ARCONA PROPERTY FUND N.V.

ANNUAL REPORT 2023

Boyana Residence in Sofia, Bulgaria

CONTENTS

KEY FIGURES

REVENUES AND EARNINGS

	2023	2022	Change
Gross rental and service charge income (in EUR 1,000)	9,084	8,598	486
Net rental and related income (in EUR 1,000)	4,582	4,191	391
Direct result before tax (in EUR 1,000)[1]	201	637	-/- 436
Indirect result before tax (in EUR 1,000)[2]	779	-/- 4,577	5,356
Total result before tax (in EUR 1,000)	**980**	**-/- 3,940**	**4,920**
Tax (in EUR 1,000)	797	410	387
Total result after tax (in EUR 1,000)	**183**	**-/- 4,350**	**4,533**
Earnings per share (in EUR) (see 15.40)	0.04	-/- 1.07	1.11
Diluted customized earnings per share[3] (in EUR)	-/- 0.19	-/- 0.05	-/- 0.14
Distribution per share (in EUR)	0.18	0.00	0.18
OCF (without non-regular costs) (%)	7.63	7.61	0.02

BALANCE SHEET

	31-12 2023	31-12 2022	Change
Investment property and inventories (in EUR 1,000)	73,594	75,018	-/- 1,424
Assets held for sale (in EUR 1,000) (see 15.13)	5,253	6,777	-/- 1,524
Equity (in EUR 1,000)	45,396	46,515	-/- 1,119
Net asset value (NAV) per share (in EUR)	11.58	11.71	-/- 0.13
NNNAV per share (in EUR)	10.93	11.81	-/- 0.88
Net Loan-to-Value (LTV) (%)	39.52	43.60	-/- 4.08
Weighted avg. number of shares outstanding (see 15.40.3)	4,178,497	4,077,735	100,762

KEY PORTFOLIO METRICS

	31-12-2023	31-12-2022	Change
Number of properties[4]	21	21	0
Value of assets (in EUR million)[5]	78.8	81.8	-/- 3.6
Net rental and related income (in EUR million)	4,582	4,191	391
Lettable area (in sqm)	55,033	54,715	318
Weighted average occupancy (in %)	87.50	88.60	-/- 1.10
Weighted remaining maturity of loans/ borrowings (years)[6]	3.52	3.21	0.31

[1] The difference between the Total result before tax and the Indirect result before tax
[2] The net results on properties (see 15.30 Net result on properties)
[3] See 7.1.4. APM stands for Alternative Performance Measure
[4] However from the Boyana Residence asset parts have been sold
[5] The value of the investment property, the inventory and the assets held for sale.
[6] See 15.41.14 'Liquidity risk'

BALANCE SHEET STATEMENT (in EUR 1,000)

	2023	2022	2021	2020	2019
Investment properties	72,656	73,183	79,973	79,577	80,992
Other non-current assets	995	1,454	1,259	471	929
Current assets	10,021	15,582	9,334	14,374	25,577
Total assets	**83,672**	**90,219**	**90,566**	**94,422**	**107,498**
Shareholders' equity	45,396	46,515	46,403	42,954	48,000
Deferred tax liabilities	3,426	3,183	3,514	4,143	4,684
Other non-current liabilities	7,334	17,597	30,597	18,274	33,448
Current liabilities	27,516	22,924	10,052	29,051	21,366
Total equity and liabilities	**83,672**	**90,219**	**90,566**	**94,422**	**107,498**

PROFIT AND LOSS STATEMENT (in EUR 1,000)

	2023	2022	2021	2020	2019
Direct result before tax acc. to APM	201	637	1,076	-/- 277	1,422
Indirect result before tax acc. to APM	779	-/- 4,577	1,949	-/- 3,295	-/- 905
Total result before tax	**980**	**-/- 3,940**	**3,025**	**-/- 3,572**	**517**
Income tax expense	797	410	-/- 109	217	424
Total result after tax	**183**	**-/- 4,350**	**3,134**	**-/- 3,789**	**93**

ISSUED CAPITAL

	2023	2022	2021	2020	2019
Outstanding shares (ultimo)	4,177,083	4,185,984	3,758,683	3,758,683	3,758,683
Basic earnings p.s. (in EUR)	0.04	-/- 1.07	0.83	-/- 1.01	0.03
Diluted adj. earnings p.s. (in EUR) [7]	-/- 0.12	0.11	-/- 0.33	-/- 0.63	-/- 0.01

DATA PER SHARE (in EUR)

	2023	2022	2021	2020	2019
(Interim-) dividend	0.15	n.a.	n.a.	n.a.	0.10
NNNAV [8]	10.93	11.81	12.76	11.84	13.14
Avg. monthly turnover	101,307	227,468	269,291	75,006	198,217
Highest share price	6.00	7.49	7.60	6.29	7.48
Lowest share price	3.80	4.61	3.40	3.70	5.91
Ultimo share price	5.00	5.90	7.50	3.93	6.00

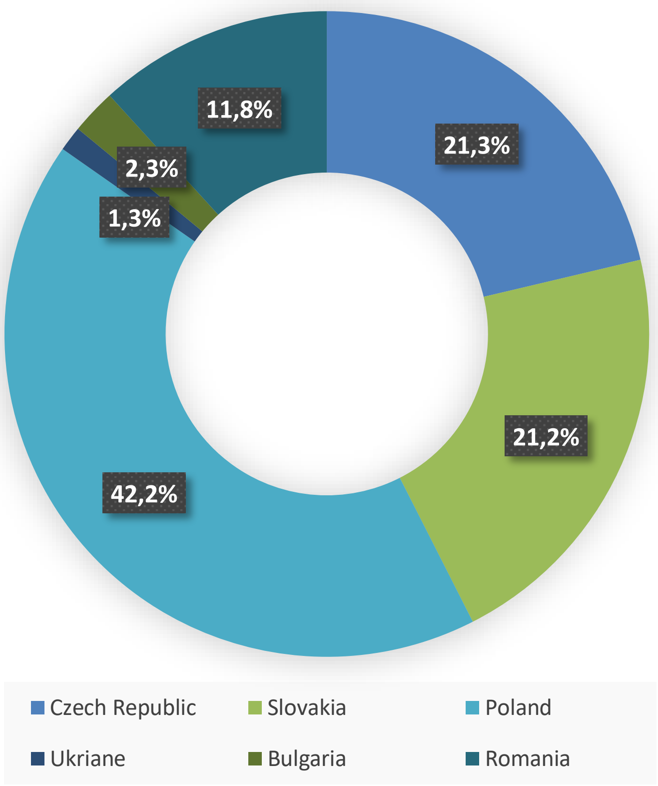
[7] As earnings is used to measure the operational performance, it is the income return generated by the investment, rather than the change in value or capital return on investments (see chapter 7 'performance indicators').
[8] See 7.1.11 'Explanation of adjustments calculation of NNNAV' for the year 2023

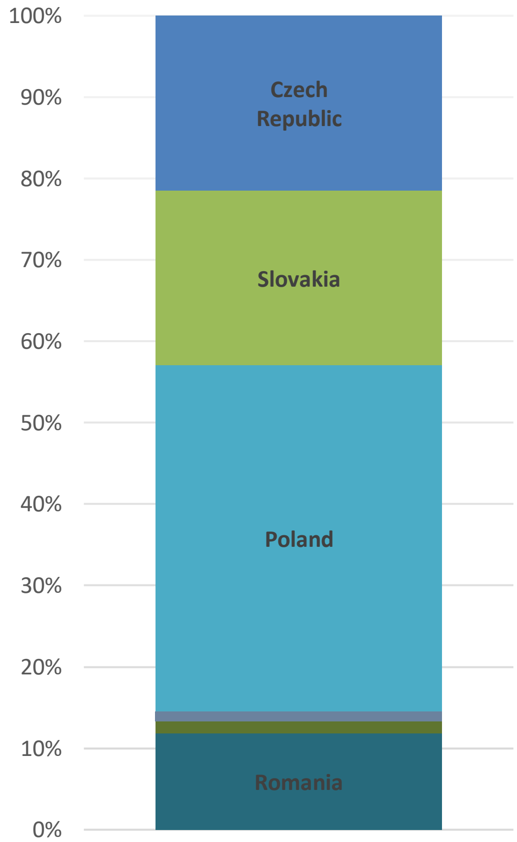
REAL ESTATE PORTFOLIO AT A GLANCE

Portfolio breakdown (year-end 2023)

	Number of assets	Value (in m.EUR)	Value (in %)
Offices	7	48.52	61.60
Retail centres	9	24.09	30.58
Land plots	2	0.98	1.24
Total investment properties	**18**	**73.59**	**93.42**
Held for sale[9]	3	5.18	6.58
Total portfolio	**21**	**78.77**	**100.0**

Real estate portfolio[10]





based on fair value per country

[9] Zahradnicka (Slovakia), Boyana Residences (Bulgaria), Gzymaly Siedleckiego - Bydgoszcz (Poland)
[10] Including assets held for sale

1 ARCONA PROPERTY FUND N.V.

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

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

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De Entree 55 – floor 11
NL 1101 BH AMSTERDAM
The Netherlands
Tel: +31(0)20 82 04 720
E-Mail: info@arconacapital.com
Website: www.arconapropertyfund.com

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

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

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

Michael Beys was born in New York, New York, USA on October 25, 1971. Appointed to the board in 2021, he is the founder and partner of a law firm in New York, the chairman of the Board of Directors of shareholder Secure Property Development & Investment Plc (**SPDI**), and also the interim CEO and director of FTE Networks, Inc., which owns and operates a real estate portfolio in the U.S. He does not hold any shares in a private capacity. He was appointed to the Supervisory Board on June 16, 2021, where he will serve a term ending on June 16, 2025.

Jan Jaap van Heijst was born in Leiden, on October 9, 1968. He received his PhD from Groningen University, having done his research partly at Boston University on a Fulbright grant. He started his professional career as a derivatives trader for Optiver in Amsterdam. He spent 2 years working for the same company in New York. In 2009 he left as a partner and started working for ValuePartners Family Office as an asset manager. Mr van Heijst owns 12,855 shares in the Fund. He was appointed to the Supervisory Board on June 16, 2021, where he will serve a term ending on June 16, 2025.

Managing Board

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

The Managing Board currently has the following directors:
G.St.J. Barker LLB
P.H.J. Mars M.Sc.
M. van der Laan B.Sc
M.T.H. Blokland BBA

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

Stichting Prioriteit

Stichting Prioriteit (the **Foundation**) of the Fund is managed by a managing board consisting of two members:
G.St.J. Barker LLB
P.H.J. Mars M.Sc

Auditors

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

Legal Advisor

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

Listing Agent

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

Administrator

Moore MKW Accountants B.V.
Colosseum 1
NL 7500 AC Enschede
The Netherlands

Depositary

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

Financial Calendar 2024

Publication of trading update of 1st quarter 2024	21 May 2024
Publication of semi-annual report 2024	30 August 2024
Publication of trading update of 3rd quarter 2024	19 November 2024

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

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

2 FOREWORD FROM THE MANAGING BOARD

During 2023 the Central European real estate market presented a mix of challenges and opportunities. The surging inflation observed in previous years washed directly through into both higher rents and higher service and operational costs, whilst action taken by central banks to counteract this inflation, in the form of sharply increased interest rates, has had a persistent impact on market confidence. Refinancing conditions tightened and interest rates doubled, impacting loan-to-value and especially debt service coverage ratios, alongside a significant rise in the cost of compulsory hedging instruments. Portfolios with high debt-to-equity ratios and with low cash generation faced acute challenges in refinancing existing debt structures. However, occupational levels held up well across all sectors and this, combined with inflation-driven rental increases, supported capital values despite slight further weakening of yields.

The Arcona Property Fund has consistently reduced its loan-to-value ratios over the past few years, resulting in a ratio of 39.5% by the end of 2023, at the bottom end of our target range of 40 – 50%. Occupancy rates remained relatively stable at 87.5%, while an increase in indexed rents and a decrease in operating costs contributed to a 9.3% increase in net income. This enabled the Fund better to manage the pressures associated with higher debt service levels and related pressures on bank covenants.

In 2023, further progress was made in divesting non-core assets, with notable transactions in Bulgaria significantly surpassing our valuation expectations. This success facilitated effective debt repayment, enabled a net distribution of 15 cents per share to shareholders and provided initial funding for strategic initiatives, including the share buyback programme.

The war in Ukraine continued to influence the Central European market by affecting regional sentiment, in particular from international investment institutions. Locally-based investors, in particular in Czech Republic and Bulgaria, demonstrate no such concerns.

Against this background, the Fund maintained an active portfolio management strategy, maintaining capital values by letting initiatives and focused capital expenditure, refinancing expensive loans where appropriate and by seizing sales opportunities in markets with adequate liquidity. Key developments included:

Successful refinancing of Boyana Residence project: On January 10, 2023, the Fund refinanced the Boyana Residence project in Bulgaria with a new EUR 3.6 million loan from Dutch investors, enabling significant renovations and setting a stage for the project's monetization.

Completion of the initial share repurchase programme: On March 15, 2023, the Fund concluded its first share repurchase programme, buying back 60,976 common shares at an average price of EUR 6.43 per share.

Substantial sales from the Bulgarian portfolio: The Fund achieved over EUR 2.85 million in sales from the Boyana luxury residential project in Sofia, Bulgaria, by May 2023.

Lease extensions in Poland sustain asset value: On September 14, 2023, the Fund secured significant lease extensions in the Maris building in Szczecin, Poland, supporting the asset's value and operational income.

Cash distribution to shareholders: Announced on October 5, 2023, the Fund distributed gross EUR 0.1765 per share (net EUR 0.15 per share) to shareholders, recommencing distributions put into abeyance by the COVID pandemic and the invasion of Ukraine.

Adoption of a new monetisation and incentive framework at the EGM: On December 20, 2023, shareholders approved an 18- month monetisation process and a Managing Board incentive plan.

Strategic refinancing of Czech portfolio by Unicredit: Completed on December 28, 2023, this refinancing provided the Fund with new financial flexibility and capital expenditure potential for its Prague office holdings.

