareholders’ equity of the Fund is positive. As stated in the liquidity forecast up to mid-2019, the current cash position is sufficient to cover budgeted costs. Based on these assumptions, the Managing Board is of the opinion that the Fund is able to continue as a going concern. Therefore these consolidated interim financial statements are based on assumptions of going concern.

9.4 CHANGE OF PRESENTATION OF COMPARATIVE FIGURES

In order to align the comparative figures with the consolidated income statement in the financial statements 2017, some items in the comparative figures in the consolidated income statement 2018 are presented in a different way as done in the Semi-Annual Report 2017. Therefore the following presentations in the comparative figures are changed:

- “Result on acquisitions through business combinations, net of tax” is reclassified to “Valuation results of properties” (€ 1,500,000). The corresponding deferred taxes are reclassified to “Income tax expense” (€ 283,000 negative);
- The “acquisition-related costs”, which were part of the “Other operating expenses” are reclassified to “Valuation result of properties” (€ 36,000 negative).

The above-mentioned changes of presentation in the “Consolidated income statement” have also impact on the presentation of the “Consolidated statement of cash flow” and “Segment reporting” (section 9.8.1 “Overview of segment result (overview A)”).

9.5 BASIS OF PREPARATION OF THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

9.5.1 General

The consolidated interim financial statements have been prepared on the basis of historical cost, except for investment property, assets held for sale, financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss, which are recognised at fair value.

The accounting policies are equal to those applied in the consolidated financial statements 2017 (section 12.5 to 12.29). The accounting principles have been consistently applied for all periods presented in these consolidated interim financial statements.

9.5.2 Measurement of fair value

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

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

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

- 9.10.3: “Valuation of investment properties”.

9.5.3 New standards and interpretations not yet applied

A number of new standards, changes to standards and interpretations have only taken effect after 1st of January 2018 and therefore have not been applied to these consolidated interim financial statements. New standards that might be relevant for the Fund are set out in the consolidated financial statements 2017.

The net effect on the comparative figures of the consolidated income statement as a result of applying the new standard IFRS 9 amounts € 7,000 negative. Since this amount is not material, this is not implemented in the comparative figures.

9.6 SUBSIDIARIES

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

| Name of company | Registered office | Country of incorporation | Proportion of shares held by the parent | Proportion of shares held by the group |
|--|-------------------|--------------------------|---|--|
| | | | 30-06-2018 In % | 30-06-2018 In % |
| Arcona Capital RE Bohemia s.r.o. | Prague | Czech Republic | 100.0 | n.a. |
| Arcona Capital RE Slovakia s.r.o. | Bratislava | Slovakia | 100.0 | n.a. |
| Arcona Capital Real Estate Poland Sp. z.o.o. | Warsaw | Poland | 100.0 | n.a. |
| Arcona Capital Real Estate Trio Sp. z.o.o. | Warsaw | Poland | 100.0 | n.a. |
| Arcona Real Estate B.V. | Amsterdam | The Netherlands | 100.0 | n.a. |
| Arcona Poland B.V. | Amsterdam | The Netherlands | n.a. | 100.0 |
| Arcona Poland B.V. Project 5 Sp.k. | Warsaw | Poland | n.a. | 100.0 |

| Name of company | Registered office | Country of incorporation | Proportion of shares held by the parent | Proportion of shares held by the group |
|--|-------------------|--------------------------|---|--|
| | | | 31-12-2017 In % | 31-12-2017 In % |
| Arcona Capital RE Bohemia s.r.o. | Prague | Czech Republic | 100.0 | n.a. |
| Arcona Capital RE Slovakia s.r.o. | Bratislava | Slovakia | 100.0 | n.a. |
| Arcona Capital Real Estate Poland Sp. z.o.o. | Warsaw | Poland | 100.0 | n.a. |
| Arcona Capital Real Estate Trio Sp. z.o.o. | Warsaw | Poland | 100.0 | n.a. |
| Arcona Real Estate B.V. | Amsterdam | The Netherlands | 100.0 | n.a. |
| Arcona Poland B.V. | Amsterdam | The Netherlands | n.a. | 100.0 |
| Arcona Poland B.V. Project 5 Sp.k. | Warsaw | Poland | n.a. | 100.0 |

9.7 EXCHANGE RATES

9.7.1 Exchange rates used for the consolidated statement of financial position

| | 30-06-2018 | 31-12-2017 | 30-06-2017 |
|----------------------------|------------|------------|------------|
| Czech Koruna (EUR / CZK) | 26.02000 | 25.53500 | 26.19700 |
| % change | 1.9% | 2.5% | -/ - 3.0% |
| Polish Zloty (EUR / PLN) | 4.37320 | 4.17700 | 4.22590 |
| % change | 4.7% | 1.2% | -/ - 4.2% |
| Pound Sterling (EUR / GBP) | 0.88605 | 0.88723 | 0.87933 |
| % change | 0.0% | -/ - 0.9% | 2.7% |

Source: European Central Bank (ECB)

9.7.2 Average exchange rates used for the consolidated income statement

| | 01-01-2018 to 30-06-2018 | 01-01-2017 to 31-12-2017 | 01-01-2017 to 30-06-2017 |
|--------------------------|--------------------------------|--------------------------------|--------------------------------|
| Czech Koruna (EUR / CZK) | 25.57900 | 26.28908 | 26.76883 |
| Polish Zloty (EUR / PLN) | 4.24073 | 4.24274 | 4.24745 |

9.8 SEGMENT REPORTING

The segmentation criteria are described in the consolidated financial statements 2017 section 12.29.2.

