



ARCONA CAPITAL
REAL ESTATE INVESTMENT MANAGEMENT

General Meeting

Arcona Property Fund N.V.

27 June 2023 | 15:00



1. Opening;
2. Report of the management board for the 2022 financial year;
3. Current matters;
4. Adoption of the annual accounts for 2022 and allocation of the result;
[voting item]
5. Discharge of the Management Board;
[voting item]
6. Discharge of the Supervisory Board;
[voting item]
7. Proposal to reduce the issued capital;
[voting item]
8. Any other items;
9. Closure.

1. Opening

Major events in 2022:

- ▶ **Disposition** of non-core real estate: Sale of Pražská 2 and Pražská 4 office buildings in Košice, Slovakia and the Šujanovo náměstí 3 building in Brno, Czech Republic;
- ▶ **Expansion** of real estate portfolio into Romania: Acquisition of the EOS building and a 24.35% stake in the Delenco office in Bucharest;
- ▶ **Refinancing**: Repayment (finalized Jan 2023) of the Alpha Bank loan in Bulgaria by several investor loans at Fund level;
- ▶ **Stabilizing**: Coping with the challenges resulting from the Russian invasion of Ukraine, leading to valuation write-downs of two land plots in Ukraine;
- ▶ Start of the **share buy-back** programme.

2. Report FY 2022 | Key highlights

Operational performance

- ▼ **Net Rental income** **up** to € 3.82m, from € 3.68m end 2021;
- ▼ **Occupancy** **down** to 88.6%, from 90.3% end of 2021;
- ▼ **Adjusted Earnings p.s.** according to APM **up** to € 0.11, from € -/- 0.33 end 2021.

Financial performance

- ▼ **Loan maturity** **stable** by more than a year, at 3.21 years;
- ▼ **Total debt** **down** to € 36.1m from € 36.8m end of 2021;
- ▼ **Weighted average interest rate** **up** to 5.49%, from 4.15% (2021);
- ▼ **Valuation result** **down** to € -/- 3.94m, from € 3.03m in 2021.

Balance sheet management

- ▼ **Loan-to-Value ratio***¹ **down** to 41.1 %, from 42.2% end of 2021;
- ▼ **Ongoing Charge Figure** excl. one off **down** to 7.61%, from 9.31%;
- ▼ **Sales and acquisitions:**
 - Non-core asset sales: € 8.9m of sales;
 - Core asset acquisitions: € 9.4m total FV component value.

*¹ adjusted for refinanced Alpha Bank just after end 2022 loan

2. Report FY 2022 | Achievements & Challenges



Achievements

- ▶ Sold non-core assets for € 8.9m, surpassing valuations of € 7.4m;
- ▶ Demonstrated operational resilience following the Russian invasion of Ukraine;
- ▶ Achieved a 5% increase in net income;
- ▶ Successfully maintained loan-to-value ratios, 41.1% at end 2022;
- ▶ Anticipating a positive solution arising from the bankruptcy of Sberbank CZ.

Challenges

- ▶ Higher debt service due to strong interest rate increases;
- ▶ Lower valuation result due to (in)direct effects from the Ukrainian invasion;
- ▶ Cost inflation and increasing interest rates.

2. Report FY 2022 | Balance sheet



Assets (in € 1,000)	31-12-22	31-12-21	Liabilities (in € 1,000)	31-12-22	31-12-21
Land and buildings	73,183	79,973	Share capital	43,112	38,104
Other assets	1,022	654	Revaluation reserve	7,911	8,725
Deferred tax	432	605	Other reserves	10,230	9,251
Fixed assets	74,637	81,232	Retained earnings	-/- 14,738	-/- 9,677
			Equity	46,515	46,403
Assets held for sale	6,777	4,550			
Other current assets	4,065	3,040	Bank loan	17,213	30,597
Cash and liquidity	4,740	1,744	Deferred Taxation	3,567	3,514
Current assets	15,582	9,334	Long-term debt	20,780	34,111
			Short-term loans	22,924	10,052
Total assets	90,219	90,566	Total equity & liabilities	90,219	90,566