3 ARCONA PROPERTY FUND IN BRIEF

General
The Fund is an investment company with variable capital incorporated under Dutch law and registered in Amsterdam. The shares have been listed on Euronext Amsterdam since 2003. Since 31 October 2018 the Fund is also listed on the Prague Stock Exchange (the **PSE**). It is not possible to trade in the shares on the PSE[11]. The Fund invests in commercial real estate in Central and Eastern Europe (the **CEE**).

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

- The focus on Central and Eastern Europe;
- Local representation of Arcona Capital with its own offices in Amsterdam (Netherlands), Munich (Germany), Prague (Czech Republic), Sofia (Bulgaria) and Warsaw (Poland);
- Access to regional property management knowledge and facilities;
- Long-term management experience in Central Europe (since 1992).

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

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

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

The costs of maintaining such a structure, offering daily trading in the shares, are high and impact disproportionally on smaller funds. Accordingly, since 2012 the Fund has pursued a growth strategy to achieve both critical mass and adequate investment diversification. Over the past nine years, the Fund has doubled in size, expanded into four new regional markets and into the convenience retail and residential sectors. Further growth through acquisition is, however, currently limited by the prevailing share price discount (55% as at end 2023) to NAV. Over the next 18 months, the Fund will concentrate on returning money to shareholders in accordance with the monetization plan agreed upon at the Extraordinary General Meeting (EGM) at the end of 2023. The ongoing sales program is designed to divest non-core assets and certain core assets that have reached their short-term peak values through refurbishment or re-letting programmes.

Continued strong focus on operations
The Fund continues to reduce operational cost ratios (see 15.38 ‘Ongoing charges figure’) and improve occupancy levels in the existing portfolio. The Fund will continue to identify and realise opportunities to add value to the existing portfolio by redevelopment and refurbishment.

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

Maintaining a prudent financial strategy
The Fund intends to maintain its prudent financial strategy of conservative leverage, targeting a LTV-ratio in the range of 40% - 50% (as at 31 December 2023: 39.5%), although an LTV percentage of up to 60% is possible. The Managing Board has regard to the need for flexibility, in particular the ability to sell real estate

[11] To trade shares on the PSE, issuing a new prospectus is required. At the moment, this is not advisable.

from the portfolio without incurring high debt finance breakage costs. The Fund prefers to use several different financiers, so as not to be dependent on just one party.

Investor relations and information supply

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

Corporate Governance

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

Diversity

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

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

Sustainability

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

To address this, we will concentrate on energy efficiency, future-proof buildings and social engagement. We are committed to improving the energy efficiency of our portfolio, thereby reducing operational costs and energy waste, and creating value for both the fund and our tenants. We will integrate these objectives into our strategy to ensure a sustainable future for our business and stakeholders. In case of potential investments, the identification of a high sustainability risk can lead to the decision not to continue with the investment.

Strategy for a better footprint differs for core and non-core assets

The Fund´s strategy in respect to sustainability requires a careful balancing of costs, opportunities and responsibilities. In the markets in which the Fund operates, most prospective tenants, although supportive of general sustainability objectives, prioritise operational costs above environmental aims in their business decision making. Accordingly, the significant investments required to achieve high energy efficiency and sustainability ratings in older buildings are not easily recovered from tenants in the form of higher rents, nor fully recognised by prospective purchasers. The vast majority of regional property stock, including those sectors in which the Fund invests, does not reach the higher levels of energy efficiency and sustainability standards to which modern guidelines aspire, so investors, financiers and users operate in the market as it is.

The Fund accordingly does not intend to devote capital resources to physical investment in non-core assets to improve energy efficiency, unless this investment can be fully recovered through sales in the short to medium term.

For core assets, however, the strategy is twofold. For its office holdings, a rolling internal refurbishment programme, often combined with reletting initiatives, upgrades heating, lighting, insulation and water supplies to the latest institutional standards within the physical constraints of each property, using a proportion of the annual capital expenditure budget.

In the Fund´s retail portfolio, all of which comprises stand-alone structures less than 24 years old, a more ambitious programme has been launched, to investigate the roll out of roof-mounted solar panel installations across the estate to reduce energy costs for both landlord and tenants, to reduce dependency on external heating and electrical supplies and to achieve commensurate reductions in emissions. This programme should in due course enable the delivery of adequate data to benchmark the energy performance of the retail sub-portfolio against market standards such as BREEAM. It is important, however, that the capital costs of such a programme are fundable within the capital expenditure budget or by additional borrowing against a higher capital valuation. The Board will report to shareholders on this initiative in due course.

Under the European Regulation on Sustainability Disclosures (SFDR), the Fund Manager has laid down the extent to which they take sustainability criteria into account in their investment policy. This ESG policy can be downloaded from the Fund’s website.

Social commitments
The Fund employs no staff directly and does not currently engage in, or provide funding for, social or community engagement activities across the markets where it is active.
However, the Fund Manager, Arcona Capital, does fund a variety of community and cultural activities both across the markets in which the Fund is active and in Africa. This includes sponsorship of the Czech Philharmonic orchestra in Prague, financial support for the Tyler Robinson Foundation (assisting the families of severely-ill young children in the Czech Republic) and sponsorship of the Kibo Education Trust in rural Tanzania.

Financing
The Fund does not currently perceive significant risks concerning ESG in relation with bank refinancing of expiring loans in 2024 and beyond. However, this situation may change in the future if banks implement more stringent ESG standards.

Portfolio and historical returns
As at 31 December 2023, the Fund’s real estate portfolio comprises 21 properties, located in Prague in the Czechia, two cities in Slovakia, ten cities in Poland, two cities in Ukraine, Sofia in Bulgaria and Bucharest in Romania. The majority of the rentable area is designated as modern suburban retail space or flexible primary and secondary office space. The total fair value of these properties is EUR 78.8 million.

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

	2023	2022	2021	2020	2019
Return[12] (in %)	-/- 5.9	-/- 7.4	7.8	-/- 9.9	-/- 2.6

12 Including shareholder distributions.

4 REPORT OF THE SUPERVISORY BOARD

Recommendation to the General Meeting

This annual report of the Fund has been prepared by the Managing Board. This report contains the financial statements for the period from 1 January to 31 December 2023. The financial statements are audited and have been approved by Deloitte Accountants B.V. The auditor's report is presented on pages 194 – 202. The Supervisory Board has received notice of this approval.

On April 10, 2024 the auditors of Deloitte presented their paper with audit findings and discussed the status of the audits of components in the various jurisdictions, significant risks, overview of loans & borrowings, internal control environment and a couple of other audit topics with the Managing Board and Supervisory Board.

The Supervisory Board recommends the financial statements for the year 2023 to the General Meeting for adoption.

Meetings and activities of the Supervisory Board

During 2023, the Supervisory Board and the Managing Board had regular contact in the form of monthly calls to discuss the progress of the sales of non-core assets. Besides these monthly calls, the Supervisory Board and the Managing Board had six joint meetings (2022: seven). During these meetings, the Supervisory Board and Managing Board discussed the (administrative) organization, the operational performance, compliance with bank covenants, the proposed sales and monetization strategy and financial reporting of the Fund.

During the General Meeting of Shareholders in 2023, the meeting requested measures to ensure a sales process of a substantial part of the assets. Subsequently, after intensive consultation between the Managing Board, the Supervisory Board and major shareholders, a sales and monetization strategy was drawn up that aims to preserve the interests of various shareholders. This strategy was approved in the Extraordinary Meeting of Shareholders held on 20 December 2023.

A so-called Steering Committee has been established, comprising Mrs. Nelleke Krol and Mr. Jan-Jaap van Heijst, supported by Mr. Emmanuel Blouin and one or more external advisors. The Steering Committee gives recommendations to the Managing Board in respect of the sales and monetization process and closely monitors the implementation thereof. The Managing Board remains ultimately responsible for the execution of the process.

In performing its duties, the Supervisory Board is guided by the interests of the Fund, taking into account the interests of all stakeholders.

Composition of the Supervisory Board

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

Mr. Beys is also the Chairman of the Board of Directors of SPDI owning 1,072,910 or 25.6% (December 31, 2022: 1,072,910) ordinary shares and is therefore non-independent. Mr. Van Heijst is a representative of the Stichting Value Partners Family Office who controls 397,694 or 9.5% (December 31, 2022: 397,694) ordinary shares and is therefore independent.

The Supervisory Board and the Managing Board discussed the composition of the Supervisory Board. The Supervisory Board concluded that with the establishment of a Steering Committee (as described above), it has the required expertise to fulfil its task in connection with the implementation of the sales and monetization process.

Relevant information of each of the Supervisory Board members can be found on page 6.

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

Amsterdam, 30 April 2024

Supervisory Board

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

5 REPORT OF THE MANAGING BOARD

The Managing Board hereby presents the annual report of 2023 of the Fund. The reporting period is from 1 January 2023 to 31 December 2023.

5.1 SUMMARY OF THE YEAR

5.1.1 DEVELOPMENTS IN 2023

The following events took place during the reporting period:

10 January 2023 | The Fund refinances project Boyana
The Fund has successfully refinanced the Boyana Residence project in Bulgaria with new loans in the value of EUR 3.6 million from Dutch investors. This provided the Fund the opportunity to renovate and sell the apartments and development land. The real estate comprises an apartment complex with 26 apartments and 15,105 m² of development land in Sofia, Bulgaria. The refinancing enabled the repayment of Alpha Bank, payment of historical taxes and renovation of all apartments.

15 March 2023 | Conclusion of initial share repurchase programme.
The Fund concluded its first share repurchase programme, having bought back 60,976 common shares at an average price of EUR 6.43 per share.

4 April 2023 | Announcement that Sberbank CZ has been sold to Česká Spořitelna
On April 4, 2023, it was announced that Sberbank CZ had been acquired by Česká Spořitelna. Arcona Capital Real Estate Bohemia, s.r.o., the Czech subsidiary of the Fund, was a borrower from Sberbank CZ. The loan book of Sberbank CZ, with a nominal value of CZK 47.1 billion, was transferred as part of the sale. Česká Spořitelna acquired this loan book for CZK 41.053 billion. Throughout April 2023, the technical transfer of data from Sberbank CZ to Česká Spořitelna was successfully completed.

22 May 2023 | The Fund completes further sales in Bulgaria
The Fund reported successful sales from the Boyana luxury residential project in Sofia, Bulgaria, amounting to more than EUR 2.85 million for the year, along with provisional sales approximating EUR 670,000. This action, a component of a strategy to monetize the project that comprises 26 luxury apartments and parking spaces in an affluent area of Sofia, enabled the Fund to decrease short-term investor loans by EUR 1.5 million.

27 June 2023 | Resolutions Annual General Meeting (AGM)
The Fund conducted its AGM, where the shareholders ratified the annual financial statements for the fiscal year 2022 and canceled 60,976 shares acquired in the initial share buyback program.

14 September 2023 | Lease extensions improve Maris asset in Poland
The Fund significantly improved the rental situation of the Maris building in Szczecin, Poland, securing pivotal lease agreements with key tenants Intive, Collegium Humanum, and Prudential, extending the average lease term to 4.4 years and achieving a 300% increase in overall rental contract values. These agreements, emphasizing the building's central location and modern facilities, including a large office space and ample parking, underline the successful strategy of the local asset management team in a competitive market.

5 October 2023 | The Fund announces cash distribution for shareholders
The Fund announced a cash share premium distribution of gross EUR 0.1765 (net EUR 0.15) per share, reflecting a 2.8% yield based on the October 4 closing price. This distribution was enabled by successful sales from its Bulgarian portfolio, as part of the Fund's strategy to finance its reverse bookbuilding program through the divestment of non-core holdings.

20 December 2023 | EGM adopts new monetisation and incentive framework

The Fund convened an Extraordinary General Meeting of Shareholders (EGM). At this meeting, shareholders approved a proposal for an 18-month monetisation process and Managing Board incentive plan. Details of the revised fee structure have been incorporated into the prospectus amendment, available on the Fund's website.

28 December 2023 | Refinancing Czech portfolio by UniCredit

The Fund finalized the refinancing of its Czech portfolio. The refinancing was facilitated through a strategic shift from Česká Spořitelna to UniCredit, securing a new five-year loan of CZK 145 million (EUR 5.92 million) alongside an additional credit line up to EUR 2 million for future investments. This deal repays the existing debt and provides potential capital expenditure funding for the Prague office asset at Politickych veznu 10.

5.2 EVENTS AFTER BALANCE SHEET DATE

22 January 2024 | Fund obtained a waiver from Patria Bank

The Fund has been granted a waiver by Patria Bank of Romania for breaching the DSCR covenant due to elevated debt service costs associated with high interest rates.

19 February 2024 | Fund obtained a waiver from Slovenská sporiteľňa

The Fund has been granted a waiver by Slovenská sporiteľňa, a Slovakian bank, for breaching the DSCR covenant due to elevated debt service costs associated with high interest rates.

20 February 2024 | The Fund updates portfolio values and deferred tax liabilities

The Fund reported adjustments in its real estate portfolio values as of 31 December 2023, with valuation increases across its holdings, except for a decrease in Romanian assets. Following the Extraordinary General Meeting on 20 December 2023, the Fund has updated its deferred tax liability calculation method, now recognizing the full nominal value of these liabilities in anticipation of planned property sales.

22 March 2024 | Two investor loans refinance CVI bond loan

The Fund has secured a EUR 2 million loan from two investors, which is utilized to refinance the group-level CVI bond loan. This loan was previously provided as an intercompany loan to its subsidiary, Arcona Capital Real Estate Trio Limited Liability Company, which owns three leasehold retail assets in Poland. The CVI bond loan carryied an interest rate of EURIBOR + 8.5%, effectively totalling 12.4% per annum. The new investor loan has been used to settle the EUR 1.8 million principal of the CVI loan and all accrued interest. This investor loan has an 11% interest rate and a 0.75% arrangement fee. It offers the flexibility to be settled at any time on or before its maturity date of 18 December 2024.