9.8.1 Overview of segment result (overview A)

| Property (in € 1,000) | Gross rental income | | Service charge income | | Service charge expenses | | Property operating expenses | | Net rental & related income | | Results on disposals of properties | | Valuation results of properties | | Total segment result | |
|-----------------------------|---------------------|--------------|-----------------------|------------|-------------------------|------------------|-----------------------------|----------------|-----------------------------|--------------|------------------------------------|----------------|---------------------------------|------------|----------------------|--------------|
| | 01-01-18 | 01-01-17 | 01-01-18 | 01-01-17 | 01-01-18 | 01-01-17 | 01-01-18 | 01-01-17 | 01-01-18 | 01-01-17 | 01-01-18 | 01-01-17 | 01-01-18 | 01-01-17 | 01-01-18 | 01-01-17 |
| | to | to | to | to | to | to | to | to | to | to | to | to | to | to | to | to |
| | 30-06-18 | 30-06-17 | 30-06-18 | 30-06-17 | 30-06-18 | 30-06-17 | 30-06-18 | 30-06-17 | 30-06-18 | 30-06-17 | 30-06-18 | 30-06-17 | 30-06-18 | 30-06-17 | 30-06-18 | 30-06-17 |
| Czech Republic: | | | | | | | | | | | | | | | | |
| Drahobejlova | n.a. | 65 | 33 | 40 | -/- 12 | -/- 50 | -/- 2 | -/- 24 | 19 | 31 | n.a. | - | n.a. | - | 19 | 31 |
| Palmovka | 90 | 133 | 34 | 51 | -/- 41 | -/- 37 | -/- 38 | -/- 37 | 45 | 110 | - | - | - | - | 45 | 110 |
| Karlin | 204 | 186 | 78 | 74 | -/- 63 | -/- 68 | -/- 61 | -/- 51 | 158 | 141 | - | - | - | - | 158 | 141 |
| VUP | 119 | 106 | 87 | 86 | -/- 86 | -/- 87 | -/- 56 | -/- 47 | 64 | 58 | - | -/- 103 | - | 103 | 64 | 58 |
| PV 10 | 149 | 134 | 68 | 62 | -/- 54 | -/- 50 | -/- 49 | -/- 41 | 114 | 105 | - | - | - | - | 114 | 105 |
| Total CZECH REPUBLIC | 562 | 624 | 300 | 313 | -/- 256 | -/- 292 | -/- 206 | -/- 200 | 400 | 445 | - | -/- 103 | - | 103 | 400 | 445 |
| Slovakia: | | | | | | | | | | | | | | | | |
| Záhradnicka | 193 | 158 | 4 | 4 | -/- 171 | -/- 41 | -/- 92 | -/- 52 | -/- 66 | 69 | - | - | - | - | -/- 66 | 69 |
| Pražská 2 | 221 | 207 | 5 | 4 | -/- 57 | -/- 83 | -/- 62 | -/- 52 | 107 | 76 | - | - | - | - | 107 | 76 |
| Pražská 4 | 182 | 168 | 3 | 2 | -/- 90 | -/- 56 | -/- 52 | -/- 42 | 43 | 72 | - | - | - | - | 43 | 72 |
| Krivá 18 | 199 | 195 | 5 | 3 | -/- 46 | -/- 52 | -/- 61 | -/- 57 | 97 | 89 | - | - | - | - | 97 | 89 |
| Krivá 23 | 213 | 214 | 3 | 3 | -/- 52 | -/- 60 | -/- 51 | -/- 47 | 113 | 110 | - | - | - | - | 113 | 110 |
| Gemerská | n.a. | 109 | n.a. | 4 | n.a. | -/- 57 | n.a. | -/- 41 | n.a. | 15 | n.a. | n.a. | n.a. | 12 | n.a. | 27 |
| Letná | 580 | 581 | 11 | 10 | -/- 57 | -/- 80 | -/- 92 | -/- 114 | 442 | 397 | - | - | - | - | 442 | 397 |
| Vural | 244 | 242 | 60 | 57 | -/- 121 | -/- 116 | -/- 70 | -/- 64 | 113 | 119 | - | - | - | - | 113 | 119 |
| Kosmalt | 415 | 422 | 5 | 5 | -/- 82 | -/- 173 | -/- 121 | -/- 117 | 217 | 137 | - | - | - | - | 217 | 137 |
| Total SLOVAKIA | 2,247 | 2,296 | 96 | 92 | -/- 676 | -/- 718 | -/- 601 | -/- 586 | 1,066 | 1,084 | - | - | - | 12 | 1,066 | 1,096 |
| SUB TOTAL (transfer) | 2,809 | 2,920 | 396 | 405 | -/- 932 | -/- 1,010 | -/- 807 | -/- 786 | 1,466 | 1,529 | - | -/- 103 | - | 115 | 1,466 | 1,541 |

| Property (in € 1,000) | Gross rental income | | Service charge income | | Service charge expenses | | Property operating expenses | | Net rental & related income | | Results on disposals of properties | | Valuation results of properties | | Total segment result | |
|---------------------------------------|---------------------|--------------|-----------------------|------------|-------------------------|------------------|-----------------------------|------------------|-----------------------------|--------------|------------------------------------|----------------|---------------------------------|--------------|----------------------|--------------|
| | 01-01-18 | 01-01-17 | 01-01-18 | 01-01-17 | 01-01-18 | 01-01-17 | 01-01-18 | 01-01-17 | 01-01-18 | 01-01-17 | 01-01-18 | 01-01-17 | 01-01-18 | 01-01-17 | 01-01-18 | 01-01-17 |
| | to | to | to | to | to | to | to | to | to | to | to | to | to | to | to | to |
| | 30-06-18 | 30-06-17 | 30-06-18 | 30-06-17 | 30-06-18 | 30-06-17 | 30-06-18 | 30-06-17 | 30-06-18 | 30-06-17 | 30-06-18 | 30-06-17 | 30-06-18 | 30-06-17 | 30-06-18 | 30-06-17 |
| SUB TOTAL (transfer) | 2,809 | 2,920 | 396 | 405 | -/- 932 | -/- 1,010 | -/- 807 | -/- 786 | 1,466 | 1,529 | - | -/- 103 | - | 115 | 1,466 | 1,541 |
| Poland: | | | | | | | | | | | | | | | | |
| Laubitz 8 | 95 | 92 | 22 | 27 | -/- 35 | -/- 22 | -/- 36 | -/- 41 | 46 | 56 | - | - | - | - | 46 | 56 |
| 800-lecia Inowroclawia 27 | 125 | 185 | 59 | 61 | -/- 61 | -/- 47 | -/- 39 | -/- 50 | 84 | 149 | - | - | - | - | 84 | 149 |
| Krzemowa 1 | 125 | 121 | 65 | 53 | -/- 55 | -/- 37 | -/- 35 | -/- 51 | 100 | 86 | - | - | - | 320 | 100 | 406 |
| Plutona 1 | 102 | 98 | 47 | 48 | -/- 35 | -/- 41 | -/- 21 | -/- 22 | 93 | 83 | - | - | - | - | 93 | 83 |
| Kalinkowa 82 | 140 | 151 | 47 | 67 | -/- 60 | -/- 46 | -/- 41 | -/- 48 | 86 | 124 | - | - | - | - | 86 | 124 |
| Wojska Polskiego 137 | 159 | 175 | 56 | 77 | -/- 63 | -/- 63 | -/- 89 | -/- 50 | 63 | 139 | - | - | - | - | 63 | 139 |
| Wolnosci 6 | 77 | 76 | 30 | 30 | -/- 32 | -/- 25 | -/- 30 | -/- 30 | 45 | 51 | - | - | - | - | 45 | 51 |
| Graniczna 80-82 | - | - | - | - | -/- 26 | -/- 32 | -/- 19 | -/- 27 | -/- 45 | -/- 59 | - | - | - | - | -/- 45 | -/- 59 |
| Grzymaly Siedleckiego 20 ³ | 113 | 71 | 35 | 12 | -/- 30 | -/- 22 | -/- 44 | -/- 35 | 74 | 26 | - | - | - | 105 | 74 | 131 |
| Kard. Wyszynskiego 107 ³ | 117 | 84 | 35 | 28 | -/- 49 | -/- 31 | -/- 57 | -/- 45 | 46 | 36 | - | - | - | 458 | 46 | 494 |
| Legionow 216 ³ | 171 | 110 | 46 | 33 | -/- 69 | -/- 32 | -/- 62 | -/- 46 | 86 | 65 | - | - | - | 901 | 86 | 966 |
| Maris ⁴ | 351 | n.a. | 135 | n.a. | -/- 130 | n.a. | -/- 83 | n.a. | 273 | n.a. | - | n.a. | - | n.a. | 273 | n.a. |
| Total POLAND | 1,575 | 1,163 | 577 | 436 | -/- 645 | -/- 398 | -/- 556 | -/- 445 | 951 | 756 | - | - | - | 1,784 | 951 | 2,540 |
| GRAND TOTAL | 4,384 | 4,083 | 973 | 841 | -/- 1,577 | -/- 1,408 | -/- 1,363 | -/- 1,231 | 2,417 | 2,285 | - | -/- 103 | - | 1,899 | 2,417 | 4,081 |

³ Concerns segment result as of date of acquisition investment property (2 March 2017).

⁴ Concerns segment result as of date of acquisition investment property (6 July 2017).