2. Report FY 2022 | Income statement

(In € 1,000)	2022	2021	delta
Operating rental and service income	8,598	9,176	-/- 578
Operational and service costs	4,407	5,166	-/- 759
Net rental income	4,191	4,010	181
Net sales and valuation result	-/- 4,645	+ 1,949	-/- 6,594
Other (financial) income	775	1,145	-/- 370
Total operating income	321	7,104	-/- 6,783
Total operating expenses (costs)	2,053	1,929	124
Net result before financing costs	-/- 1,732	5,175	-/- 6,907
Financing charges	2,208	2,150	58
Result for tax	-/- 3,940	3,025	-/- 6,965
Tax	410	-/- 109	519
Result after tax	-/- 4,350	3,134	-/- 7,484

2. Report FY 2022 | Net valuation & IFRS-effect



(In € 1,000)	2022	2021	delta
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Operational and service costs	4,407	5,166	-/- 759
Net rental income	4,191	4,010	181
Net sales and valuation result	-/- 4,645	+ 1,949	-/- 6,594

Break down net sales and valuation result	(%)	Per share (€)
1. Loss from Net Fair Value (excl. Ukraine)	26.2	0.29
2. Writedowns in Ukraine	43.7	0.48
3. (downwards) IFRS Adjustment on Boyana Apartments	30.1	0.33

3. Current matters | After balance sheet date

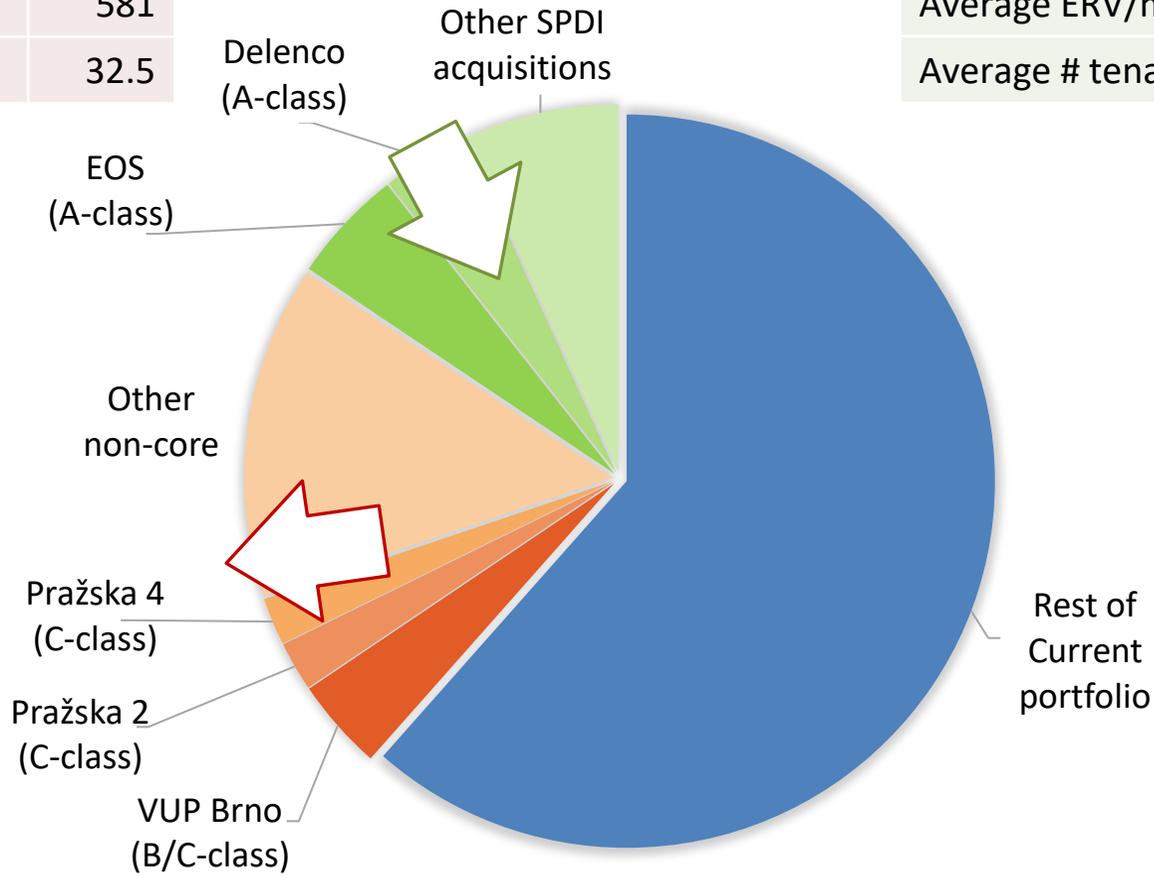
Trading update H1 2023:

- ▶ The Fund concluded its initial share repurchase programme on 15 March 2023;
- ▶ The Fund successfully refinanced the Boyana Residences project in Bulgaria;
- ▶ The sale of Sberbank CZ loan book to Česká Spořitelna was completed on 4 April 2023;
- ▶ Boyana Residence sales highlights:
 - Total sale proceeds now exceed € 2.85m;
 - Two provisional purchase contracts signed for € 670,000;
 - Apartments are being sold above the appraisal value.

3. Current matters | Sales and acquisitions (since 2020)

Sales since 2020	
Average Fair Value (m €)	3.2
Average ERV/m ² (€)	581
Average # tenants	32.5

Acquisitions in 2022	
Average Fair Value (m €)	4.7
Average ERV/m ² (€)	1,595
Average # tenants	3

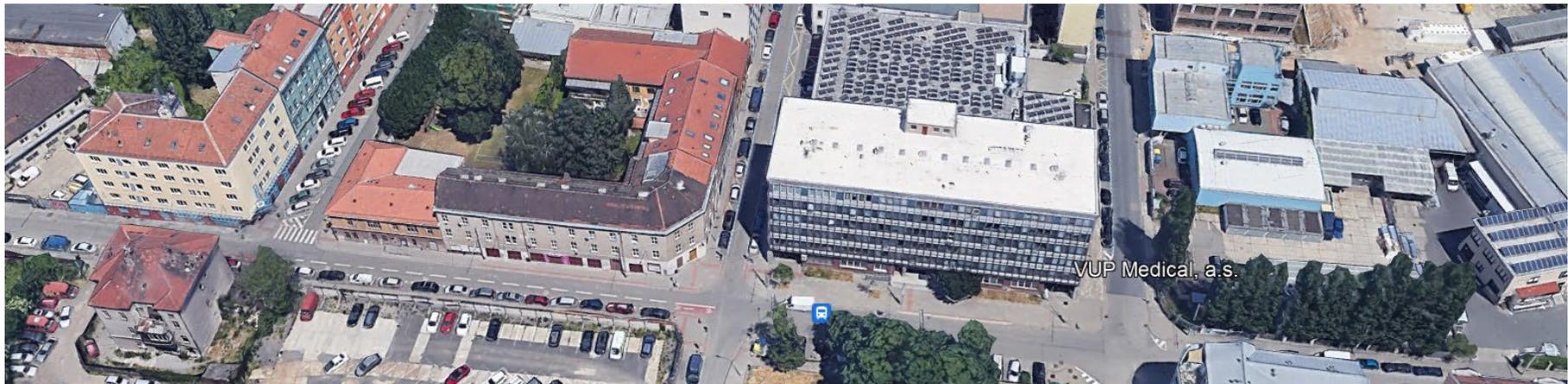


3. Current matters | Sale of non-core asset VUP

- ▶ On August 18, 2022 the sale of Šujanovo náměstí 3 (VUP) was announced;
- ▶ Sale price of CZK 106.8m (€ 4.32m) was **36% above** the latest appraised value;
- ▶ A portion of the net sales proceeds were used for the share repurchase programme;
- ▶ Lettable area 4,655 m².