23 April 2024 | The Fund obtained a waiver from HYPO NOE Landesbank

The Fund has received a waiver from Austrian HYPO NOE Landesbank, the financier of the large Polish portfolio for breaching the DSCR-covenant due to elevated debt service costs associated with high interest rates.

There were no further material events after balance sheet date.

5.3 NAV PER SHARE AND SHARE PRICE DEVELOPMENT

The following tables show the development of the Fund's Triple NAV and share price during the period 1 January 2023 to 31 December 2023.

Table 2 – Total Return on share price and Triple NAV during 2023

	Based on share price		Based on NNNAV	
	In EUR	In %	In EUR	In %
Start of period	5.90		11.81	
Effect of new calculation in NNNAV per share			*-/- 0.63*	
Regular elements			*-/- 0.25*	
End of period	5.00		10.93	
Return	**-/- 0.90**	**-/- 15.3**	**-/- 0.88**	**-/- 7.5**
Distribution to shareholders	0.18		0.18	
Total Return	**-/- 0.72**	**-/- 12.3**	**-/- 0.70**	**-/- 5.9**

The Tripple Net Asset Value (NNNAV) per share decreased by EUR 0.88, a 7.5% drop, primarily due to fair value adjustments, in particular the recognition of the full deferred tax liability on the property portfolio. This change was highlighted in the press release dated 20 February 2024, reflecting the Monetisation Process and Incentive Plan approved at the EGM on 20 December 2023. The new requirement to recognize all potential tax liabilities for planned property sales led to a revision of the NNNAV calculation method. The effect of these changes in estimates, as described above, results in a negative adjustment of EUR 0.63 per profit-sharing share, as of December 31, 2023 (see also 7.1.11 'Explanation of adjustments calculation of NNNAV'). This revised method now fully accounts for the nominal value of deferred tax liabilities, unlike the previous approach that considered only half of the estimated future tax liabilities. As a result of these adjustments, the NNNAV per share is EUR 10.93.

Figure 1 – Development of the Fund's share price per share during 2023

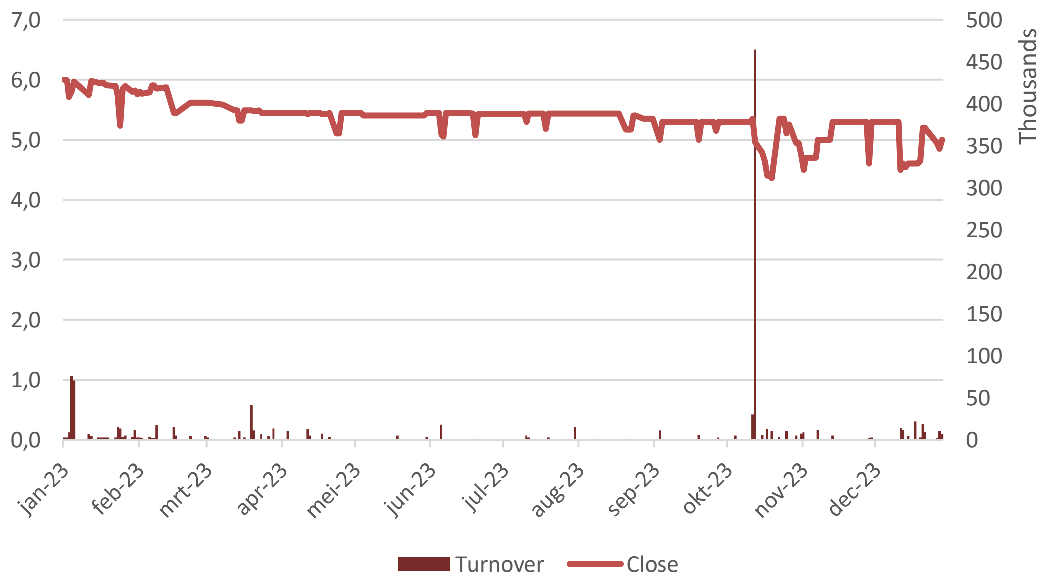


Figure 1 illustrates a year with a slight decreasing share price level, notwithstanding occasional surges in trading volume. Although there was a notable increase in trading activity in November, the trade volume remained comparatively modest throughout the rest of the year, suggesting that most shareholders largely maintained their positions.

Table 3 – Development of the share price per quarter in 2023

Quarter	Opening price Start of quarter	Closing price End of quarter	Volume
	in EUR	in EUR	number of shares
1st Quarter 2023	5.90	5.45	70,112
2nd Quarter 2023	5.45	5.42	13,866
3rd Quarter 2023	5.42	5.30	10,173
4th Quarter 2023	5.30	5.00	164,125
Average per quarter			*64,569*

In the final quarter a substantial increase in trading volume was noted, with 164,125 shares traded. On average, approximately 64,569 shares were traded per quarter in 2023. The notable surge in traded shares during the fourth quarter can be attributed to a major transaction conducted by a larger shareholder. This shareholder, who had recently built up a significant position in the Fund, opted to sell its shares on the market.

Table 4 – Comparative statement of the NAV per share

	31-12-2023	31-12-2022
Shareholders' equity in accordance with NAV (in EUR 1,000)	48,360	49,033
Include:		
1. Fair value of financial instruments	300	479
2. Fair value of debt	0	4
3. Fair value of deferred tax	-/- 3,852	-/- 1,498
4. Fair value of inventories	846	1,421
Shareholder's equity in accordance with NNNAV (in EUR 1,000)	**45,654**	**49,439**
Number of profit-sharing shares	4,177,083	4,185,984
NNNAV per profit-sharing share (in EUR)	**10.93**	**11.81**
Annual return on NNNAV (in %)	-/- 7.5	-/- 7.4

See also chapter 7.1.10

The comparative statement details adjustments to the Net Asset Value (NAV) per share for 2023 and 2022, resulting in the New Net Asset Value (NNNAV). Key adjustments include the fair value of financial instruments, debt, deferred taxes, and inventories. Significantly, the deferred tax adjustment for 2023 reflects a change in policy regarding the calculation of the NNNAV, implemented by the Managing Board after December 20, 2023. This change has a substantial impact on the NNNAV. The NNNAV for 2023 is EUR 46.24 million, compared to EUR 49.44 million in 2022, with the NNNAV per profit-sharing share decreasing from EUR 11.81 to EUR 10.93. These adjustments ensure the NNNAV accurately reflects the fair value of the Fund's net assets, following standards and decisions up to the end of 2023. For further details, see section 7.1.11, 'Explanation of Adjustments in the Calculation of NNNAV'. .

5.4 INCOME, COST AND RESULT

The following section provides an analysis of the Fund's financial performance for the year ending December 31, 2023. It encompasses a variety of aspects related to the Fund's finances, such as balance statements, outcomes, cash flow, and ongoing charges ratios. The analysis reveals a decline in the Fund's total assets and earnings per share. Against this, the Fund witnessed reductions in total liabilities and improvements in ongoing charges ratios. Set out below is an overview of the principal findings and trends observed in the Fund's financial performance throughout the reviewed period.

5.4.1 BALANCE

Table 5 – Balance statement

All in EUR 1,000	31-12-2023	31-12-2022	Change
Investment property	72,656	73,183	-/- 527
Non-current assets	995	1,454	-/- 459
Current assets	10,021	15,582	-/- 5,561
Total assets	**83,672**	**90,219**	**-/- 6,547**
Shareholders' equity	45,396	46,515	-/- 1,119
Deferred tax liabilities	3,426	3,183	243
Long-term loans and borrowings	7,334	17,597	-/- 7,694
Total current liabilities	27,516	22,924	2,023
Total shareholders' equity and liabilities	**83,672**	**90,219**	**-/- 6,547**

In 2023, the value of '*investment properties'* marginally decreased to EUR 72.66 million from EUR 73.18 million in 2022, marking a slight reduction of EUR 0.53 million. This is related to asset sales in Bulgaria considering the real estate valuations generally increased. '*Non-current assets'* also saw a decrease, falling by EUR 0.46 million. More notably, the *'current assets'* experienced a significant reduction of EUR 5.56 million due to changes in trade and receivables, payments exceeding regular loan installments, and a reduction in assets held for sale, primarily attributable to the sales of Boyana Residence. Consequently, the organization's '*total assets'* declined by EUR 6.55 million, indicating a phase of consolidation or strategic asset realignment.

'Shareholders' equity' decreased by EUR 1.12 million, partly because the Fund distributed dividends, returning capital to shareholders. The amount of '*long-term loans and borrowings'* decreased by EUR 7.69 million due to regular loan redemptions and reclassification of some long-term loans to short-term due to breaching of two bank loans.

5.4.2 RESULT

The following table compares key financial figures for 2023 and 2022, showing the Funds performance in terms of rental income, operational costs and net results. It highlights significant changes and trends that have impacted our financial health over the year.

Table 6 – Overview of result

All in EUR 1,000	2023	2022	Change
Gross rental income	6,576	6,165	411
Service charge income	2,508	2,433	75
Service charge expenses	-/- 2,668	-/- 2,471	-/- 197
Property operating expenses	-/- 1,834	-/- 1,936	102
Net rental and related income[13]	**4,582**	**4,191**	**391**
Net result on equity investments	225	-/- 68	293
Financial and other operating income	401	775	-/- 374
Total direct income	**4,208**	**4,898**	**310**
Administrative expenses	-/- 675	-/- 705	30
Other operating expenses	-/- 1,219	-/- 1,348	129
Financial expenses	-/- 3,113	-/- 2,208	-/- 905
Total direct costs	**-/- 5,007**	**-/- 4,261**	**-/- 746**
Direct result before tax acc. to APM [14]	201	637	-/- 436
Indirect result before tax acc. to APM	779	-/- 4,577	5,356
Result before tax	**980**	**-/- 3,940**	**4,920**
Tax	797	410	387
Result after tax	**183**	**-/- 4,350**	**4,533**

The Fund saw its '*gross rental income'* increase from EUR 6.17 million in 2022 to EUR 6.58 million in 2023, showing an increase of EUR 0.41 million, which reflects indexed rental prices. Despite a modest rise in '*service charge income'* by EUR 75,000, the Fund faced a larger increase in '*service charge expenses'* by EUR 197,000, showing increasing service costs. A reduction in '*property operating expenses'* by EUR 102,000 from EUR 1.94 million in 2022 to EUR 1.83 million in 2023 indicates more efficient cost management strategies. The '*net rental and related income'* increased by EUR 391,000, showcasing the Fund's ability in balancing rental income against related expenses. However, a surge in '*financial expenses'* by EUR 0.91 million reflects substantial rises in borrowing costs due to increased interest payments which negatively affects profitability.

The Fund also succeeded in reducing '*administrative and other operating expenses*', improving operational efficiency. Although the *'Direct result before tax acc. to APM'* decreased by EUR 0.44 million, the *'Indirect result before tax acc. to APM'* significantly increased, by EUR 5.36 million. This result was largely due to the significant contribution from the sales at the Boyana Residences project and the higher valuation of the real estate portfolio.

These figures collectively show improved operational efficiency in the Fund's primary business segments, despite the challenges posed by increased service charge expenses and financial costs. The overall shift from a negative to a positive financial outcome from 2022 to 2023, coupled with an improved result after tax, signals an improvement in the Fund's financial health, attributed to operational efficiencies and strategic (dis)investment decisions.

[13] See for applicable portfolio in 2023 and 2022 paragraph 15.5
[14] Total direct income minus Total direct costs

Table 7 – Statement of comprehensive income

All in EUR 1,000	**2023**	**2022**
Profit for the period	183	-/- 4,350
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences on net investment in group companies	-/- 551	-/- 163
Income tax on foreign currency translation differences on net investments in group companies	42	-/- 26
Total foreign exchange differences	**-/- 509**	**-/- 189**
Total comprehensive income for the period	**-/- 326**	**-/- 4,539**

In 2023, the Fund faced a notable increase in '*foreign currency translation differences'*, with losses increasing to EUR 0.55 million from EUR 0.16 million in 2022. This increase signifies heightened volatility in foreign exchange rates, which may be attributed to instability in global financial markets or notable currency fluctuations in active countries, such as the Czech Republic with the Czech koruna. The '*total recognized income and expen*se' for the year improved strongly, shifting from a EUR 4.54 million loss in 2022 to a EUR 0.33 million loss in 2023, thanks to a significant reversal from a EUR 4.35 million loss to a EUR 183,000 profit.

Ongoing Charges Figure

Table 8 – Ongoing Charges Figure

All in %	**2023**	**2022**	**2021**	**2020**
Ongoing Charges Figure	7.66	8.02	9.50	9.95
OCF excl. one-off and refinancing costs acc. to APM	7.63	7.61	9.31	9.00
Fund expense ratio acc. to APM	3.87	3.71	4.07	4.89

Over the four-year period from 2020 to 2023, there has been a clear and consistent downward trend in the '*Ongoing Charges Figure (OCF)'* from 9.95% to 7.66%, amounting to a decrease of 2.29%. When considering figures excluding one-off and refinancing costs, the OCF shows a steady decline from 9.00% in 2020 to 7.63% in 2023, further indicating that the overall decrease is not merely a result of temporary cost reductions but a continuous effort towards managing and minimizing ongoing operational expenses. At the same time, the '*Fund Expense Ratio'* has also experienced a general downward movement from 4.89% in 2020 to 3.87% in 2023. These trends together demonstrate the Fund's actions in improving cost efficiency.

5.4.3 CASH FLOW

The net cash flow of the Fund after operating, investment and financing activities was EUR -/- 2,425,000 (2022: EUR 3,028,000). The table below provides a summary of the cash flow (see also chapter 12 'Consolidated statement of cash flow').