9.8.2 Reconciliation segment result with profit for the period

The reconciliation between the total segment results as calculated in section 9.8.1 with the profit for the period, mentioned in the consolidated income statement, is made below.

| | 01-01-2018 to 30-06-2018 in € 1,000 | 01-01-2017 to 30-06-2017 in € 1,000 |
|--|--|--|
| Total segment result (overview A) | 2,417 | 4,081 |
| Unallocated income | 248 | 170 |
| Unallocated expenses | 1,813 | 1,567 |
| Profit before income tax | 852 | 2,684 |
| Income tax expense | 282 | 485 |
| Profit for the period | 570 | 2,199 |

9.8.3 Overview of geographic assets and liabilities (overview B)

| In € 1,000 | Czech Republic | | Slovakia | | Poland | | The Netherlands | | Other countries | | Total | |
|--|----------------|---------------|---------------|---------------|---------------|---------------|-----------------|-----------------|-----------------|-----------------|---------------|---------------|
| | 30-06-2018 | 31-12-2017 | 30-06-2018 | 31-12-2017 | 30-06-2018 | 31-12-2017 | 30-06-2018 | 31-12-2017 | 30-06-2018 | 31-12-2017 | 30-06-2018 | 31-12-2017 |
| Assets | | | | | | | | | | | | |
| Investment property | 16,009 | 16,243 | 37,339 | 37,280 | 36,275 | 36,275 | - | - | - | - | 89,623 | 89,798 |
| Other investments | 6 | 6 | - | - | - | - | - | - | - | - | 6 | 6 |
| Deferred tax assets | 198 | 223 | 60 | 129 | 474 | 648 | - | - | - | - | 732 | 1,000 |
| Current tax assets | - | - | 15 | - | - | 76 | - | - | - | - | 15 | 76 |
| Trade and other receivables | 12 | 3,837 | 208 | 263 | 650 | 337 | - | - | - | 5 | 870 | 4,442 |
| Prepayments and lease incentives | 67 | 81 | 124 | 88 | 175 | 381 | 18 | 4 | - | 48 | 384 | 602 |
| Cash and cash equivalents | 667 | 569 | 832 | 638 | 700 | 827 | 956 | 885 | - | - | 3,155 | 2,919 |
| Total geographic assets | 16,959 | 20,959 | 38,578 | 38,398 | 38,274 | 38,544 | 974 | 889 | - | 53 | 94,785 | 98,843 |
| Liabilities | | | | | | | | | | | | |
| Loans and borrowings | 7,165 | 8,257 | 11,037 | 11,500 | 16,412 | 16,794 | 6,447 | 7,844 | 4,710 | 4,710 | 45,771 | 49,105 |
| Deferred tax liabilities | 474 | 486 | 3,733 | 3,661 | 736 | 922 | 43 | 88 | - | - | 4,986 | 5,157 |
| Trade and other payables | 76 | 387 | 190 | 303 | 393 | 377 | 730 | 691 | 12 | 12 | 1,401 | 1,770 |
| Deferred income and tenant deposits | 164 | 170 | 89 | 109 | 270 | 358 | - | - | - | - | 523 | 637 |
| Current tax liabilities | 10 | 13 | 122 | 65 | 67 | 39 | - | 21 | - | - | 199 | 138 |
| Total geographic liabilities | 7,889 | 9,313 | 15,171 | 15,638 | 17,878 | 18,490 | 7,220 | 8,644 | 4,722 | 4,722 | 52,880 | 56,807 |
| Geographic assets less geographic liabilities | 9,070 | 11,646 | 23,407 | 22,760 | 20,396 | 20,054 | -/ 6,246 | -/ 7,755 | -/ 4,722 | -/ 4,669 | 41,905 | 42,036 |

9.9 ACQUISITION OF SUBSIDIARIES

During the financial period the Fund acquired no subsidiaries.

9.10 INVESTMENT PROPERTY

9.10.1 Analysis of investment properties

| No. | Name of properties | Address | Fair value | Fair value |
|--|------------------------|--|---------------|---------------|
| | | | 30-06-2018 | 31-12-2017 |
| | | | In € 1,000 | In € 1,000 |
| In ownership of Arcona Capital RE Bohemia s.r.o. (Czech Republic) | | | | |
| 1 | Palmovka | Na Žertvách 34, Prague | 2,744 | 2,788 |
| 2 | Karlin | Prvního Pluku 621/8a, Prague | 5,348 | 5,407 |
| 3 | VUP | Šujanovo náměstí 3, Brno | 2,484 | 2,524 |
| 4 | PV 10 | Politických Vězňů 10, Prague | 5,433 | 5,524 |
| In ownership of Arcona Capital RE Slovakia s.r.o. (Slovakia) | | | | |
| 5 | Záhradnícka | Záhradnícka 46, Bratislava | 4,500 | 4,500 |
| 6 | Pražská 2 | Pražská 2, Košice | 2,870 | 2,870 |
| 7 | Pražská 4 | Pražská 4, Košice | 2,530 | 2,530 |
| 8 | Krivá 18 | Krivá 18, Košice | 3,280 | 3,280 |
| 9 | Krivá 23 | Krivá 23, Košice | 3,260 | 3,260 |
| 10 | Letná | Letná 45, Košice | 10,217 | 10,200 |
| 11 | Vural | Alexandra Rudnaya 21, Žilina | 4,672 | 4,630 |
| 12 | Kosmáľ | Kysucká 16, Košice | 6,010 | 6,010 |
| In ownership of Arcona Capital Real Estate Poland Sp. z.o.o. (Poland) | | | | |
| 13 | Laubitz | Laubitz 8, Inowroclaw | 2,489 | 2,489 |
| 14 | Lecia Inowroclawia | 800-lecia Inowroclawia 27, Inowroclaw | 3,097 | 3,097 |
| 15 | Krzemowa | Krzemowa 1, Gdansk | 3,135 | 3,135 |
| 16 | Plutona | Plutona 1, Glogow | 2,064 | 2,064 |
| 17 | Kalinkowa | Kalinkowa 82, Grudziadz | 2,976 | 2,976 |
| 18 | Wojska Polskiego | Wojska Polskiego 137, Piotrkow Trybunalski | 3,800 | 3,800 |
| 19 | Wolnosc | Wolnosc 6, Slupsk | 1,501 | 1,501 |
| 20 | Graniczna | Graniczna 80-82, Kalisz | 1,710 | 1,710 |
| In ownership of Arcona Capital Real Estate Trio Sp. z.o.o. (Poland) | | | | |
| 21 | Grzymaly Siedleckiego | Grzymaly Siedleckiego 20, Bydgoszcz | 1,559 | 1,559 |
| 22 | Kardynala Wyszyńskiego | Kardynala Wyszyńskiego 107, Lodz | 2,000 | 2,000 |
| 23 | Legionow | Legionow 216, Torun | 2,785 | 2,785 |
| In ownership of Arcona Capital Poland B.V. Project 5 Sp.k. (Poland) | | | | |
| 24 | Maris | Holdu Pruskiego 9 & 12 Malopolska 12, Szczecin | 9,159 | 9,159 |
| Total fair value | | | 89,623 | 89,798 |

9.10.2 Statement of changes in investment properties

| | 01-01-2018 to 30-06-2018 | 01-01-2017 to 31-12-2017 |
|--|---|---|
| | In € 1,000 | In € 1,000 |
| Balance as at 1 January | 89,798 | 74,806 |
| Acquisition of investment properties | - | 13,247 |
| Additions to investment properties | 128 | 567 |
| Fair value adjustments | - | 3,602 |
| Exchange rate differences | -/- 303 | 970 |
| Reclassification (to "Assets held for sale") | - | -/- 3,394 |
| Balance as at 31 December | 89,623 | 89,798 |

9.10.3 Valuation of investment properties

The investment properties, stated under section 9.10.1 "Analysis of investment properties", were not valued by an external, independent appraiser as at statement of financial position's date.

The Managing Board reviewed the appraised values of investment properties. The applied valuation method is the same as used by the external, independent appraiser, as described in the financial statements 2017. The Managing Board will adjust the fair value of an investment property (in local currency) under the following conditions:

- if the expected rental value (ERV) determined by the external, independent valuer deviates more than 10%;
- unforeseen circumstances during the financial period, such as fire or water damages to an investment property.

These conditions were not met. Therefore the Managing Board will use the most recent external valuation (as at 31 December 2017), whereby additions done during the financial period are added to the most recent external valuation of the investment property.