VUP office

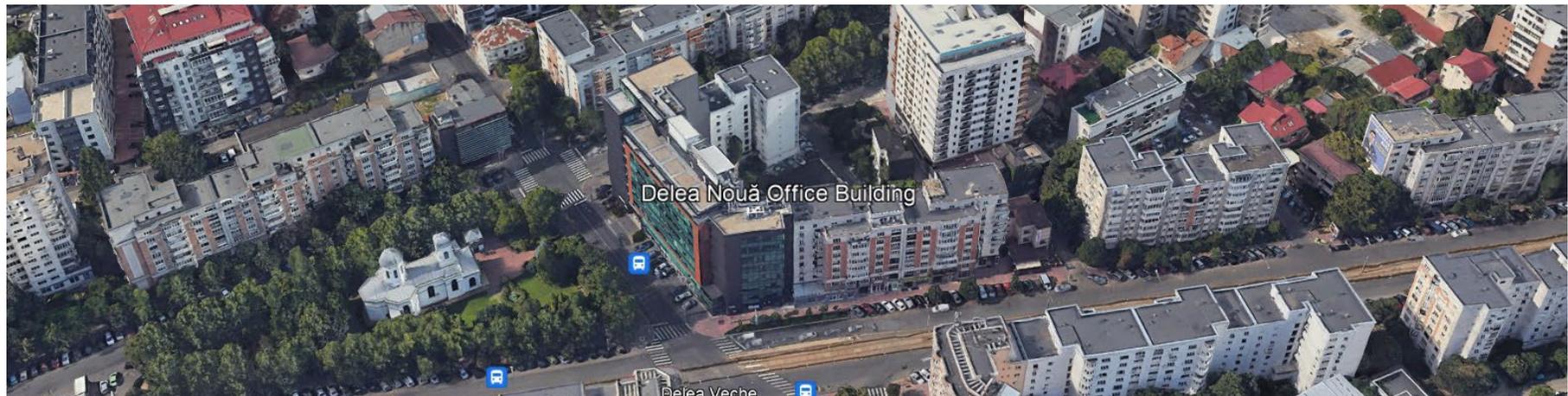


3. Current matters | Acquisition SPDI assets

- ▼ On **June 17, 2022**, the Fund completed the acquisition. The total stake is 24.35%;
- ▼ The appraised value of the stake is € 4,078,000.
- ▼ Headquarters ANCOM Romania;
- ▼ Centre of Bucharest;
- ▼ Lease until 2028;
- ▼ 10,375 m² lettable area.



DELENCO office



3. Current matters | Acquisition SPDI assets

- Acquired 17 June 2022 the EOS office in Bucharest;
- Fully let** as headquarter to **Danone** Romania;
- Lease until May 2026;
- 3,386 m² lettable area.