Table 9 – Consolidated cash flow statement

All in EUR 1,000	**2023**	**2022**
Cash flow from operating activities	463	-/- 99
Cash flow from investing activities	2,668	7,721
Cash flow from financing activities	-/- 5,556	-/- 4,594
Net increase / decrease (-/-) in cash and cash equivalents	**-/- 2,425**	**3,028**

In 2023, the Fund experienced an increase of '*cash flow from operating activities'*, increasing to EUR 463,000 from EUR -/- 99,000 in 2022. This is due to significant proceeds from the sale of inventories (Boyana Residence appartments) compared to the previous year. Beside, '*cash flow from investing activities'* saw a reduction to EUR 2.69 million from EUR 7.72 million the previous year, indicating less asset disposals than in the previous period. Moreover, there was an decrease in '*cashflow from financing activities'*, to EUR -/- 5.56 million from EUR -/- 4.59 million in 2022. The cash flow arising from financing activities in 2023 indicates a net outflow of EUR 5.56 million. This outflow is primarily due to significant repayments of secured bank loans and other borrowings, totaling EUR 11.50 million, which substantially exceeded the cash inflows from new loans and borrowings amounting to EUR 7.05 million (see 15.43.2 Changes in cash flows arising from financing activities).

5.4.4 BANK LOANS

Table 10 – Overview of interest-bearing loans and borrowings

All in EUR 1,000	31-12-2023	31-12-2022
Non-current part of loans and borrowings		
Secured bank loans	5,727	13,804
Other loans and borrowings	0	2,418
Subtotal	**5,727**	**16,222**
Lease liabilities	1,231	991
Total non-current part of loans and borrowings	**6,958**	**17,213**
Current part of loans and borrowings		
Secured bank loans	20,778	16,371
Other loans and borrowings	3,959	2,370
Subtotal	**24,737**	**18,741**
Lease liabilities	157	171
Total current part of loans and borrowings	**24,894**	**18,912**
Grand total loans and borrowings	**31,852**	**36,125**

In the overview of interest-bearing loans and borrowings as of December 31, 2023, and December 31, 2022, significant shifts in the Fund's debt structure are evident. The '*non-current loans and borrowings'* experienced a substantial decrease from EUR 17.21 million in 2022 to EUR 6.96 million in 2023. This reduction is primarily due to a significant decrease in '*non-current secured bank loans*', from EUR 13.80 million to EUR 5.73 million, alongside the full repayment of '*other loans and borrowings'*, previously at EUR 2.42 million. Although '*lease liabilities'* saw a slight increase from EUR 0.99 million to EUR 1.23 million, this was relatively minor compared to the overall reduction in long-term debt.

Equally, the '*current part of loans and borrowings'* experienced an increase, rising from EUR 18.91 million in 2022 to EUR 24.89 million in 2023. This increase is due to the reclassification of several secured bank loans, which brought them to EUR 20.78 million, and in other loans and borrowings, to EUR 3.96 million. These adjustments are a result of the DSCR covenant situation, attributable to significantly higher EURIBOR interest rates, associated with bank loans from Patria Bank (waiver obtained on 22 January 2024), HYPO NOE Landesbank (waiver obtained on 23 April 2024), and Slovenska sporitelna (waiver obtained on 19 February 2024), all of which received a waiver.

Overall, the Fund's '*Grand total loans and borrowings*' saw a decrease of EUR 4.27 million, from EUR 36.13 million in 2022 to EUR 31.85 million in 2023, indicating a net reduction in the Fund's debt level. The Fund's debt reduction programme lowers future interest costs and decreases long-term financial obligations. Moving forward, the Fund plans to continue refining its debt structure, potentially by refinancing short-term debts on more favorable terms and supporting the DSCR covenants through strategic sales, thereby maintaining financial stability.

Table 11 – Overview of secured bank loans

All in EUR 1,000	31-12-2023	31-12-2022
Slovenská Sporiteľňa (Slovakian assets)	-	5,329
Česká Spořitelna (Czech assets)	-	5,644
UniCredit (Czech assets)	5,727	
HYPO NOE Landesbank (Polish freehold assets)	-	-
Patria Bank (Romanian asset)	-	2,831
Total long-term interest-bearing loans and borrowings	**5,727**	**26,310**
Slovenská Sporiteľňa (Slovakian assets)	5,329	462
Česká Spořitelna (Czech assets)	0	267
UniCredit (Czech assets)	109	-
HYPO NOE Landesbank (Polish freehold assets)	12,505	13,022
Alpha Bank (Bulgarian assets)	-	2,320
Patria Bank (Romanian assets)	2,835	300
Total short-term secured bank loans	**20,778**	**16,371**
Total secured bank loans	**26,505**	**30,175**

UniCredit, which refinanced the Česká Spořitelna loan, emerged as a new loan provider in 2023, offering a loan of EUR 5.87 million. Loans from Austrian HYPO NOE Landesbank, Romanian Patria Bank, and Slovakian Slovenska sporitel'na were reclassified as short-term loans, due to breaches in the DSCR covenants. The borrower of each loan received a waiver from the financing bank (see section 15.16.4).

Overall, the total secured bank loans decreased from EUR 30.18 million in 2022 to EUR 26.51 million in 2023, thereby reducing the LTV ratio. This overall reduction in bank loans will improve financial ratios and reduce interest expenses.

5.4.5 CURRENCY EXCHANGE RATE

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

	31-12-2023	31-12-2022
Bulgarian Lev (EUR/BGN)	1.9558	1.9558
% change year-on-year	0.00%	0.00%
Czech Koruna (EUR/CZK)	24.7240	24.1160
% change year-on-year	-/- 2.5%	3.0%
Polish Zloty (EUR/PLN)	4.3395	4,6808
% change year-on-year	7.3%	-/- 1.8%
Romanian Leu (EUR/RON)	4.9756	4.9495
% change year-on-year	-/- 0.5%	0.0%
Ukrainian Hryvnia (EUR/UAH)	42.0792	38.951
% change year-on-year	-/- 8.4%	-/- 26.0%
US Dollar (EUR/USD)	1.1050	1.0666
% change year-on-year	-/- 3.6%	5.8%

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

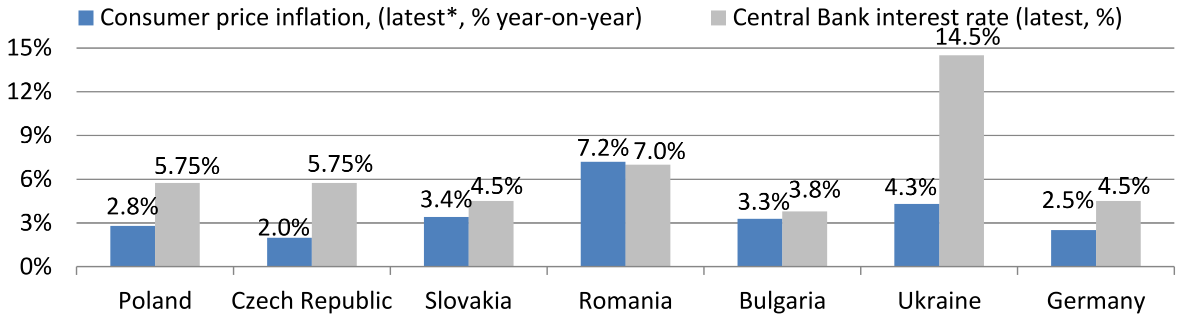
5.5 DEVELOPMENTS IN THE MARKET AND PORTFOLIO

The following provides an analysis of economic and property market developments during 2023 in the regions in which the Fund operates and an outlook for future trends.

The year 2023 was one of consolidation for European economies. Higher interest rates, sluggish exports and the fading of the "post-COVID GDP bounce" all combined into slowing economic growth and near-recession conditions in some countries. Yet, European countries largely absorbed the economic, social, political and demographic effects of Russia's February 2022 invasion of Ukraine and witnessed a persistent drop in inflation rates from the very worrying levels of twelve months ago. While the Russia-Ukraine war is ongoing and the inflation risk is not yet dead, European economies are closer to a new equilibrium.

The 2022 spike in inflation to double-digit rates, levels not seen since the 1970s, required a stiff response from G10 and CEE Central Banks. The European Central Bank ("ECB") took Eurozone interest rates, an important benchmark for CEE real estate financing, from below 0% in July 2022 to 4.5% just 15 months later. The ECB has since held policy rates at that 4.5% level for 7 months at the time of writing. Bond market participants foresee the next ECB interest rate move as downwards, as inflation forces have ebbed. Inflation in Germany and the Eurozone sits at 2.5% - 2.6% year-on-year, as of February 2024, relatively close to the Central Bank's target of 2%. Deflation in food and energy prices, sluggish consumer demand, weak manufacturing exports, a diminishing of the price effects of global supply chain disruptions resulting from COVID/the Russia-Ukraine war and no Central Bank bond-buying all contributed to headline CPI rates normalising in European countries. It is probably premature to suggest that the "inflation genie is back in the bottle", as the prices of some commodities are rebounding upwards in Q1 2024 and unemployment rates are low. But headline inflation appears to be more under control with policy interest rates, in line with historical practice, sitting at premiums.

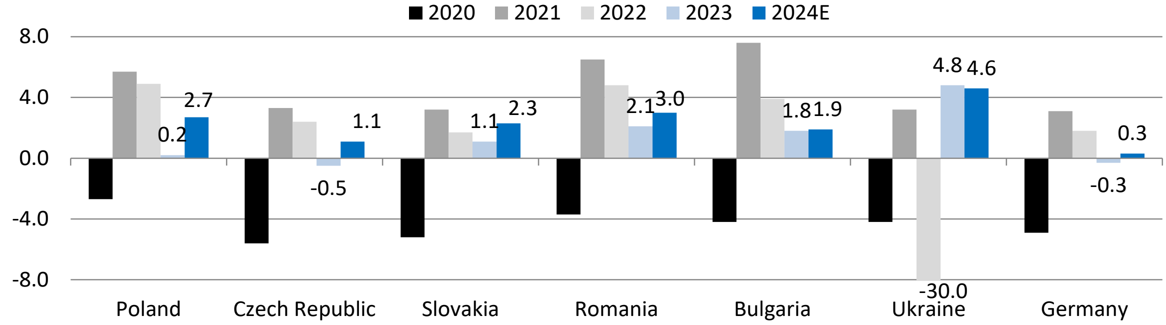
CONSUMER PRICE INFLATION AND CENTRAL BANK POLICY INTEREST RATES, SELECTED CEE COUNTRIES AND GERMANY, FEBRUARY 2024 (%, YOY)



Source: investing.com, TradingEconomics *February 2024 data published in March 2024

Higher interest rates slow down consumer activity, company borrowing, bank lending and for the real estate sector, feed through to pressure on funding costs and real estate valuations. Sluggish GDP growth outcomes are thus an inevitable cyclical consequence of hiking policy rates. This is indeed the case in Germany, where year-on-year GDP growth has stagnated in the -/- 0.6% - +0.2% range for several quarters. Europe's largest economy is dealing with the shocks of losing Russian gas as a cheap energy source, at the same time losing ICE vehicles as a world-beating export and facing a long-term deficit in infrastructure and military spending. Germany is a key customer of the CEE countries, with 32% of Czech, 27% of Polish, 20% of Slovak and 14% of Romanian exports in 2022 respectively going to, historically, the EU's powerhouse economy. A weak Germany in 2023 has had its effects on the CEE region.

GDP GROWTH, SELECTED CEE COUNTRIES AND GERMANY, 2020-24E (%)



Source: countryeconomy.com (historical data), 2022A for Ukraine from the IMF. Arcona Capital external consultancy (2024 estimates), based on European Commission, Ukrainian Ministry of Finance estimates

The CEE economies thus also stagnated in 2023, with Polish and Slovak GDP growth barely positive and the Czech economy registering a very mild recession. Domestic consumption in the Czech Republic was especially weak, not yet re-attaining the pre-COVID Q4 2019 level even by the end of last year. Romania and Bulgaria also saw slowdowns but their trend rate of GDP growth was higher in the prior years. War-affected Ukraine recovered from its c. -/- 30% 2022 contraction, growing at an estimated 4.8% in 2023, with a resumption of some exports, military spending and foreign investment via aid all contributing.

Looking ahead, 2024's economic growth rates are generally expected to be better than those seen in 2023, as the effect of inflation and higher interest rates gradually dissipate. The Central Banks in Poland, the Czech Republic and Ukraine have commenced cutting policy rates in reaction to consumer price inflation data falling towards 2% - 3% targets. Unemployment rates remain very low in the region and therefore offer some support to consumption. But wage growth is a consequence of low joblessness and, particularly in Poland and Romania, may prevent monetary policy being eased too quickly.

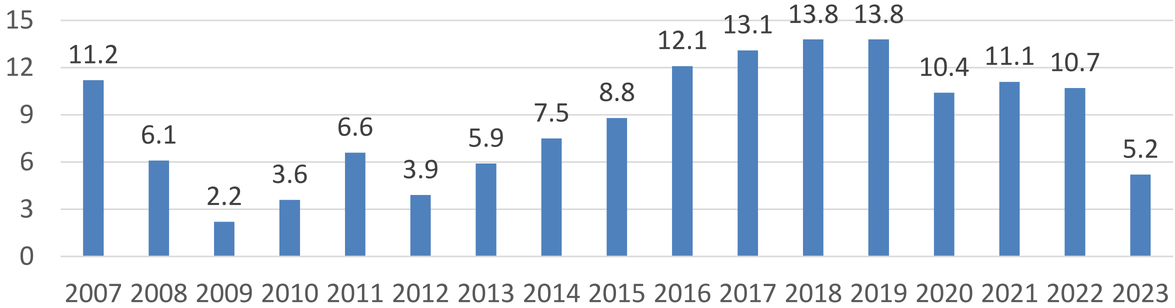
Avoiding currency instability in a fragile geopolitical environment is another macro-priority for CEE countries. Any deterioration in the position of Ukraine staving off Russian offensives in 2024 could cause downside pressure on the region's currencies. This factor, alongside rising commodity prices and governments looking to increase budget deficits to finance military spending, keeps the ECB and the region's Central Banks vigilant.

CEE's high export ratios, ability to attract "near-shoring" capital, strong corporate investment, growing IT specialism, labour flexibility and still-cheap workforces are longer term positives in this environment. Headline foreign direct investments in 2022 - 2023 from EV auto and component makers such as LG Energy, VW and global IT/semiconductor players such as Intel are notable in this respect.