9.11 OTHER INVESTMENTS

9.11.1 Specification of other investments

| | Principal of investment | | Interest (in equity) |
|--|--------------------------------|------------|---------------------------------|
| | In 1,000 | In € 1,000 | In % |
| Yellow Properties, s.r.o. | CZK 279 | 36 | 5.0 |
| Eastern European Property Fund Limited | GBP - | - | < 0.1 |

9.11.2 Analysis of other investments

| | 30-06-2018 | 31-12-2017 |
|---------------------------------------|-------------------|-------------------|
| | In € 1,000 | In € 1,000 |
| Non-current part of other investments | 6 | 6 |
| Current part of other investments | - | - |
| | 6 | 6 |

9.11.3 Statement of changes in other investments

| | Yellow Properties In € 1,000 | EEPFL ⁵ In € 1,000 | Total 2018 In € 1,000 | Total 2017 In € 1,000 |
|--|------------------------------------|----------------------------------|--------------------------|--------------------------|
| Balance as at 1 January | 6 | - | 6 | 90 |
| Exchange rate differences | - | - | - | 1 |
| Fair value adjustments | - | - | - | -/- 2 |
| Sales / redemptions | - | - | - | -/- 83 |
| Balance as at 30 June / 31 December | 6 | - | 6 | 6 |

9.12 ANALYSIS RECOGNISED DEFERRED TAXES

| | Deferred tax assets In € 1,000 | Deferred tax liabilities In € 1,000 | Total 30-06-2018 In € 1,000 |
|--------------------------------------|--------------------------------------|---|-----------------------------------|
| Investment property | 448 | 4,892 | -/- 4,444 |
| Accruals | 54 | 9 | 45 |
| Interest rate swaps used for hedging | 14 | - | 14 |
| Trade receivables (impairments) | 2 | - | 2 |
| Interest intercompany loans (unpaid) | 70 | - | 70 |
| Tax losses (carried forward) | 144 | - | 144 |
| Secured bank loans | - | 20 | -/- 20 |
| Intercompany loans | - | 65 | -/- 65 |
| | 732 | 4,986 | -/- 4,254 |

| | Deferred tax assets In € 1,000 | Deferred tax liabilities In € 1,000 | Total 31-12-2017 In € 1,000 |
|--------------------------------------|--------------------------------------|---|-----------------------------------|
| Investment property | 608 | 4,729 | -/- 4,121 |
| Accruals | 123 | 68 | 55 |
| Interest rate swaps used for hedging | 11 | - | 11 |
| Trade receivables (impairments) | 13 | - | 13 |
| Interest intercompany loans (unpaid) | 68 | - | 68 |
| Tax losses (carried forward) | 177 | - | 177 |
| Secured bank loans | - | 142 | -/- 142 |
| Intercompany loans | - | 218 | -/- 218 |
| | 1,000 | 5,157 | -/- 4,157 |

⁵ EEPFL: Eastern European Property Fund Limited.

9.13 DEFERRED TAX ASSETS

9.13.1 Analysis of recognised deferred tax assets

| | Will expire 30-06-2018 | Will never expire 30-06-2018 | Total 30-06-2018 |
|--------------------------------------|-----------------------------------|---|-----------------------------|
| | In € 1,000 | In € 1,000 | In € 1,000 |
| Investment property | - | 448 | 448 |
| Accruals | - | 54 | 54 |
| Interest rate swaps used for hedging | - | 14 | 14 |
| Trade receivables (impairments) | - | 2 | 2 |
| Interest intercompany loans (unpaid) | - | 70 | 70 |
| Tax losses (carried forward) | 144 | - | 144 |
| | 144 | 588 | 732 |

| | Will expire 31-12-2017 | Will never expire 31-12-2017 | Total 31-12-2017 |
|--------------------------------------|-----------------------------------|---|-----------------------------|
| | In € 1,000 | In € 1,000 | In € 1,000 |
| Investment property | - | 608 | 608 |
| Accruals | - | 123 | 123 |
| Interest rate swaps used for hedging | - | 11 | 11 |
| Trade receivables (impairments) | - | 13 | 13 |
| Interest intercompany loans (unpaid) | - | 68 | 68 |
| Tax losses (carried forward) | 177 | - | 177 |
| | 177 | 823 | 1,000 |

An allocation of the recognised deferred tax assets to the various geographic segments is presented in section 9.8.3 "Overview of geographic assets and liabilities (overview B)".

9.13.2 Analysis of recognised tax losses

| | 30-06-2018 | 31-12-2017 |
|----------------------------------|-------------------|-------------------|
| | In € 1,000 | In € 1,000 |
| Expires in 2018 | 33 | 88 |
| Expires in 2019 | - | 2 |
| Expires in 2020 | 57 | 60 |
| Expires in 2021 | 1 | 14 |
| Expires in 2022 | 27 | 13 |
| Expires in 2023 | 26 | - |
| Balance as at 31 December | 144 | 177 |

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

9.13.3 Analysis of unrecognised deferred tax assets

| | Will expire 30-06-2018 In € 1,000 | Will never expire 30-06-2018 In € 1,000 | Total 30-06-2018 In € 1,000 |
|--------------------------------------|---|---|---|
| Secured bank loans | - | 145 | 145 |
| Interest intercompany loans (unpaid) | - | 134 | 134 |
| Trade receivables (impairments) | - | 31 | 31 |
| Accruals | - | 1 | 1 |
| Tax losses (carried forward) | 901 | - | 901 |
| | 901 | 311 | 1,212 |

| | Will expire 31-12-2017 In € 1,000 | Will never expire 31-12-2017 In € 1,000 | Total 31-12-2017 In € 1,000 |
|--------------------------------------|---|---|---|
| Investment property | - | 57 | 57 |
| Secured bank loans | - | 138 | 138 |
| Interest intercompany loans (unpaid) | - | 119 | 119 |
| Trade receivables (impairments) | - | 44 | 44 |
| Accruals | - | 6 | 6 |
| Tax losses (carried forward) | 863 | - | 863 |
| | 863 | 364 | 1,227 |

9.13.4 Analysis of unrecognised tax losses

| | 30-06-2018 In € 1,000 | 31-12-2017 In € 1,000 |
|----------------------------------|---------------------------------|---------------------------------|
| Expires in 2020 | 75 | 75 |
| Expires in 2022 | 95 | 129 |
| Expires in 2023 | 59 | 59 |
| Expires in 2024 | 37 | 37 |
| Expires in 2025 | 354 | 354 |
| Expires in 2026 | 189 | 209 |
| Expires in 2027 | 92 | - |
| Balance as at 31 December | 901 | 863 |

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

9.14 TRADE AND OTHER RECEIVABLES

9.14.1 Analysis of trade and other receivables

| | 30-06-2018 In € 1,000 | 31-12-2017 In € 1,000 |
|---|---------------------------------|---------------------------------|
| Non-current part of trade and other receivables | 10 | 10 |
| Current part of trade and other receivables | 860 | 4,432 |
| | 870 | 4,442 |

9.14.2 Specification of trade and other receivables

| | 30-06-2018 | 31-12-2017 |
|-------------------|-------------------|-------------------|
| | In € 1,000 | In € 1,000 |
| Sold properties | - | 3,797 |
| Trade receivables | 761 | 580 |
| Other receivables | 109 | 65 |
| | 870 | 4,442 |

The receivable from "Sold properties" in the comparative figures as at 31 December 2017 for the amount of € 3,797,000 relates to the investment property Drahobejlova, which has been sold at the end of November 2017. The amount has been received in full during February 2018.