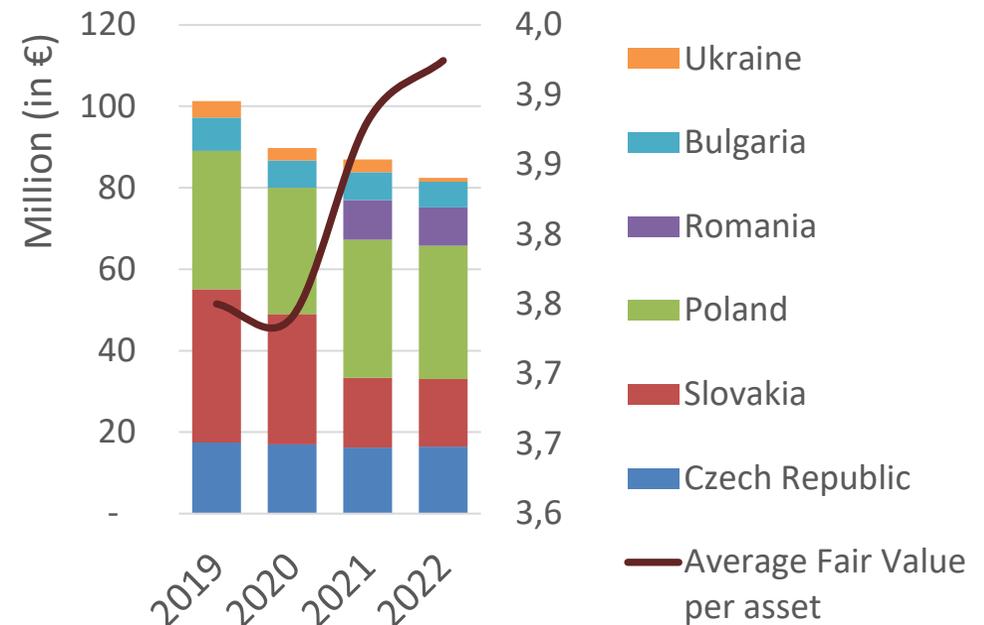
EOS office



3. Current matters | Portfolio Overview



Total Fair Value (TFV) of real estate



contains 1 non-core asset
 contains 3 non-core assets
 contains 2 non-core assets
 contains 1 non-core asset

- Czech Republic 3 assets 20.0% from TFV
 - Slovakia 2 assets 20.1% from TFV
 - Poland 11 assets 39.7% from TFV
 - Ukraine 2 assets 1.2% from TFV
 - Bulgaria 1 asset 7.6% from TFV
 - Romania 2 assets 11.4% from TFV
- 100.0%

3. Trading update | Property in Bratislava for sale

- ▶ Arcona Property Fund N.V. put the property Záhradnícka 46, in Bratislava up **for sale**;
- ▶ Valuation 2022 was € 3,786,000;
- ▶ The property has residential **redevelopment potential**. Obtaining all permits is challenging;
- ▶ Proceeds will be used for **reversed book building**.



- ▶ Záhradnícka 46, Bratislava
- ▶ 59 parking places
- ▶ 3,755 m² lettable area



3. Trading update | Sale of part of Boyana Residence

- ▶ The Fund is **successfully selling** separate plots and apartments in H1 2023;
- ▶ Apartments are sold **above valuation**;
- ▶ The proceeds will be used for:
 - Renovation of the remaining apartments, which will then be sold;
 - Install the investor loans;
 - The rest of the proceeds can be used for the reversed book building.



- ▶ Boyana Residences
- ▶ 22,440 m² plot
- ▶ Residential apartments



3. Trading update | Leaseholds held for sale

- ▶ Three leasehold supermarkets with a total appraised value of € 6.6m;
- ▶ Sales programme launched Q1 2023;
- ▶ Bids expected this week on Torun and Lodz and negotiations underway with freeholder on Bydgoszcz;
- ▶ Sales proceeds will initially be used to clear the loan secured against the assets, which is now slightly below € 2m.



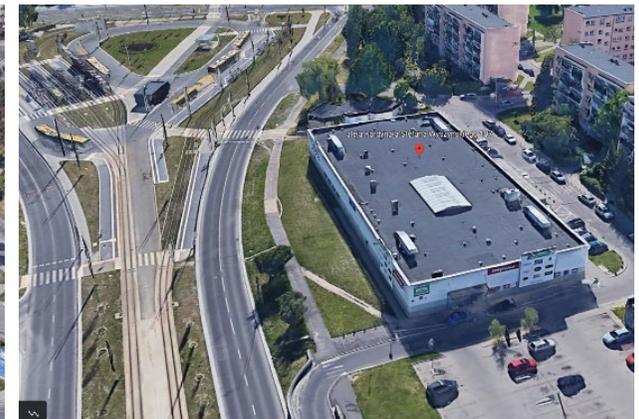
216 Legionow St., Torun

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



20 Grzymaly Siedleckiego St., Bydgoszcz

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



107 Kardynala Wyszynskiego St., Lodz

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

3. Trading update | Share Buy-Back programme

- ▶ The Fund has **completed its six-month share buy-back programme**, which ran from September 15, 2022, to March 15, 2023.
- ▶ Throughout this period, the company repurchased a total of 60,976 shares at an average purchase price of € 6.43, amounting to a total expenditure of € 392,050.