5.5.1 REAL ESTATE MARKETPLACE

Higher interest rates and slowing economic growth curtailed real estate investment activity in both core European and CEE markets in 2023. Overall volumes in the broader European universe retreated -48% last year compared to 2022, according to CBRE data. 2023's EUR 5.2bn of deals transacted in CEE translated into a similar -/- 51% drop, according to Colliers data. Last year's total was the lowest seen in the region for 11 years, though is higher than the nadir seen during the 2009 - 2010 aftershock of the Global Financial Crisis.

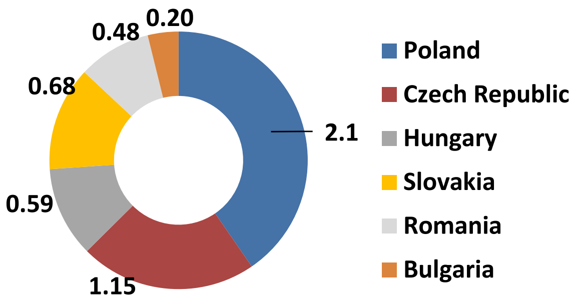
CEE-6 REAL ESTATE INVESTMENT VOLUMES (2007-2023, EUR bn)



Source: Colliers data

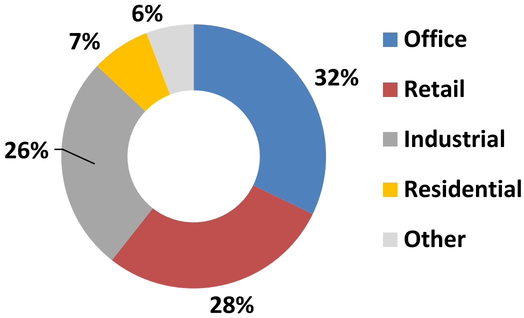
The 2023 data taken alone would suggest very fragile sentiment. The reality is that of business plans and valuations being adjusted in the light of higher financing costs, often higher rents and a mixed economic picture. Buyers for assets in CEE exist but commentators and the major real estate consultants reported, consistently through last year and up to now, a clear gap between purchaser and vendor pricing levels. That spread precluded transactions from happening and therefore market liquidity diminished.

CEE-6 FLOWS BY COUNTRY (2023, EUR bn)



Source: Colliers

CEE-6 FLOWS BY SECTOR (2023, %)

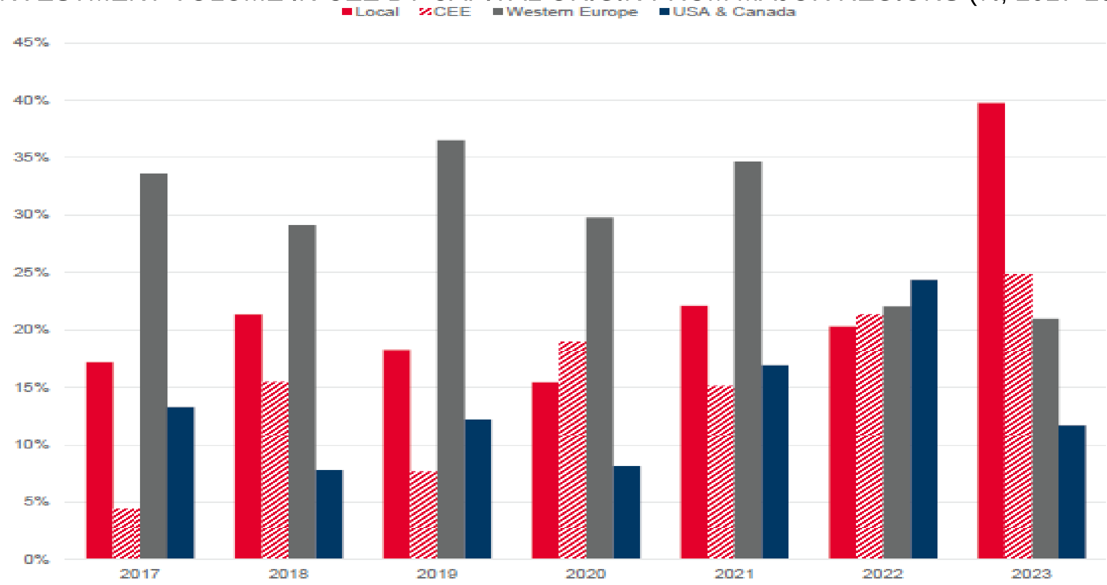


Source: Colliers

Polish transactions, for the first time in several years, slipped to a minority (38%, or EUR 2.1bn) of regional volumes in 2023. Volumes fell -/- 64% year-on-year in this, the CEE-6's most liquid market. Czech and Hungarian volumes also tumbled significantly, down -/- 32% and -/- 62% year-on-year respectively. The less liquid CEE markets also saw a marked contraction in transactions, especially in Romania with a -/- 62% slide in total deal size. The smallest marketplaces, Slovakia and Bulgaria fared a little better with falls of -/- 18% and -/- 26% year-on-year respectively.

The three largest sectors all saw similar contractions in volume in 2023. Offices across the region maintained the largest share of the total, with 32% (or EUR 1.7bn). Retail (28%) and industrial (26%) maintained their shares seen in 2022. Investors maintained interest in industrial & Logistics assets but pricing and lack of product curtailed activity. The residential sector (7% of volume, or c.EUR 374mn) also stayed as a focus for some buyers. No deal in any sector exceeded EUR 200mn in size, according to Colliers. The absence of very large "portfolio deals" goes some way to explaining the steep drop in CEE volumes last year.

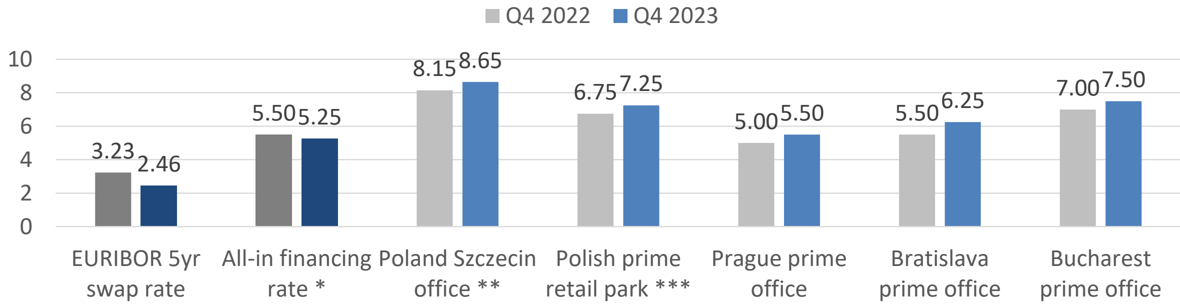
INVESTMENT VOLUME IN CEE BY CAPITAL ORIGIN FROM MAJOR REGIONS (%, 2017-2023)



Source: Cushman & Wakefield

A significant reduction in purchases from Western Europe (c.21% of volume in 2023 versus c.22% of a twice-larger pie in 2022, according to Cushman & Wakefield data) and particularly North America (c.11% versus 24% in 2022) was another reason for the fall-off in transaction totals last year. 2023 certainly saw a break in the multi-year dominance of Western European players in the CEE marketplace. Buyers from other geographies, such as the MENA and Asia-Pacific regions also purchased far fewer assets last year than before. Into the breach stepped domestic and CEE regional investors, as is common in more fragile market conditions. Local investors buying assets in their home markets doubled their share from 20% to 40%, again according to C&W data. In absolute terms, the value of assets they purchased last year was thus stable compared to 2022. On top of that, CEE investors buying CEE-6 assets outside of their home market also grew their share. In total, CEE players accounted for c.65% of the half-sized transaction pie versus c.41% and c.37% of 2021 and 2022's bigger volumes.

BENCHMARK PRIME YIELDS IN SELECTED CEE SEGMENTS & KEY FUNDING RATES (EUR, %, 2022-23)



Source: Colliers, unless stated below

* 5.50% estimate is from Colliers for Q1 2023. 5.25% for Q4 2023 is also from Colliers

** Source: CBRE, 2023 data is as of Q3 2023

*** Source: JLL. No region specified

Prime benchmark yields in the specific geographic and sector segments of interest to shareholders have widened at least 50 basis points over the four quarters of 2023. These are reference yields quoted by the consultants Colliers, CBRE and JLL for the prime assets in those arenas. The reference all-in financing rate, quoted by Colliers, encompassing the EURIBOR 5-year swap rate plus a premium has in fact stayed stable or fallen c.-/- 25bps over the course of Q2 - Q4 2023. The real estate prime yields increasing c.50-75bps while the all-in funding rate marginally falling suggests that the market built in an extra 50-100bps of real yield last year. This reflects the real transaction situation, where financiers, buyers and sellers attempted to triangulate in a difficult and uncertain macroeconomic climate. Asset-owning potential vendors, facing debt refinancing at the higher 2023 rates relative to prior finance costs taken out in the “cheap” years before 2022, understandably were and, likely, still are reluctant to sell. But at the same time, EUR 5.2bn of transactions did occur last year and, slowly, price discovery will continue.

5.5.2 REAL ESTATE OUTLOOK

For sentiment to improve and CEE transaction volumes to increase, one or more of several factors should occur: first, a falling cost of finance. G10 listed bond and equity markets have begun to discount policy interest rate cuts in 2024. But this may take time to feed through to embattled CEE asset-holders facing recent or imminent debt cost hikes; secondly, a continuation of firming rents, which requires some inflation to remain in the system and a recovery in the region’s GDP growth rates; thirdly, a continuation of the slow rise in prime yields in the CEE marketplace, bringing vendor pricing closer to that of purchasers; fourthly, a steady increase in the proportion of assets in the region that demonstrate greater levels of ESG compliance and fifthly, a return of international investors to the CEE marketplace in greater numbers.

At the same time, stabilisation and improvement in the marketplace will also require that none of the shocks experienced in recent years repeat, or indeed any new external events unfold. COVID, the Russian invasion of Ukraine and the worst bout of global inflation seen since the 1970s-early 1980s all had implications for the cost of capital and the valuation of assets in the CEE region.

Rent growth helps CEE real estate assets hold their value in inflationary environments. Some tenant contracts will have automatic rent uplifts, often linked to Eurozone CPI. The latter rose 2.6% year-on-year at the last reading in February 2023, averaging 4.5% year-on-year over the prior 12 months. High service charges are now prevalent across the major commercial sectors, reflecting the 2021-23 inflation wave. Tenants appeared to have absorbed the rent and service charge cost shocks as there is no clear evidence of vacancy rates systematically rising.

Of all the sectors presently, it is CEE’s largest, office that is facing the most challenges: weaker GDP growth, consideration of the space needed in the post-COVID environment, as companies and employees assess their work location patterns, plus ESG enhancements and compliance initiatives. The effect of both the COVID period and this present phase is increasing obsolescence risk as assets age and technology advances. Construction activity in the office sector is conspicuously weak across the CEE region: very low supply of new buildings in the coming two years will help to underpin asset valuations via capping vacancy rates and leading to demand-pull pressure on rent growth. The situation in the retail sector is somewhat easier, especially in the convenience retail segment. The mix in these centres of essential items such as food, beverages, pharmacy and pet goods, or “consumer staples” is an advantage in a slow-growth environment. Inflation-linked “turnover rents” also help. Tenants in Logistics assets have seen strong rent growth in the inflationary period. This situation looks set to continue, though not at the rate recently seen. Supply chain industrial assets, very common in CEE, face less input cost challenges than 12 months ago but investors have to be wary of recession risk and the restructuring of industries such as autos in this slow GDP growth environment. Construction costs across the sectors have decreased, or at least are not increasing but activity in general is slow, which has to be expected given the effect of higher policy interest rates on economic growth and developer business models.

The probability from now of lower rather than higher policy interest rates in CEE will eventually lead to a loosening of lending activity and decrease the level of transaction debt funding costs. This positive effect is not yet happening but starts to feed in with a 3-18 month lag after Central Bank moves. As the National Bank of Poland and the Czech National Bank have cut policy rates already in this cycle and the ECB may well do so by the summer of 2024, this may yet mean that real estate yields in the region peak out some time in H2 2024-H1 2025. Present asset-holders still face elevating debt funding costs for now as international banks in particular are still in the mode of implementing the ECB’s tighter monetary policy. Hedging costs in or out of local currencies for asset owners, managers and potential purchasers have dropped in recent months, easing financial conditions somewhat for them. Rent market outlooks look like shifting slowly in favour of landlords in the office and convenience retail sectors over the next 24 months.

The Polish office market

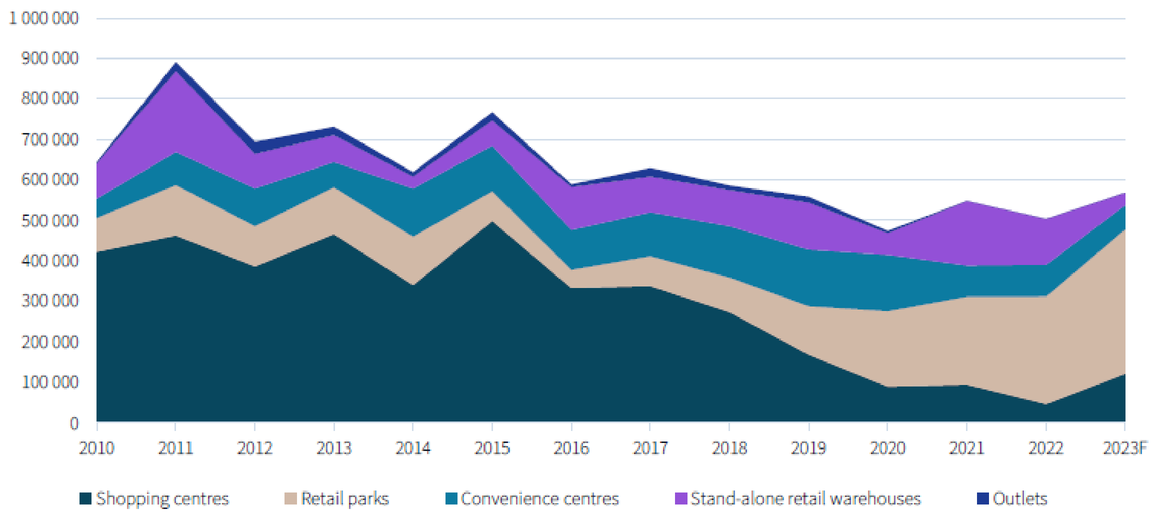
Poland's largely unchanged 2023 gross volume of 1.49mn sqm of office lease transactions reflects last year's flat-lined real GDP outcome. The correlation between Polish GDP growth and office lease demand appears to be quite persistent through time. The demand mix also reflected a stagnating economy: the proportion of renewals and renegotiations rose by 6 percentage points to 42% of the gross total, according to Colliers. New demand accounted for just under half, 49% or c.730,000 sqm, of gross take-up, a fall of 4 percentage points. With a drop to just 340,000sqm of developer delivery of completed office space in the major cities, the national stock level rose just 2.7% last year, equating to half the growth rate seen in 2022. There was a marked variation in the supply-demand balance among the major cities in Poland. Warsaw saw a record low delivery of supply of just 61,000 sqm, while Krakow saw 97,000 sqm of new space entering the market. As a result of these variations, office vacancy rates in the larger regional cities outside of Warsaw range between 11.9% and 21.5%, according to Colliers, while standing at a lower 10.4% in the national capital. Office rent levels stayed broadly steady in both Warsaw and the key regional cities during 2023.