9.14.3 Analysis of trade receivables

| | 30-06-2018 | 31-12-2017 |
|------------------------------------|-------------------|-------------------|
| | In € 1,000 | In € 1,000 |
| Trade receivables (gross) | 1,308 | 1,133 |
| Provision for doubtful receivables | -/- 547 | -/- 553 |
| | 761 | 580 |

9.15 PREPAYMENTS AND LEASE INCENTIVES

9.15.1 Analysis of prepayments and lease incentives

| | 30-06-2018 | 31-12-2017 |
|---|-------------------|-------------------|
| | In € 1,000 | In € 1,000 |
| Non-current part of trade and other receivables | 34 | 69 |
| Current part of trade and other receivables | 350 | 533 |
| | 384 | 602 |

9.15.2 Specification of prepayments and lease incentives

| | 30-06-2018 | 31-12-2017 |
|-------------------|-------------------|-------------------|
| | In € 1,000 | In € 1,000 |
| Deferred expenses | 163 | 326 |
| Prepayments | 211 | 256 |
| Lease incentives | 10 | 20 |
| | 384 | 602 |

9.16 CASH AND CASH EQUIVALENTS

9.16.1 Analysis of prepayments and lease incentives

| | 30-06-2018 | 31-12-2017 |
|---|-------------------|-------------------|
| | In € 1,000 | In € 1,000 |
| Non-current part of cash and cash equivalents | 400 | 300 |
| Current part of cash and cash equivalents | 2,755 | 2,619 |
| | 3,155 | 2,919 |

9.16.2 Specification of cash and cash equivalents

| | 30-06-2018 | 31-12-2017 |
|---------------|-------------------|-------------------|
| | In € 1,000 | In € 1,000 |
| Bank balances | 3,045 | 2,746 |
| Deposits | 100 | 168 |
| Cash | 10 | 5 |
| | 3,155 | 2,919 |

9.17 CURRENT TAX ASSETS

9.17.1 Specification of current tax assets

| | 30-06-2018 | 31-12-2017 |
|----------------------------|-------------------|-------------------|
| | In € 1,000 | In € 1,000 |
| Corporate Income Tax (CIT) | 15 | 76 |

9.18 SHAREHOLDERS' EQUITY

9.18.1 Consolidated statement of changes in shareholders' equity

For the consolidated statement of changes in shareholders' equity we refer to section 7.

9.18.2 (Interim) distribution to shareholders

At the General Meeting of Shareholders (GM) of the Fund dated 24 May 2018, the GM approved the proposal of the Priority for a final distribution to the shareholders in the amount of € 0.14 per ordinary and registered share. The ex-dividend date was 29 May 2018. Payment date was 31 May 2018.

9.19 LOANS AND BORROWINGS

9.19.1 Analysis of loans and borrowings

| | Non-current liabilities 30-06-2018 In € 1,000 | Current liabilities 30-06-2018 In € 1,000 | Total 30-06-2018 In € 1,000 |
|-----------------------------|---|---|---|
| Secured bank loans | 25,687 | 8,927 | 34,614 |
| Convertible bonds | 4,447 | - | 4,447 |
| Other long-term liabilities | 4,710 | 2,000 | 6,710 |
| | 34,844 | 10,927 | 45,771 |

| | Non-current liabilities 31-12-2017 In € 1,000 | Current liabilities 31-12-2017 In € 1,000 | Total 31-12-2017 In € 1,000 |
|-----------------------------|---|---|---|
| Secured bank loans | 34,424 | 2,127 | 36,551 |
| Convertible bonds | 4,427 | 1,417 | 5,844 |
| Other long-term liabilities | 4,710 | 2,000 | 6,710 |
| | 43,561 | 5,544 | 49,105 |

The increase of the current liabilities secured bank loans relates in particular to the secured bank loan of Arcona Capital RE Bohemia s.r.o. (Sberbank). According to the bank covenants the secured bank loan Sberbank (outstanding amount as at 30 June 2018: € 7,165,000) has to be repaid in full as at 31st of March 2019.

9.19.2 Statement of changes in secured bank loans

| | 01-01-2018 to 30-06-2018 In € 1,000 | 01-01-2017 to 31-12-2017 In € 1,000 |
|--|---|---|
| Balance as at 1 January | 36,551 | 35,970 |
| Additions as a result of acquisition | - | 7,046 |
| Redemptions | -/- 1,831 | -/- 7,212 |
| (Amortisation) flat fee | 32 | 90 |
| Exchange rate differences | -/- 138 | 657 |
| Balance as at 30 June / 31 December | 34,614 | 36,551 |

9.19.3 Analysis of convertible bonds

| No | Date of issue | Convertible as of | Date of maturity | Nominal interest rate In % | Conversion price In € | Face value In € 1,000 | Carrying amount 30-06-2018 In € 1,000 | Carrying amount 31-12-2017 In € 1,000 |
|-----------|----------------------|--------------------------|-------------------------|--------------------------------------|---------------------------------|---------------------------------|---|---|
| 1 | 01-12-2014 | 01-12-2015 | 01-12-2019 | 6.00 | 8.24 | 1,070 | 1,049 | 1,042 |
| 2 | 20-02-2015 | 20-02-2016 | 20-02-2018 | 6.00 | 8.48 | n.a. | n.a. | 1,417 |
| 3 | 17-10-2016 | 01-11-2016 | 31-10-2021 | 6.50 | 8.76 | 3,500 | 3,398 | 3,385 |
| | | | | | | 4,570 | 4,447 | 5,844 |

9.19.4 Statement of changes in convertible bonds

| | 01-01-2018 to 30-06-2018 In € 1,000 | 01-01-2017 to 31-12-2017 In € 1,000 |
|--|---|---|
| Balance as at 1 January | 5,844 | 5,786 |
| Redemptions | -/- 1,420 | - |
| Accreted interest | 23 | 58 |
| Balance as at 30 June / 31 December | 4,447 | 5,844 |

9.19.5 Analysis of other long-term liabilities

| | 30-06-2018 In € 1,000 | 31-12-2017 In € 1,000 |
|---|---------------------------------|---------------------------------|
| Secured vendor loan Real Estate Central Europe AS | 4,710 | 4,710 |
| Unsecured loan H.M. van Heijst | 2,000 | 2,000 |
| | 6,710 | 6,710 |

9.19.6 Statement of changes of other long-term liabilities

| | Secured vendor loan RECE⁶ In € 1,000 | Unsecured loan H.M. van Heijst In € 1,000 | Total 2018 In € 1,000 | Total 2017 In € 1,000 |
|--|---|---|---------------------------------|---------------------------------|
| Balance as at 1 January | 4,710 | 2,000 | 6,710 | 67 |
| Reclassification (to "Trade and other payables") | - | - | - | -/- 67 |
| Loans / payments advanced | - | - | - | 6,710 |
| Balance as at 30 June / 31 December | 4,710 | 2,000 | 6,710 | 6,710 |

⁶ RECE: Real Estate Central Europe AS (registered office in Norway).

9.20 TRADE AND OTHER PAYABLES

9.20.1 Analysis of trade and other payables

| | 30-06-2018 | 31-12-2017 |
|--|-------------------|-------------------|
| | In € 1,000 | In € 1,000 |
| Non-current part of trade and other payables | 91 | 71 |
| Current part of trade and other payables | 1,310 | 1,699 |
| | 1,401 | 1,770 |

9.20.2 Specification of trade and other payables

| | 30-06-2018 | 31-12-2017 |
|--------------------------------------|-------------------|-------------------|
| | In € 1,000 | In € 1,000 |
| Trade payables | 294 | 352 |
| Accruals | 495 | 850 |
| Interest rate swaps used for hedging | 75 | 59 |
| Interest payables | 58 | 90 |
| Administrative expenses | 479 | 419 |
| | 1,401 | 1,770 |

The decrease of the "Accruals" compared to the comparative figures is mainly caused by the paid transaction costs on sale of the investment property Drahobejlova, which has been sold during November 2017.