3. Outlook | Focus for second half 2023

- ▶ **Finalize sale of several non-core assets** in Bulgaria, Slovakia and Poland to generate cash and improve portfolio structure;
- ▶ **Improve occupancy** in Polish and Slovak office portfolio and so improve financial position and improve sale prospects (e.g. Letna 45);
- ▶ **Start reversed book building process** with the net sale proceeds of :
 - Apartments and land of Boyana Residence;
 - The 3 leasehold properties in Poland;
 - The property in Bratislava.

3. Outlook | Fund outlook 2023

- ▶ **Interest Rate Trajectories** Perception that 2023 will see the peak of the current rate cycle and an easing of loan conditions, enhancing net financial returns and improving market sentiment.
- ▶ **Disposal programme of non-core assets:**
 - Continuation of the disposal programme of non-core assets across the Central European region. Generate up to € 10m in net proceeds from asset sales during 2023;
 - Operational performance expected to remain robust with strong occupancy levels and rising rents.

3. Outlook | Sberbank CZ situation

▶ Initial Circumstance

- Since Feb 28, 2022, ACREB's bank accounts with Sberbank CZ blocked, freezing approx. € 400,000;
- € 100,000 government guarantee paid out to ACREB.

▶ Sale and Transition

- Sberbank CZ loan book sold to Česká Spořitelna on April 4, 2023;
- CZK 47.1 billion loan book acquired for CZK 41.053 billion.

▶ Future Projections

- Sberbank CZ's loan portfolio transfer to Česká Spořitelna anticipated to conclude in 2023;
- 100% recovery of outstanding deposit balance and mortgage loan transfer to Česká Spořitelna expected.

3. Outlook | Reversed Book Building Process

▶ Expected timeline and structure of the programme:

- Q3/Q4 2023: Further sales of non-core assets in Slovakia, Poland, and Bulgaria.
- Q4 2023: A minimum of **€ 2m** will be allocated to fund the first tranche of the reversed book building programme;
- Following the sale of additional non-core property in Q4 2023 and Q1 2024, a second tranche of the reversed book building programme will be launched.

- ▶ The Managing Board and the Supervisory Board are of the view that a controlled sale and reversed book building programme is the best option for the (current) shareholders considering:
- It **creates liquidity** for the Fund and the shareholders;
 - It **creates value** for non-selling shareholders;
 - This strategy **creates the environment for**:
 - refinancing of remaining loans;
 - further optimization of the real estate portfolio;
 - further increases in share price.

4. Adoption | of the financial statements 2022

Voting item

-  The Management Board proposes to adopt the annual accounts of Arcona Property Fund N.V. for 2022 and to deduct the result from the reserves.

5. Discharge | for the Management

▶ Voting item

▶ Discharge from liability of the Management Board for its management.

6. Discharge | for the Supervisory Board

Voting item

-  Discharge from liability of the members of the Supervisory Board for their supervision.

7. Proposal | To reduce issued capital

▶ Voting item

- ▶ The proposal includes the cancellation of 60,976 APF shares as repurchased by the Company during the first phase of the share repurchase programme

8. Any other items

9. Closure & Disclaimer



Disclaimer:

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- ▶ According to the Share Purchase Agreement signed in 2021, Arcona Property Fund N.V. will buy **two land plots in Kiev**, Ukraine;
- ▶ The total value (according to an external valuation) end of 2021:
 - ▶ Kyianovskiy Lane | Central Kiev | 5,445 m² | € 1.074 million;
 - ▶ Rozhny site | 40km northeast of Kiev | 42.3 hectares | € 0.895 million;
- ▶ Transfer of plots is pending; SPDI fulfilled all precompletion obligations
- ▶ Share purchase agreement states plots will be **re-valued** and acquired for **current market value**.
- ▶ The contract has specific conditions which should protect Arcona Property Fund's position.

▶ Arcona Property Fund owns two plots of land in Ukraine:

- Odessa plot is 223,934 m² (logistic).
- End 2022 value was **€ 1.0 million**.