In Szczecin, where our asset is located, the market remains much healthier than in other regions. Unlike in its peers, the city's vacancy rate fell 100bps during the course of last year to just 4.8%, according to Colliers and CBRE. Very low developer completion supply again, at just 2,900 sqm or 1.6% of 2023 stock meant a deficit versus annual gross take-up of 9,000 sqm, according to Colliers data. The current vacant stock amounts to just below 9,000 sqm and with no space identified as under construction, the city office market looks likely to remain in a situation of relatively tight supply in the next 12-24 months. Szczecin's proximity to Germany and consideration of the marketplace by business service sector providers are likely to keep demand robust in the near run. Prime rents edged up 3.4% last year to EUR 15.00/sqm/month at the year end versus EUR 14.50/sqm/month a year before, according to Colliers. Average rents also ticked up 5% to EUR 14.40/sqm/month, according to CBRE's data for Q3 2023. Further rental growth in this city looks likely in the near to medium term. CBRE quoted a yield level of 8.65% for Szczecin office assets as of end Q3 2023.

The Polish retail market

An abating of inflation pressures will be welcome news in the Polish retail market, given the flat real GDP growth observed nationally in 2023. Overall retail sales grew 5% in nominal terms last year, containing of course a large inflation component. Stripping out inflation, household consumption dropped -1% in real terms in 2023. December 2023's real retail sales fell -2.3% year-on-year. There are signs of a recovery in Q1 2024, with real retail sales up 6% year-on-year in February. In this difficult environment, spending on essential items, so called "consumer staples" tends to be boosted relative to discretionary goods. This spending pattern, common in recessionary phases, benefits retail parks/convenience stores and e-commerce sales of necessities. E-commerce in Poland maintained a steady market share which varied between 7.7% to 11.7% month-by-month last year and therefore along with the total marketplace did not grow overall. Greater regulation, introduced at the EU level in particular, is meaning e-commerce has entered a more mature phase of growth. The "bricks & mortar" space thus has continued relevance going forward. As seen across CEE, real estate investment volumes in Polish retail were lower in 2023 but 51% of deal volume in the sector up to the end of Q3 2023 was in retail parks and convenience centres, according to JLL data. 25% of those volumes were for transactions with a ticket size of less than EUR 25mn, with a further 34% share in the EUR 25-50mn bracket. Portfolio sales of convenience centres are beginning to happen, with one transaction for approximately EUR 10mn involving 4 centres with a total area of 15,000 sqm being executed in H1 2023, according to JLL. "Benchmark" prime yields for the best retail parks widened some 50bps to 7.25% at the end of 2023.

NEW COMPLETIONS BY RETAIL FORMATS IN POLAND (SQM GLA), 2010-2023



Source: JLL, as of H1 2023. 2023F = prognosis for full year

New convenience store space in Poland grew, very similarly to 2021 and 2022, by another 66,000 sqm in 2023 according to JLL's estimates, meaning a total stock level of around 968,000 sqm. The segment's share of total retail space brought to market last year was 12%, almost matching the new traditional shopping centre space (16%). It was new retail parks that dominated, with a 63% proportion of newly-constructed stock. The addition to the convenience centres floorspace kept the format at 9% of total national retail stock by gross leasable area ("GLA") in H1 2023, matching H1 2022's level and in huge contrast to the minimal 1% level in the year 2000. The continued addition of floorspace will continue to aid the liquidity of this asset class in the investment marketplace going forward. For developers, the general construction cost increases have abated somewhat. But the smaller retail formats, such as retail parks and convenience centres, are seen as simpler projects with a defined specific market and enabling a smooth investment process. Poland's large number of moderately-sized urban centres is making it easier for developers to launch projects in new locations. JLL see 75% of the total retail sector 2024-25 construction pipeline of 430,000 sqm being led by retail parks and convenience centres, probably much more in retail parks.

Tenant composition of convenience centres by type of retailer positions these assets well during this period of economic uncertainty. "Value" retailers occupied 39% of the GLA in traditional retail parks and convenience centres in mid—2023, up from 37% in H1 2022 and 33% in H1 2021. These key tenants are retailers with basic multi-brand offerings, names such as Action, Pepco, Tedi, KiK, Dealz and Woolworth. The drugstores and convenience grocery players remain as anchor tenants. Consumers in Poland are continuing the trend of preferring retail destinations that are close to residential areas. Rents in this environment are broadly stable at EUR 6-13/sqm/month in a typical medium-sized city according to JLL. JLL also noted the continued advantage for small size formats of less stringent service charge hikes over the past two years. The burden of higher service charges triggered by the post-Ukraine-invasion increase in energy and fuel prices is less than that for tenants sitting in the larger traditional shopping centres.

The Czech office market

The Czech office market weathered the mild (-/- 0.5%) contraction in Czech real GDP in 2023. Vacancy rates in the key Prague arena actually fell -/- 50bps to 7.2% by the year end, according to Colliers data. The postponement of scheduled completions into 2024 meant developers delivered 98,400 sqm to the market during last year. Though the 2023 delivery was higher than that seen in 2021 or 2022, the total stock expanded by only 2.6% to 3.91mn sqm. Completions are predicted to be thinner on the ground than that for 2024 and especially 2025. Thus in 2023, sitting tenants looked to renegotiate leases and, by-and-large, tolerated increases in rents. Gross take-up hit 525,300 sqm according to Colliers, just -/- 3% lower than 2022. Last year's net take-up of 238,900 sqm was -/- 18% lower than 2022, implying that 55% of demand was through renegotiations.

In this environment, prime headline rents in Prague ticked 2% higher to EUR 27.50/sqm/month by 2023's year end, according to Colliers. Inner city class B rent levels shifted up very moderately to EUR 18.25/sqm/month. For holders of these properties, these rental increases were needed as prime office rental yields jumped 50bps to a level of 5.5% by the end of 2023.

The Slovak office market

Slovakia's office market faced a slow-down in the export-dependent economy's GDP growth in 2023. Office vacancy rates in the benchmark Bratislava arena jumped 300bps to 14.2% at the end of last year, according to Colliers. Vacancy was highest among A+-class buildings, sitting at 18.1%, with rates in the A and B class categories sitting at a lower 13.7% and 11.2% respectively. While gross take-up amounted to a high 183,500 sqm in 2023, according to Cushman & Wakefield, the majority was due to a surge in renegotiations. The net take-up was below 50,000 sqm. This shortfall versus the developers' delivery of the anticipated 113,000 sqm of new space explains the leap in vacancy rates over the last year. That new space expanded the city's stock level by 5.7% to 2.09mn sqm. This stock level, though, is anticipated to stay flat until Q4 2025, with no completions expected before then. Vacancy rates are thus likely to stabilise and fall in coming quarters, assuming the extrapolation of recent demand levels.

Prime Bratislava CBD rents defied the increasing vacancy rates, firming 6% in 2023 to EUR 18.0/sqm/month. Rents in the city's peripheral locations, an approximation for B class offices and other cities such as Kosice, were also solid last year, at EUR 12.50/sqm/month for prime locations and EUR 11.50/sqm/month on average according to Colliers. For holders of these properties, these rental increases were needed as low market liquidity and tight lending conditions for transactions saw a 75bps tick-up in prime office rental yields, to 6.25% by the year end of 2023.

The Romanian office market

The trend of slowing regional GDP growth also affected the Bucharest office market in 2023. Headline demand amounted to a high 424,000 sqm last year, according to Colliers but only 27% of that total (115,000 sqm) was fresh, new demand from tenants. Pre-leases totalled just 13% of the overall demand, a sign of caution from prospective lessees. Renewals thus made up the majority of leasing activity and some larger tenants such as Oracle reduced their floorspace demand when renewing. New supply, at just 110,000 sqm according to CBRE, registered the lowest level of completions since 2015 for the second year running and meant that the overall stock rose only 3.3% to 3.43mn sqm. Overall vacancy rates reflected this rather balanced situation and again climbed marginally last year, reaching the level of 14.7% according to CBRE.

The agencies observed a bifurcation of rent development in Bucharest last year. Prime rents for the most modern and ESG-compliant buildings rose some 15% to EUR 22/sqm/month by the year end, according to Colliers. Older buildings by contrast were much less able in general to execute rent increases and it is in this type of building where vacancy is becoming more of an issue. The market, though, should remain at least in balance in coming quarters, with just 16,000sqm in development due for completion in Bucharest in calendar 2024 and not much more in the pipeline in 2025. In addition, demand from the fast-growing IT sector looks set to continue. Computing and hi-tech companies made up up 44% of office demand in Bucharest in 2023, according to CBRE. Bucharest's prime office yields backed up 50bps last year, to 7.5%.

The Bulgarian residential market

Sofia's high-end residential sector saw a normalisation in 2023, in the environment of falling general inflation. Prices in the sales market were flat to slightly rising last year in the high-end residential arena, concentrated in the districts of the city at the foot of the Vitosha mountain. Activity, according to Colliers, was nonetheless healthy with unchanged pricing implying that the increase in total stock, some 1,520 units, or 11% growth to 15,840 units, was, like in 2022, completely absorbed. The focus of demand continued to swing towards larger units, with developers of new units including more spacious common areas, as well as separate workspaces. The proportion of properties bought for owner-occupation dropped to 44%, down from 2022's very high 85% level. A stabilisation of Bulgarian (read: ECB) interest rates in 2023 meant also that half of transactions were financed partially with a mortgage, compared to just c.15% in H2 2022.

Rents reflected pricing, with little change compared to 2022: The average rent for a two–bedroom apartment was EUR 1,000 – 1,300/month, including VAT, according to Colliers data. The number of residential units under construction at the end of 2023 was estimated by Colliers at over 4,550, the highest level seen since the onset of the COVID pandemic.

As with 2023, pricing in 2024 is seen by Colliers as likely to remain stable. Very few secondary sales are likely. This fact implies, with a 2-year construction cycle, that the market should be able to balance the coming supply of new units if last year's demand sustains through this year.

The Ukrainian land market

Ukraine remains on a war footing and the land market thus has limited activity. The entire country is fully engaged in repelling the Russian invasion that began on 24 February 2022 and remains under martial law. Even with continued ongoing damage to infrastructure, civilian assets and the militarisation of areas closer to the war front, the economy stabilised in 2023 and real terms GDP expanded 4.8% according to the World Bank. Energy exports, the reopening of agricultural export channels via Europe and, particularly, the Black Sea plus emergency infrastructure repair, helped by foreign aid donations and loans, were all growth drivers. The shock of the invasion, causing GDP to contract by -30% in 2022, remains profound and is of course ongoing, with an uncertain path in the coming months and years. Alongside real GDP, inflation also came under control, with the latest reading set at just 4.3% year-on-year in February 2024, a marked contrast to the peak of 27% year-on-year seen in October 2022. The National Bank of Ukraine was thus able to slash interest rates from a punitive 25% to 15% last year and followed up with a further, surprising, -0.5% (-50bps) cut to 14.50% in March 2024. The National Bank appears likely to continue easing policy, through looking to balance inflation risks with allowing the Ukrainian hryvna to gradually depreciate against Western peer currencies. Despite these more promising conditions, real estate activity will only return towards normal when the war comes to an end. Much lower interest rates will then prevail, as the country will very likely have substantial support from government and multinational agencies.

Land price inflation in Ukraine, as elsewhere, is seen as a hedge on general inflation. Notional land prices in US dollar terms continued to rise in 2023 according to the SV Development land price source. For the record, Odessa Oblast's land prices saw a 4.9% increase in USD terms at the beginning of 2024 compared to 2023. This was higher than the 3.9% land price rise in Kyiv Oblast'. In Dnepropretrovsk oblast', adjacent to Zaporizhzhe Oblast', the same source saw a 2.9% increase in calendar 2023.

5.6 REAL ESTATE PORTFOLIO DEVELOPMENT

Table 12 – Comparative statement of the real estate portfolio

	31-12-2023	31-12-2022	change	%
Valuation (in EUR 1,000)	78.77	81.80	-/- 3.03	-/- 3.7
Investment property	68.97	69.60		
Inventory	0.94	1.84		
Investments in associates	3.69	3.59		
Asset held for sale	5.25	6.77		
Sales (for comparison)	2.99	-		
Total including sales (for comparison)	81.84	81.80	0.04	0.1
Number of properties	21	21	0	0.0
Rentable area (in sqm)	55,033	54,715	318	0.6

The size of the portfolio decreased from EUR 81.80 million in 2022 to EUR 78.77 million in 2023, a decrease of 3.7%, caused by asset sales However, the value of the assets retained in the portfolio increased slightly, by 0.1%. The rentable area of the assets increased due to capital expenditures and reclassification of spaces.