9.20.3 Specification of administrative expenses

| | 30-06-2018 | 31-12-2017 |
|----------------------------------|-------------------|-------------------|
| | In € 1,000 | In € 1,000 |
| Management fee | 333 | 73 |
| Performance-related remuneration | 146 | 346 |
| | 479 | 419 |

9.21 DEFERRED INCOME AND TENANT DEPOSITS

9.21.1 Analysis of deferred income and tenant deposits

| | 30-06-2018 | 31-12-2017 |
|---|-------------------|-------------------|
| | In € 1,000 | In € 1,000 |
| Non-current part of deferred income and tenant deposits | 191 | 310 |
| Current part of deferred income and tenant deposits | 332 | 327 |
| | 523 | 637 |

9.21.2 Specification of deferred income and tenant deposits

| | 30-06-2018 | 31-12-2017 |
|--|-------------------|-------------------|
| | In € 1,000 | In € 1,000 |
| Deposits received from tenants | 426 | 525 |
| Advance payments received from tenants | 69 | 86 |
| Lease incentives | 28 | 26 |
| | 523 | 637 |

9.22 CURRENT TAX LIABILITIES

9.22.1 Analysis of current tax liabilities

| | 30-06-2018 | 31-12-2017 |
|----------------------------|-------------------|-------------------|
| | In € 1,000 | In € 1,000 |
| Value Added Tax (VAT) | 105 | 109 |
| Property tax | 69 | - |
| Corporate Income Tax (CIT) | 17 | 22 |
| Withholding Tax (WHT) | 8 | 7 |
| | 199 | 138 |

9.23 FINANCIAL INSTRUMENTS

As at statement of financial position's date the Fund has contracted into the following derivatives:

| As at 30-06-2018 | | | | | |
|---------------------|------------------------------|-------------------------------------|----------------------|---------------------------|---|
| | Nominal amount In € 1,000 | Average fixed interest rate In % | Assets In € 1,000 | Liabilities In € 1,000 | Line item in the SFP where the hedging instrument is included |
| Interest rate swaps | 6,829 | 0.22 | - | 75 | Trade and other payables |
| Interest rate caps | 2,992 | 4.50 | - | - | n.a. |

| As at 31-12-2017 | | | | | |
|---------------------|------------------------------|-------------------------------------|----------------------|---------------------------|---|
| | Nominal amount In € 1,000 | Average fixed interest rate In % | Assets In € 1,000 | Liabilities In € 1,000 | Line item in the SFP where the hedging instrument is included |
| Interest rate swaps | 7,013 | 0.22 | - | 59 | Trade and other payables |
| Interest rate caps | 3,045 | 4.50 | - | - | n.a. |

9.24 CONTINGENT ASSETS

As at statement of financial position's date the Fund has the following contingent assets:

- A. The Fund has a contingent asset towards the sellers of RECE Progress Sp. z.o.o. (currently named: Arcona Capital Real Estate Trio Sp. z.o.o.) for the amount of € 500,000 (the "shares' purchase price reduction"). The shares' purchase price reduction applies if Arcona Capital Real Estate Poland Sp. z.o.o. is obliged to repay Tranche B of the secured bank loan (received from Raiffeisen Polbank for the amount of € 1,050,000) on or before the 3rd anniversary of the disbursement of Tranche B. For the obligations of Arcona Capital Real Estate Poland Sp. z.o.o. to repay Tranche B is referred to section 9.26. The shares' purchase price reduction shall take effect automatically on the date of full or partial repayment of Tranche B of the secured bank loan. In case of partial repayment of Tranche B, the share purchase price reduction will be adjusted in proportion to the Tranche B repayment. Simultaneously with the shares' purchase price reduction indicated above, the vendor loan amount towards "RECE" (see section 9.19.5) shall be reduced with the same amount.

9.25 NON-CONTINGENT LIABILITIES

As at statement of financial position's date the Fund has the following non-contingent liabilities:

- A. Arcona Capital Real Estate Trio Sp. z.o.o. has a non-contingent liability towards the lessor with regard to the land lease of 3 investment properties (Bydgoszcz, Lodz and Torun). The main conditions are as follows:
- Bydgoszcz: land lease agreement for a plot of 4,862 m² till 16 January 2025 with a land lease fee of PLN 249,000 (€ 59,000) per annum;
 - Lodz: land lease agreement for a plot of 4,998 m² till 1 November 2029 with a land lease fee of PLN 254,000 (€ 60,000) per annum;
 - Torun: land lease agreement for a plot of 7,262 m² till 30 June 2030 with a land lease fee of PLN 276,000 (€ 65,000) per annum.

As at statement of financial position's date the Fund was not subject to any further contractual obligations concerning investments, repairs, maintenance or other non-contingent liabilities that will be settled in a following financial period.

9.26 CONTINGENT LIABILITIES

As at statement of financial position's date the Fund has the following contingent liabilities:

- A. Arcona Capital RE Bohemia s.r.o. has a contingent liability for the amount of CZK 6,133,000 (€ 236,000) towards the buyer of the investment property Štefánikova with regard to rent received in advance by Arcona Capital RE Bohemia s.r.o. for usage of the parking places (free of payment) by the lessee of Štefánikova. Based on the agreement (2012) the buyer of Štefánikova will pay the taxes with regard to this rent;
- B. Arcona Capital Real Estate Poland Sp. z.o.o. has a contingent liability towards Raiffeisen Polbank with regard to Tranche B of the secured bank loan for the amount of € 1,050,000 relating to the investment property "Graniczna", which is currently not leased to tenants. Tranche B has to be repaid together with Tranche A (based on 20-year amortisation of the loan) after their consolidation on the 2nd anniversary of disbursement (December 2018) when:
- the investment property should be commercialized and new valuation of the investment property results in a minimum "LTV" of 65% based on concluded lease agreements;
 - "DSCR" for the tranche B is at minimum 1,20 x calculated on headline rents;
 - all other covenants for the loan are met (verification forward-looking).
- If the above conditions have not been met by the 2nd anniversary of disbursement (December 2018), tranche B is to be repaid in instalments from December 2018 to 30 November 2019;
- C. The Fund has a contingent liability towards the sellers of RECE Progress Sp. z.o.o. (currently named: Arcona Capital Real Estate Trio Sp. z.o.o.) for the maximum amount of € 1,500,000 (the "shares' purchase price increase").
- The shares' purchase price increase applies if:
- Arcona Capital Real Estate Poland Sp. z.o.o. refinances the secured bank loan of Raiffeisen Polbank by 12 December 2022; or
 - the Fund sells any of the 11 owned properties obtained through Arcona Capital Real Estate Poland Sp. z.o.o. and Arcona Capital Real Estate Trio Sp. z.o.o. (the acquisition of the 11 properties hereinafter mentioned as: ("RECE")); or
 - the Fund sells any part of the shares of Arcona Real Estate Trio Sp. z.o.o. by 12 December 2022.

The shares' purchase price will be increased by the amount equal to 50% of the positive difference between (I) the net proceeds gained from the loan amount utilized to the Fund under the refinancing documents (net of any fees paid to the refinancing bank, legal costs, valuation costs, breakage costs to existing bank etc.), and (II) the outstanding amount of the secured bank loan;

or on the event of the sale of the owned properties obtained through "RECE" or shares of Arcona Capital Real Estate Trio Sp. z.o.o. the difference between (I) the net proceeds gained from the sale of any of the owned properties obtained through "RECE" or shares of Arcona Capital Real Estate Trio Sp. z.o.o., and (II) the relevant part of the net consideration.

In the event of refinancing referred to above, the "shares' price increase" shall take effect automatically on the date the refinanced amount is utilized to the Fund ("refinancing date").

In the event of the sale referred to above, the "shares' price increase" will take place on the earlier of:

- on the day of the sale of the last of the owned properties obtained through “RECE” or the last of the shares of Arcona Capital Real Estate Trio Sp. z.o.o.;
- or by 12 December 2022 (“sale settlement date”).

The payment of the relevant “shares’ purchase price increase” shall be made within 14 business days from the “refinancing date” or the “sale settlement date”.