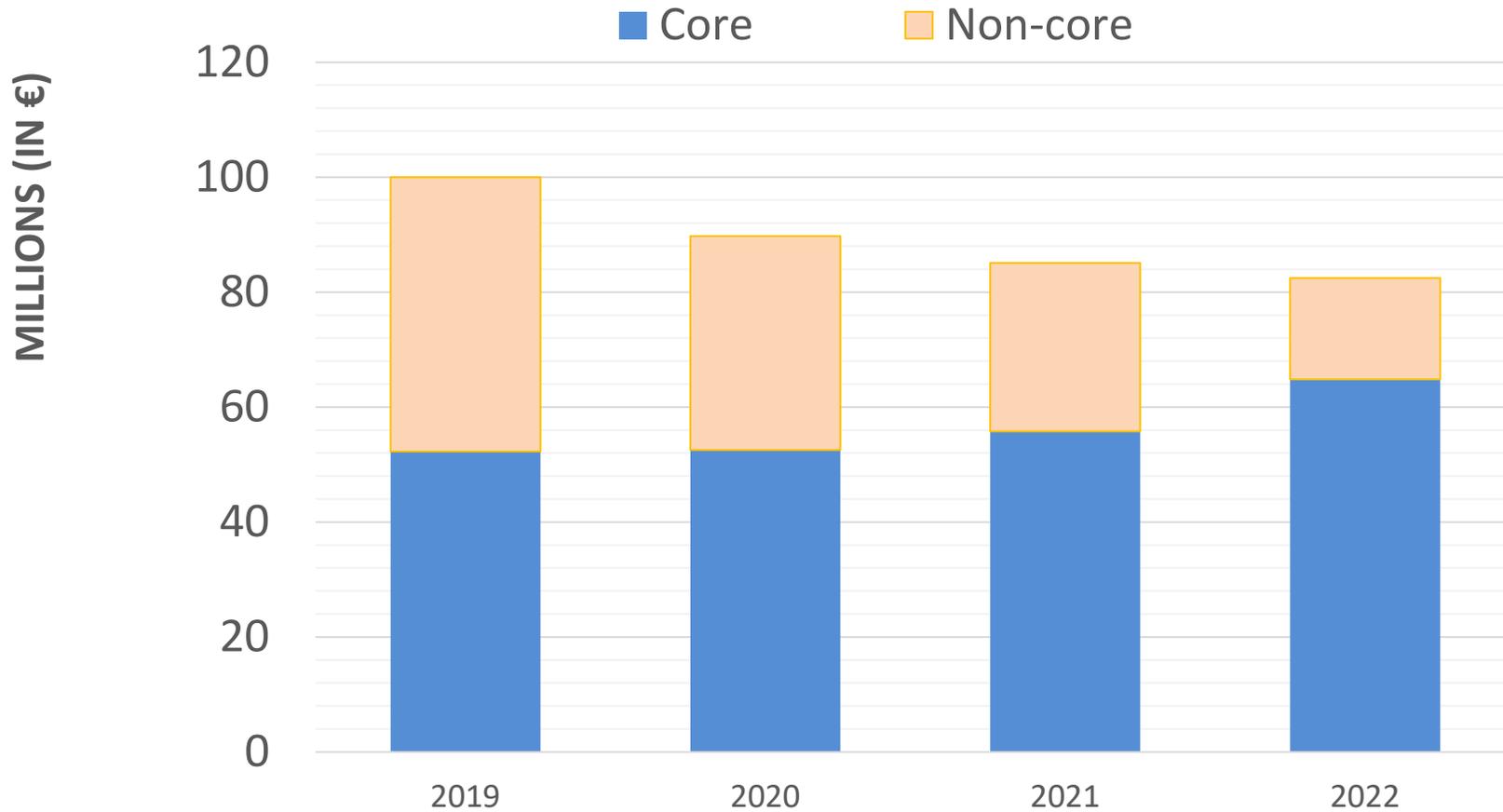
▶ Zaporozhzhia plot is 263,834 m² (retail).

- End 2022 value was **nihil**.



▶ Management will continue to review the value depending on the developments in Ukraine.

ANNEX | Real Estate portfolio structure



ANNEX | Interest bearing loans