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

All in EUR 1,000	2023	2022
Balance as of 1 January	**67,344**	**75,877**
Acquisitions	-	4,642
Purchases and additions	818	365
Exchange rate differences	-/- 454	458
Fair value adjustments	244	-/- 3,737
Balance as of 31 December (including assets held for sale)	**67,952**	**77,605**
Reclassification	-/- 1,330	-/- 10,261
Balance as of 31 December	**66,622**	**67,344**

The '*Purchases and additions*' amounting to EUR 818,000 correspond to improvements made to the investment properties, with the most significant enhancements observed in the Polish portfolio. The '*Exchange rate differences*' indicate that fluctuations in currency exchange rates resulted in a change in the value of investment properties by EUR -/- 454,000, with the most substantial impact seen in the Czech currency. The '*Fair value adjustments*' section reveals that the fair value of investment properties underwent an adjustment of EUR 244,000 during the year. The *'Reclassification (to assets held for sale)'* for the amount of EUR 1.33 million negative relates to the property Grzymaly Siedleckiego in Bydgoszsz (Poland), which has been reclassified to 'Assets held for sale'.

Table 14 – Comparative statement[15] of real estate income 2023 – 2023

	2023 in EUR 1,000	2022 in EUR 1,000	Change in EUR 1,000	Change In %
Gross rental income	6,576	6,165	411	6.7
Service cost income	2,508	2,433	75	3.1
Total income	**9,084**	**8,598**	**486**	**5.7**
Service costs	-/- 2,668	-/- 2,471	-/- 197	8.0
Operational costs	-/- 1,834	-/- 1,936	102	-/- 5.3
Net rental income	**4,582**	**4,191**	**391**	**9.3**

[15] Solely based on property assets in possession during 2022 and 2023

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

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

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

'*Net rental income*' represents the income earned by the property owner after deducting the service costs and operational costs from the gross rental income and service cost income. In 2023, the comparable net rental income was EUR 4.582 million, which is EUR 391.000 or 9.3% higher than the income in 2022.

5.6.1 FUND PORTFOLIO OPERATIONS

The table below shows how the key ratios of the Fund´s operations changed over 2023:

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

	31-12-2023	31-12-2022	Change	Change (%)
Fair value per asset (in EUR 1,000)	3,854	3,912	-/- 58	-/- 1.5
Number of properties (annual average)	20.5	20.9	-/- 0.4	-/- 1.9
NOI per asset[16] (in EUR 1,000)	261.8	234.1	27.7	11.8
Occupancy[17] (in %)	87.5	88.6	-/- 1.1	-/- 1.2
Total loan-to-value (in %)	39.5	43.6	-/- 4.1	-/- 9.4
Discount Share price to NNNAV (in %)	55.0	50.0	5.0	10.0
Ongoing Charges Figure[18] (in %)	7.7	8.0	-/- 0.3	-/- 4.3
Fund expense ratio (in %)	3.9	3.7	0.2	4.3
Solvability[19] (in %)	118.6	106.4	12.2	11.5

The table reveals a minor 1.5% drop in the '*fair value per asset'* indicating a slight devaluation, fully related to the land and apartment sales from the Boyana Residence project. Correcting for this the comparable valuation per asset increases generally by 0.6%.

The 11.8% surge in '*Net Operating Income (NOI) per asset'* signals enhanced operational efficiency or increased rental income, showing a positive shift in the portfolio's earning potential. On the financial health front, a 9.4% reduction in the '*total loan-to-value'* ratio shows a decrease in leverage, enhancing the fund's financial stability.

The portfolio's financial data shows a 10% rise in the '*discount of the share price'* to NNNAV, signaling a market undervaluation, and a 4.3% decrease in ongoing charges, reflecting cost management improvements. Moreover, an 11.5% increase in '*solvability'* underscores an enhanced financial position.

In summary, the data portrays a strategic refinement of the portfolio, emphasizing asset optimization and profitability enhancement, despite a slight shrinkage in property numbers. The growth in NOI per asset underlines effective operational and profitability improvement strategies.

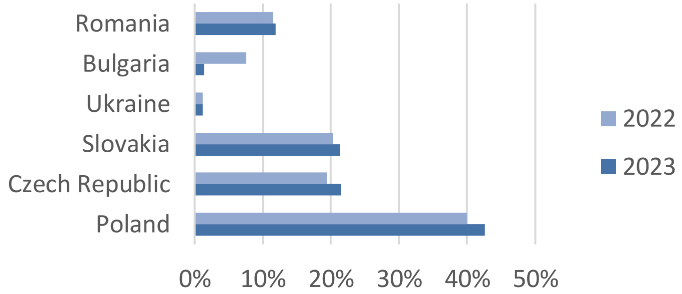
[16] Net Operating Income per income producing asset
[17] Weighted based on fair value, excluding non-income generating properties Aisi Bela and Boyana Residence
[18] Excluding one-off cost elements
[19] Defined as equity / liabilities x 100%

5.7 FUND STRATEGY AND OBJECTIVE

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

Table 16 – Distribution over the countries

Country	2023	2022
Poland	42.6%	40.0%
Czech Republic	21.5%	19.4%
Slovakia	21.4%	20.3%
Ukraine	1.2%	1.2%
Bulgaria	1.4%	7.6%
Romania	11.9%	11.5%



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

5.8 DIVIDEND AND SHARE BUYBACK

The Fund's dividend policy is to distribute approximately 35% of the operational result to shareholders based on the annual results. This annual distribution may be replaced or supplemented by specific share buyback programmes. A combination of cash distributions for shareholders and the retention of a portion of the profits to reinvest in physical assets and improve tenant retention should ultimately yield the highest total return. The Fund aims to pay an interim dividend with the half-year results, followed by a final dividend after year-end, in cash. However, dividend proposals will take into account various factors, such as expected future capital requirements, growth opportunities, net cash generation and regulatory developments.

In September 2022, the Fund started the share buyback programme, which had been approved by the shareholders in October 2021. The programme utilizes the net proceeds from asset sales after short-term debt repayment obligations have been met. The 1st share buyback programme was concluded on March 15, 2023. After this first six-month buyback period, the market will continue to be informed about the timing, process, and volumes of any future share buyback programmes or initiatives aimed at enhancing shareholder value.

5.9 OUTLOOK

In 2024 the Fund will focus on returning money to shareholders as it executes the monetization plan agreed at the Extraordinary General Meeting of December 2023. The ongoing sales programme will be widened in scope to include, alongside non-core assets, certain core assets where short-term peak values have been achieved by refurbishment or reletting programmes. During 2024 the Fund also expects to exit the Bulgarian market following successful completion of the Boyana Residence project.

The success of the disposal programme will be influenced by market sentiment and liquidity, which has been negatively impacted during 2022 and 2023 by the Ukrainian war and by high interest rates. Whilst the war continues to impact international capital flows into the region, local purchasers have now adjusted their risk perceptions. Of much more importance to this local purchaser segment is the cost and availability of debt finance. Here, interest rates in local currencies are already falling and the expectation is that Euro rates will follow suit during the course of the year. Accordingly, there is potential for a pick-up in transaction activity from recent multi-year lows and the Fund will seek to take advantage of this.

Lower financing costs are expected to have a positive impact on the Fund's operational performance in the coming year. Tenant and occupier demand across the Fund´s retail and residential holdings is robust, although in the office sector the maintenance of occupancy levels requires focused local asset management and regular capital investment in the buildings. Overall, assuming the Fund is able to maintain its capital expenditure programme, it is anticipated that income and capital returns at operational level should continue to improve during the course of the year.

5.10 RISK MANAGEMENT

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

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

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

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

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

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

5.11 REMUNERATION POLICY

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

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

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

Remuneration to the Managing Board for the period 2023 – 2019
In 2023 the Fund paid a total fee of EUR 1,237,000 (2022: EUR 1,286,000) to the Managing Board, affiliated companies and Secure Management. Of this total amount, the Managing Board received a fund management fee of EUR 675,000 (2022: EUR 705,000) and affiliated companies received an asset management fee of EUR 497,000 (2022: EUR 498,000).

Table 17 – Total remuneration per year

All in EUR	2023	2022	2021	2020	2019
The Managing Board	675,000	705,000	648,000	665,000	680,000
Arcona Capital Czech Republic	263,000	295,000	406,000	473,000	474,000
Arcona Capital Poland	196,000	203,000	185,000	180,000	179,000
Arcona Capital Bulgaria	28,000	-	-	-	-
Secure Management	75,000	83,000	62,000	89,000	5,000
Total remuneration	**1,237,000**	**1,286,000**	**1,301,000**	**1,407,000**	**1,338,000**

The remuneration for the Managing Board is described in section 15.33.1 'Specification of administrative expenses'. The Managing Board employed on average 4 employees (2022: 4 employees). The managing directors of the Managing Board are employed by Arcona Capital Nederland N.V. (1), Arcona Capital Fund Management B.V. (2) and Arcona Capital GmbH (1). The total number of employees involved in the activities of the Fund is 7 (2022: 7). The Managing Board of the Fund receives a fixed management fee, described in the prospectus of the Fund. Part of the fixed management fee is paid as asset management fee to Arcona Capital Czech Republic; since 2017, it has been paid to Arcona Capital Poland, and since 2019, to Secure Management.

People in senior management functions with the Managing Board are seen as identified staff. Identified staff are defined as follows:
- Managing directors of the Managing Board; and
- Employees fronting administration, portfolio management, marketing and human resources.

No employees received (according to article 1:120 Wft) a remuneration exceeding EUR 500,000. The Managing Board comprises three men and one woman. During 2023 the Fund did not employ any staff directly (2022: 0). As identified staff, a managing director of Arcona Capital Nederland N.V. and its mother company Arcona Capital GmbH is shown. This director is not a policy maker of the Managing Board.

Remuneration for the Supervisory Board for the period 2023 – 2019
The Supervisory Board received a total remuneration of EUR 28,000 (2022: EUR 35,000) in 2023. The remuneration for the Supervisory Board and the remuneration for the statutory directors are described in section 15.34.3 Analysis of Supervisory Board fees and 15.34.4 Analysis of other operating expenses.

Table 18 – Supervisory board remuneration per year

All in EUR	2023	2022	2021	2020	2019
Supervisory Board	28,000	35,000	35,000	28,000	28,000

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

5.12 CORPORATE GOVERNANCE

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

5.13 STATEMENT REGARDING ADMINISTRATIVE ORGANISATION AND INTERNAL CONTROL

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

Amsterdam, 30 April 2024

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

6 THE REAL ESTATE PORTFOLIO

As of December 31, 2023, the Fund's real estate portfolio encompasses twenty-one properties across five Central European countries. This section provides an overview of the properties managed throughout 2023. The distribution includes three properties in the Czech Republic, two in Slovakia, two in Romania, eleven in Poland, one in Bulgaria, and two in Ukraine.

6.1 THE REAL ESTATE PORTFOLIO IN POLAND

As of December 31, 2023, the Fund's Polish portfolio consists of ten retail centers situated in regional cities and one modern office building located in Szczecin. All properties are multi-tenanted. Key details of each property are summarized below:

8 Laubitza, Inowrocław (Laubitza)	
Type	Retail
Rentable Surface (in sqm)	1,765
Occupation Rate (in %)	95.6
Fair value (in EUR)	2,000,000

The property is located in Inowrocław, within Stare Miasto district, at 8 Laubitza Street, close to Dworcowa Street. The area is mostly commercial in nature. The retail building, completed in 2001, comprises one floor above ground of 1,765 sqm of total lettable area and 41 parking spaces situated at the east, south and west sides of the property. In April 2023, Rossmann signed 5 year lease for 459 square meters, and started to operate in August 2023.

800-lecia Inowrocławia 27, Inowrocław (Lecia)	
Type	Retail
Rentable Surface (in sqm)	2,366
Occupation Rate (in %)	90.9
Fair value (in EUR)	2,610,000

65

Inowrocław is located in the central part of Poland near to Bydgoszcz and Toruń. The city has approximately 75,000 inhabitants. The site is located on the south-eastern edge of the city, in a residential area comprising apartment blocks and single-family houses. The immediate area is served by seven bus lines providing convenient access to the property for customers using public transport. The centre provides 2,366 sqm lettable area and 100 parking places. In June 2022, Carrefour signed a seven-year lease for 1,430 square meters (rentable area 1,268), under enhanced rental terms. The new supermarket opened its doors in early August 2022.

1 Krzemowa, Gdańsk (Krzemowa)

Type	Retail
Rentable Surface (in sqm)	1,622
Occupation Rate (in %)	100.0
Fair value (in EUR)	3,170,000

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

1 Plutona, Głogów (Plutona)

Type	Retail
Rentable Surface (in sqm)	1,669
Occupation Rate (in %)	77.6
Fair value (in EUR)	1,940,000

Głogów is a developing medium-sized town in the south-east part of Poland, with a current population of nearly 70,000. The property is located in the city's largest housing estate, Kopernik, with a population of 22,500. High-rise residential buildings dominate the property's direct surroundings. The lettable area is 1,669 sqm and there are 62 parking places. Anchor tenant in this location is Polo Market with lease agreement expiring in 2030,

82 Kalinkowa, Grudziądz (Kalinkowa)

Type	Retail
Rentable Surface (in sqm)	2,556
Occupation Rate (in %)	98.2
Fair value (in EUR)	2,790,000

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

137 Wojska Polskiego, Piotrków Trybunalski (Wojska)

Type	Retail
Rentable Surface (in sqm)	2,603
Occupation Rate (in %)	95.9
Fair value (in EUR)	3,310,000

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

6 Wolnosci, Słupsk (Wolnosci)

Type	Retail
Rentable Surface (in sqm)	1,859
Occupation Rate (in %)	47.5
Fair value (in EUR)	1,520,000

Słupsk is an historic town in north-western Poland, located just 18 km away from Ustka, a popular seaside resort on the Baltic coast. The current population is 95,000 inhabitants. The property is located in the northern part of the city and its immediate surroundings comprise high density mid-rise residential developments. In year 2022 next to Wolności site stand alone Biedronka shop was built – which increased pedestrian traffic near the property. The Old Town is within 10-minutes' walk. Two bus stops are located directly in front of the property with several others within walking distance. The property has 48 parking places.