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

9.27 PROPERTY OPERATING EXPENSES

| | 01-01-2018 to 30-06-2018 In € 1,000 | 01-01-2017 to 30-06-2017 In € 1,000 |
|--|--|--|
| Property management | 301 | 289 |
| Asset management | 323 | 296 |
| Maintenance expenses in respect of investment properties | 398 | 351 |
| Taxes on investment properties | 181 | 163 |
| Land lease | 92 | 68 |
| Commission fees | 33 | 36 |
| Insurance premiums | 26 | 23 |
| Other property operating expenses | 9 | 5 |
| | 1,363 | 1,231 |

9.28 FINANCIAL INCOME

| | 01-01-2018 to 30-06-2018 In € 1,000 | 01-01-2017 to 30-06-2017 In € 1,000 |
|--|--|--|
| Released from “Reserve for currency translation differences” | 139 | 33 |
| Change in fair value of derivatives | - | 70 |
| Trade interest | 22 | - |
| Interest income on held bank balances and deposits | 1 | - |
| Other exchange and currency translation results | - | 20 |
| | 162 | 123 |

9.29 OTHER OPERATING INCOME

| | 01-01-2018 to 30-06-2018 In € 1,000 | 01-01-2017 to 30-06-2017 In € 1,000 |
|--|--|--|
| Early termination of rent contracts | 81 | - |
| Penalty interest and fees | 3 | 10 |
| Other operating income | 2 | 8 |
| | 86 | 18 |
| Transfer tax on acquisition of immovable property previous years | - | 29 |
| | 86 | 47 |

9.30 ADMINISTRATIVE EXPENSES

9.30.1 Management fee

This is the total fee received by the Managing Board (Arcona Capital Fund Management B.V.) for the Management it performs. The total Management fee consists of the Fund Management fee as well as the Asset Management fee. The calculation of the Management fee is equal to that is described in the financial statements 2017 section 12.65.2 "Management fee".

9.30.2 Specification Management fee

| | 01-01-2018 to 30-06-2018 In € 1,000 | 01-01-2017 to 30-06-2017 In € 1,000 |
|---|--|--|
| Management fee | 671 | 615 |
| Asset Management fee Arcona Capital Czech Republic s.r.o. | -/- 233 | -/- 236 |
| Asset Management fee Arcona Capital Poland Sp. z.o.o. | -/- 90 | -/- 60 |
| | 323 ⁷ | -/- 296 |
| Fund Management fee (Arcona Capital Fund Management B.V.) | 348 | 319 |

9.30.3 Performance-related remuneration

The Managing Board is entitled to performance-related remuneration dependent on the Fund's total annual return. The calculation of the performance-related remuneration is equal to what is described in the financial statements 2017 section 12.65.4 "Performance-related remuneration".

For the financial period 2018 the Managing Board received no performance-related remuneration (2017:€ 346,000).

⁷ See also section 9.27 "Property operating expenses".

9.31 OTHER OPERATING EXPENSES

9.31.1 Specification of other operating expenses

| | 01-01-2018 to 30-06-2018 In € 1,000 | 01-01-2017 to 30-06-2017 In € 1,000 |
|----------------------------------|--|--|
| Costs of service providers | 479 | 334 |
| Other operating expenses | 82 | 64 |
| | 561 | 398 |
| Costs of funding and acquisition | - | 27 |
| | 561 | 425 |

9.31.2 Analysis of costs of service providers

| | 01-01-2018 to 30-06-2018 In € 1,000 | 01-01-2017 to 30-06-2017 In € 1,000 |
|-------------------------------------|--|--|
| Consultancy fees | 116 | 103 |
| Accounting expenses | 120 | 88 |
| Audit fees | 48 | 34 |
| Supervisory Board fees | 14 | 14 |
| Marketing expenses | 68 | 15 |
| Custody fees | 30 | 25 |
| Listing, Paying and Fund Agent fees | 12 | 11 |
| Appraisal expenses | 11 | - |
| Supervisors' expenses | 12 | 12 |
| Insurance AIFMD | 18 | 9 |
| Court fees | 5 | - |
| Other costs of service providers | 43 | 23 |
| | 497 | 334 |
| Reimbursement of court fees | -/- 18 | - |
| | 479 | 334 |

9.31.3 Analysis of other operating expenses

| | 01-01-2018 to 30-06-2018 In € 1,000 | 01-01-2017 to 30-06-2017 In € 1,000 |
|--|--|--|
| Non-refundable Value Added Tax | 52 | 42 |
| Change in provision for doubtful receivables | 6 | -/- 4 |
| Irrecoverable trade receivables | 21 | 21 |
| Wages and salaries statutory directors | 3 | 5 |
| | 82 | 64 |

9.31.4 Transaction costs

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

The analysis of identifiable and quantifiable transaction costs on purchase and sale of investments during the financial period is as follows:

| | 01-01-2018 to 30-06-2018 In € 1,000 | 01-01-2017 to 30-06-2017 In € 1,000 |
|--|--|--|
| Transaction costs on purchase of investments | - | 27 |
| Transaction costs on sale of investments | - | - |
| | - | 27 |

9.32 FINANCIAL EXPENSES

| | 01-01-2018 to 30-06-2018 In € 1,000 | 01-01-2017 to 30-06-2017 In € 1,000 |
|---|--|--|
| Interest expense on secured bank loans | 560 | 551 |
| Interest expense on convertible bonds | 181 | 214 |
| Interest expense on other long-term liabilities | 84 | 18 |
| Interest expense on financial instruments | 21 | 18 |
| Other exchange and currency translation results | 23 | - |
| Change in fair value of derivatives | 18 | - |
| Withholding Tax on intercompany loans | 8 | 19 |
| Other financial expenses | 9 | 3 |
| | 904 | 823 |

9.33 EARNINGS PER SHARE⁸

9.33.1 Calculation of basic earnings per share

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

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

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

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

| | 01-01-2018 to 30-06-2018 In € 1,000 | 01-01-2017 to 30-06-2017 In € 1,000 |
|---------------------------------|--|--|
| Profit for the financial period | 570 | 2,199 |

9.33.3 Weighted average number of outstanding shares (basic)

| | 01-01-2018 to 30-06-2018 In pieces | 01-01-2017 to 30-06-2017 In pieces |
|---|---|---|
| Issued shares as at 1 January | 3,165,149 | 3,165,149 |
| Effect on issued shares during the financial period | - | - |
| | 3,165,149 | 3,165,149 |

9.33.4 Calculation of diluted earnings per share

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

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

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

| | 01-01-2018 to 30-06-2018 In € 1,000 | 01-01-2017 to 30-06-2017 In € 1,000 |
|--|--|--|
| Profit for the financial period | 570 | 2,199 |
| Interest expense on convertible bonds (net of tax) | 181 | 214 |
| | 751 | 2,413 |

⁸ The earnings per share includes the ordinary and registered shares.

9.33.6 Weighted average number of shares outstanding (diluted)

| | 01-01-2018 to 30-06-2018 In pieces | 01-01-2017 to 30-06-2017 In pieces |
|---|---|---|
| Weighted average number of shares outstanding during the period (basic) | 3,165,149 | 3,165,149 |
| Effect on conversion of convertible bonds | 576,580 | 696,849 |
| | 3,741,729 | 3,861,998 |

The diluted earnings per share are calculated in accordance with the calculation of the basic earnings per share.

9.34 RISK MANAGEMENT

9.34.1 General

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

The Fund's investment activities result in exposure to various risks, as also defined in the prospectus, the Registration Document dated 19 October 2016 in conjunction with the Security Note dated 28 October 2016, as well in the financial statements 2017 section 12.72 "Risk Management". As at statement of financial position's date the exposure to the risks, as described in the financial statements 2017, deviates not materially from their exposure as at 31 December 2017.

9.35 RELATED PARTIES

9.35.1 Identity of related parties

With regard to the Fund the following categories of related parties were identified during the financial period:

- I. Managers in key positions;
- II. Major investors (more than 20% voting rights);
- III. All organisational entities within the group designated as Arcona Capital;
- IV. Investment trusts, investment funds and other investment companies which are managed by an entity belonging to Arcona Capital;
- V. Investments undertaken by Arcona Capital, in which Arcona Capital has significant influence (more than 20% of voting rights).

9.35.2 Transactions with and / or interests of managers in key positions (I)

During the financial period the Fund entered into the following transactions with the managers in key positions:

- A. The Managing Board of Arcona Capital Fund Management B.V. decided to reduce its own Management fee by an amount equivalent to the Asset Management fees paid by the Fund (and / or its subsidiaries) to Arcona Capital Czech Republic, s.r.o. for the amount of € 233,000 (30 June 2017: € 236,000);
- B. The Managing Board of Arcona Capital Fund Management B.V. decided to reduce its own Management fee by an amount equivalent to the Asset Management fees paid by the Fund (and

/ or its subsidiaries) to Arcona Capital Poland Sp. z.o.o. for the amount of € 90,000 (30 June 2017: € 60,000).

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

Personal interests of members of the Managing and Supervisory Board are defined in section 10.1 “Personal interests”.

The remuneration for the Managing Board is described in section 9.30 “Administrative expenses”.

The remuneration for the Supervisory Board and the remuneration for the statutory directors are described in section 9.31.2 “Analysis costs of service providers” and 9.31.3 “Analysis of other operating expenses”.

9.35.3 Specification major investors⁹

| | Type of share | Directly real voting rights In % | Indirectly real voting rights In % | Directly potential voting rights In % | Total In % |
|---------------------------|-------------------|---|---|--|---------------|
| H.M. van Heijst | Ordinary shares | 4.70 | 17.24 ¹⁰ | n.a. | 21.94 |
| | Convertible bonds | n.a. | n.a. | 11.05 | 11.05 |
| Stichting Prioriteit MERE | Priority shares | 100.00 | n.a. | n.a. | 100.00 |

The voting rights are based on information in the Register substantial holdings and gross short positions of the Dutch Authority for the Financial Markets (Stichting Autoriteit Financiële Markten, the “AFM”), as mentioned as at statement of financial position’s date.

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

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

| Name of major investor | Kind of transaction | 01-01-2018 to 30-06-2018 | | 30-06-2018 |
|------------------------|---|--|--|--|
| | | Amount of transaction during financial period In € 1,000 | Outstanding amount (face value) In € 1,000 | Outstanding amount (face value) In € 1,000 |
| H.M. van Heijst | Providing private unsecured loan | - | - | 2,000 |
| H.M. van Heijst | Payable Interest private unsecured loan | 60 | - | 2 |
| H.M. van Heijst | Providing convertible bonds | - | - | 3,000 |
| H.M. van Heijst | Payable interest convertible bonds | 107 | - | 27 |

⁹ Major investors: more than 20% voting rights.

¹⁰ Through “Stichting Value Partners”.

| 01-01-2017 to 30-06-2017 | | | 31-12-2017 |
|--------------------------|---|---|---|
| Name of major investor | Kind of transaction | Amount of transaction during financial period In € 1,000 | Outstanding amount (face value) In € 1,000 |
| H.M. van Heijst | Providing private unsecured loan | 2,000 | 2,000 |
| H.M. van Heijst | Payable interest private unsecured loan | 2 | 2 |
| H.M. van Heijst | Providing convertible bonds | - | 4,420 |
| H.M. van Heijst | Payable interest convertible bonds | 136 | 136 |

9.35.5 Transactions with other related parties III-IV-V)

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

| 01-01-2018 to 30-06-2018 | | | | 30-06-2018 |
|--------------------------------------|-------------------------|--------------------|---|----------------------------------|
| Name of other related party | Kind of transaction | Other information | Amount of transaction during financial period In € 1,000 | Outstanding amount In € 1,000 |
| Arcona Capital Czech Republic s.r.o. | Asset Management fee | - | 233 | - |
| Arcona Capital Poland Sp. z.o.o. | Asset Management fee | - | 90 | - |
| | | | 323 | - |
| Arcona Capital Poland Sp. z.o.o. | Property Management fee | - | 14 | - |
| Arcona Capital Czech Republic s.r.o. | Advisory services | - | 8 | - |
| Several | Rental income | 268 m ² | 23 | - |
| Statutory directors | Wages and salaries | - | 3 | - |

| 01-01-2017 to 30-06-2017 | | | | 31-12-2017 |
|--------------------------------------|----------------------|--------------------|---|----------------------------------|
| Name of other related party | Kind of transaction | Other information | Amount of transaction during financial period In € 1,000 | Outstanding amount In € 1,000 |
| Arcona Capital Czech Republic s.r.o. | Asset Management fee | - | 236 | - |
| Arcona Capital Poland Sp. z.o.o. | Asset Management fee | - | 60 | - |
| | | | 296 | - |
| Arcona Capital Czech Republic s.r.o. | Advisory services | - | 12 | - |
| Several | Rental income | 268 m ² | 24 | - |
| Statutory directors | Wages and salaries | - | 5 | - |

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

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

- Middle Europe Opportunity Fund II N.V. (MEOF II) directly holds investments in companies in which the Fund also holds investments. The following table shows the percentages the Arcona Capital managed companies hold of the outstanding shares in the companies as at statement of financial position's date:

| Company | MEOF II | The Fund | Total |
|---------------------------|----------------|-----------------|--------------|
| | In % | In % | In % |
| Yellow Properties, s.r.o. | 95.0 | 5.0 | 100.0 |

Yellow Properties, s.r.o. is a Czech limited company which undertook a property development. As at statement of financial position's date all properties are sold (31 December 2017: all properties are sold).

9.35.7 Agreements with related parties

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

9.36 EVENTS AFTER STATEMENT OF FINANCIAL POSITION'S DATE

The following material events after statement of financial position's date have occurred:

- A. On 10 August 2018 the Fund has reached agreement with Intive about extending the existing office rental contract in the MARIS building, a modern office building in the center of Poland's seventh city, Szczecin. Intive will start renting 450 m² extra with effect from 1 January 2019 for a period of five years, bringing the total rented surface to 2,700 m².
- B. On 8 August 2018 the Fund has introduced the new brand TUŹ TUŹ for one of its eleven shopping centres in Poland as part of its growth strategy and expansion in Poland.

No further material events have occurred after the date of the financial position.

9.37 ESTIMATES AND FORMATION OF AN OPINION BY THE MANAGEMENT

The Managing Board has discussed with the Supervisory Board the development and choice of, and the provision of information on, the critical principles of financial reporting and estimates, as well as the application of those principles and estimates.

The major sources of uncertainty in estimates are as follows:

- A. Development of rents;
- B. Capitalisation factor for transactions;
- C. Market rents per type of property;
- D. Property prices.

In section 9.10.3 “Valuation of investment properties” the critical assessments by the Managing Board in applying the Fund’s principles of the valuation of the investment properties are stated.

Amsterdam, 30 August 2018

The Managing Board:

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

*G.St.J. Barker LLB FRICS
Managing Director*

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

*H.H. Visscher
Managing Director*

The Supervisory Board:

*H.H. Kloos RBA
Chairman*

B. Vos M.Sc.

10 OTHER INFORMATION

10.1 PERSONAL INTERESTS

During the financial period neither the Managing Board nor the Supervisory Board held interests in investments by the Fund, except for B. Vos M.Sc. who had 4,400 ordinary shares (31 December 2017: 4,400) in private possession and 4,562 ordinary shares (31 December 2017: 4,562) in possession through Bas Vos B.V.

As at statement of financial position's date Arcona Capital GmbH held 26,991 registered shares (31 December 2017: 26,991) in the Fund. G.St.J. Barker LLB FRICS and T.K. Rauh are the ultimate beneficial owners (UBOs) of Arcona Capital GmbH.

10.2 INDEPENDENT AUDITOR'S REPORT

The information in these consolidated interim financial statements has not been audited by an expert pursuant to article 393, Part 9 of Book 2 of the Dutch Civil Code (auditor's report).