216 Legionów St., Toruń (Torun)

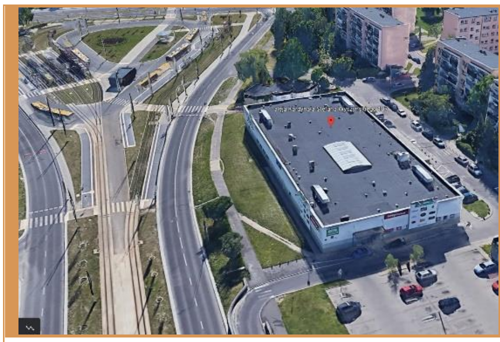
Type	Retail
Rentable Surface (in sqm)	2,229
Occupation Rate (in %)	100.0
Fair value (in EUR)	3,210,000

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

20 Grzymały Siedleckiego St., Bydgoszcz (Bydgoszcz)

Type	Retail
Rentable Surface (in sqm)	1,793
Occupation Rate (in %)	100.0
Fair value (in EUR)	1,330,000

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



107 Kardynala Wyszynskiego St., Łódź (Łódź)

Type	Retail
Rentable Surface (in sqm)	1,608
Occupation Rate (in %)	85.9
Fair value (in EUR)	2,190,000

This single-storey retail building, completed in 2001, provides 1,608 sqm of total lettable area and 60 parking spaces situated in the north and east sides of the property. The property is located in Łódź, Polesie District, at 107 Kardynała Wyszyńskiego St., close to Popiełuszki St. The area is predominantly residential in nature. Public transport is secured with 7 bus lines that have stops to the west of the property. The main tenant is Netto, on a lease expiring in 2033. The site of the property is held leasehold.

9 Holdu Pruskiego Square, Szczecin (Maris)

Type	Office
Rentable Surface (in sqm)	5,945
Occupation Rate (in %)	84.8
Fair value (in EUR)	9,100,000

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

6.2 THE REAL ESTATE PORTFOLIO IN THE CZECH REPUBLIC

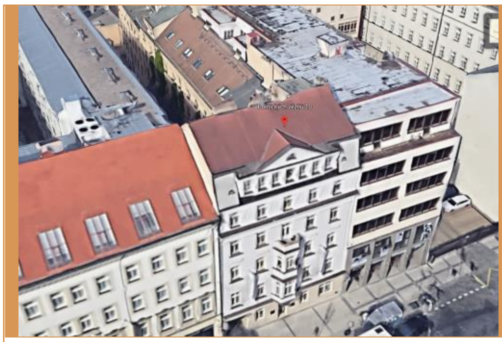
The portfolio comprises three commercial properties located in Prague, the capital city. The properties vary in construction, specification and tenant mix however all are multi tenanted and are primarily used as office accommodation with some providing ground floor retail units. The main characteristics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

Na Zertvach 34, Prague 8 (Palmovka)	
Type	Office
Rentable Surface (in sqm)	2,263
Occupation Rate (in %)	100
Fair value (in EUR)	4,053,000

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

Prvniho pluku 621, Prague 8 (Karlin)	
Type	Office
Rentable Surface (in sqm)	4,245
Occupation Rate (in %)	91.9
Fair value (in EUR)	6,190,000

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



Politických vězňů 10, Prague 1	
Type	Office
Rentable Surface (in sqm)	2,308
Occupation Rate (in %)	83.2
Fair value (in EUR)	6,507,000

This representative office building is located in Prague's city centre, near Wenceslas Square. The main building has eight floors and the total rentable space is 2,308 sqm. The whole complex has partly been reconstructed with additional parking spaces. The property is close to the Wilsonova arterial road through Prague city centre and within 5 minutes' walk of the central railway station.

6.3 THE REAL ESTATE PORTFOLIO IN SLOVAKIA

The Fund portfolio as at end 2023 has two commercial properties in Slovakia. These comprise multi storey B-/C class office blocks of concrete frame structure and flat roof construction, situated in urban locations. The properties are all multi tenanted and are primarily used as office accommodation. Some properties provide retail or storage space. The main characteristics of each property are briefly summarised below:

Záhradnicka 46, Bratislava	
Type	Office
Rentable Surface (in sqm)	3,755
Occupation Rate (in %)	57.8
Fair value (in EUR)	3,846,000

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

Letná 45, Košiče	
Type	Office
Rentable Surface (in sqm)	11,169
Occupation Rate (in %)	76.0
Fair value (in EUR)	12,830,000

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

6.4 THE REAL ESTATE PORTFOLIO IN BULGARIA

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

Boyana Residences, Sofia (Boyana)	
Type	Apartments
Surface area (in sqm)	22,440
Occupation Rate (in %)	n/a
Fair value (in EUR)	1,784,000

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

Phase I of the project has been completed and obtained an occupancy permit in 2016. This phase delivered 67 apartment units, during 2020 apartment block 2A with 28 apartments has been sold. The Fund has successfully refinanced the Boyana Residence project in Bulgaria with new loans in the value of EUR 3.6 million from Dutch investors 2023. This provided the Fund the opportunity to renovate and sell apartments and development land. Starting 2023 the real estate comprises an apartment complex with 26 apartments and 15,105 m² of development land in Sofia, Bulgaria. A significant amount of appartments and the land has been sold during 2023.

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

6.5 THE REAL ESTATE PORTFOLIO IN ROMANIA

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

EOS office, Bucharest	
Type	Office
Rentable Surface (in sqm)	3,386
Occupation Rate (in %)	100%
Fair value (in EUR)	5,202,000

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

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

Delenco office, Bucharest (Fund has 24.35% ownership)	
Type	Office
Rentable Surface (in sqm)	10,384
Occupation Rate (in %)	87%
Fair value (in EUR)	16,630,000
a 24.35% stake is :	4,049,000

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

6.6 THE REAL ESTATE PORTFOLIO IN UKRAINE

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

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

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

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

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

CONSOLIDATED FINANCIAL STATEMENTS 2023

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7 PERFORMANCE INDICATORS

The following performance indicators have been prepared in accordance with standards comparable to those of EPRA[1]. The (diluted) adjusted earnings and (diluted) customized earnings are performance indicators introduced by the management. There are no prescribed rules for such performance indicators, meaning that each company develops its own policy and applies it consistently. Thus, performance indicators with the same name can be determined in a different manner.

7.1.1 (Adjusted) earnings

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

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

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

Adjusted earnings per share[2] should be calculated on the basis of the basic number of profit-sharing shares. The main reason for this is that earnings and the dividends to which they give rise accrue to current shareholders and therefore it is more appropriate to use the basic number of profit-sharing shares.

The diluted adjusted earnings per share should be calculated on a diluted basis considering the impact of any options, convertibles, etcetera that are dilutive. For the explanation of the effect of exercise of options, convertibles, and other equity interests (fully diluted basis) reference is made to the explanation in (3), mentioned in section 7.1.8 "Explanation of adjustments calculation of NAV".

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[1] European Public Real Estate Association

[2] The adjusted earnings per share includes all types of profit-sharing shares (e.g., ordinary and registered shares). Therefore, treasury shares are excluded from the adjusted earnings per share.

7.1.2 Calculation of (diluted) adjusted earnings per share

	Notes	**2023** In € 1,000	**2022** In € 1,000
Earnings per IFRS Consolidated Income Statement	*9*	183	-/- 4,350
Exclude:			
1. Valuation results of:			
a. owned investment property	*15.27*	-/- 303	3,669
b. investment property under development	*15.27*	-/- 65	1,341
c. equity investments	*15.31*	-/- 225	68
2. Result on disposals of:			
a. owned investment property	*15.28*	-	-
b. realised currency results on net investments in group companies	*15.32*	-/- 220	-/- 27
3. Tax on result on disposals of properties and equity investments		-	-
4. Changes in fair value of financial instruments of:			
a. derivatives	*15.37*	179	-/- 182
5. Acquisition costs on share deals		-	-
6. Taxes in respect of adjustments		-/- 54	-/- 70
Adjusted earnings		**-/- 505**	**449**
Basic number of profit-sharing shares	*15.40.3*	4,177,083	4,185,984
Adjusted earnings per share (in €)		**-/- 0.12**	**0.11**
Basic number of profit-sharing shares (fully diluted)	*15.40.6*	4,177,083	4,185,984
Diluted adjusted earnings per share (in €)		**-/- 0.12**	**0.11**

7.1.3 Explanation of adjustments calculation of (diluted) adjusted earnings per share

1. Valuation results of properties and equity investments

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

2. Result on disposals of properties and equity investments

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

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

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

4. Changes in fair value of financial instruments

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

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

5. Acquisition costs on share deals

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

6. Taxes in respect of adjustments

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

7.1.4 Calculation of (diluted) customized earnings per share

	Notes	2023 In € 1,000	2022 In € 1,000
Adjusted earnings	***7.1.2***	**-/- 505**	**449**
Exclude:			
1. Valuation results of owned investment property held for sale	*15.27*	-/- 2,350	-/- 1,135
2. Valuation results of right-of-use assets	*15.27*	147	103
3. Result on disposals owned investment property held for sale	*15.28*	2,885	640
4. Impairment allowance of inventories	*9*	-	-/- 70
5. Result on disposals of inventories	*15.29*	-/- 1,093	29
6. Penalties for early termination of rental contracts	*15.33*	-	-/- 487
7. Costs of funding and acquisition	*15.35.5*	11	207
8. Interest expense on lease liabilities	*15.37*	91	76
9. Variable compensation on other long-term liabilities	*15.37*	101	-
10. Fee for early repayment loans and borrowings		-	12
11. Waiver fee loans and borrowings		8	-
12. Foreign exchange and currency results	*15.37*	135	-/- 8
Include:			
13. Operating leases	*15.16.5*	-/- 219	-/- 188
Subtotal adjustments (before taxes)		-/- 284	-/- 821
14. Taxes in respect of above adjustments		9	183
Total adjustments		**-/- 275**	**-/- 638**
Customized earnings		**-/- 780**	**-/- 189**
Basic number of profit-sharing shares	*15.40.3*	4,177,083	4,185,984
Customized earnings per share (in €)		**-/- 0.19**	**-/- 0.05**
Basic number of profit-sharing shares (diluted)	*15.40.6*	4,177,083	4,185,984
Diluted customized earnings per share (in €)		**-/- 0.19**	**-/- 0.05**

7.1.5 Explanation of adjustments calculation of (diluted) customized earnings per share

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

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

7.1.6 Net Asset Value

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

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

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

7.1.7 Calculation of NAV

	Notes	**31-12-2023** In € 1,000	**31-12-2022** In € 1,000
Group equity in accordance with IFRS	*11*	45,396	46,515
Exclude:			
1. Fair value of financial instruments	*15.5*	-/- 300	-/- 479
2. Deferred tax	*15.6.1*	3,264	2,997
Group equity in accordance with NAV		**48,360**	**49,033**
Total number of profit-sharing shares	*19.9.1*	4,177,083	4,185,984
3. Effect of exercise of options, convertibles and other equity interests (diluted basis)		-	-
Total number of profit-sharing shares (diluted)		**4,177,083**	**4,185,984**
NAV per profit-sharing share (in €)		**11.58**	**11.71**

7.1.8 Explanation of adjustments calculation of NAV

1. Fair value of financial instruments

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

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

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

2. Deferred tax

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

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

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

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

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

7.1.9 Triple Net Asset Value

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

7.1.10 Calculation of NNNAV

	Notes	**31-12-2023** In € 1,000	**31-12-2022** In € 1,000
Group equity in accordance with NAV	*7.1.7*	48,360	49,033
Include:			
1. Fair value of financial instruments	*15.5*	300	479
2. Fair value adjustment of debt		-	4
3. Fair value of deferred tax		-/- 3,852	-/- 1,498
4. Fair value adjustment of inventories		846	1,421
Group equity in accordance with NNNAV		**45,654**	**49,439**
Total number of profit-sharing shares	*19.9.1*	4,177,083	4,185,984
5. Effect of exercise of options, convertibles and other equity interests (diluted basis)		-	-
Total number of profit-sharing shares (diluted)		**4,177,083**	**4,185,984**
NNNAV per profit-sharing share (in €)		**10.93**	**11.81**

7.1.11 Explanation of adjustments calculation of NNNAV

1. Fair value of financial instruments

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

2. Fair value of debt

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

3. Fair value of deferred tax

This adjustment includes the fair value of the deferred taxes concerning owned investment property, investment property under development or other non-current investments (including investments in group companies; these three items hereinafter mentioned as “non-current investments”). The deferred taxes are calculated with regard to all taxable temporary differences with regard to the non-current investments, whether these deferred taxes are included in the Statement of Financial Position or not. For items not included in the Statement of Financial Position is referred to section 13.41.3 “Deferred tax” in the Accounting Principles Consolidated Financial Statements.

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

Until December 20, 2023 the Managing Board assessed the fair value for calculation-purposes of the deferred taxes applicable to non-current investments by multiplying the remaining 50% of the deferred taxes (at nominal value, as mentioned above). This percentage is an estimation of the present value of the tax applicable in the (near) future.

As a result of the Extraordinary General Meeting of shareholders (EGM) as at December 20, 2023 the Managing Board decided to cancel the remaining 50% deferred taxes, since (probably) a substantial portion of the assets will be sold within 18 months. Therefore as of December 20, 2023 the Managing Board assessed that the fair value of the deferred taxes to non-current investments is equal to the nominal value (similar as mentioned in the Statement of Financial Position), adjusted for unrecognised deferred taxes of non-current investments as mentioned in section 13.41.3 “Deferred tax” in the Accounting Principles Consolidated Financial Statements. Since a substantial portion of the assets will likely be sold within 18 months, the Managing Board is exercising prudence with regard to the recognised deferred tax assets related to non-current investments.

The effect of these changes in estimates, as described above, results in a negative amount of € 2,632,000, or a loss of € 0.63 per profit-sharing share, as of December 31, 2023.

4. Fair value of inventories

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

The fair value of the inventories is determined by an external, independent appraiser as at Statement of Financial Position’s date.

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

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

7.1.12 Calculation of NNNAV before distributions to shareholders

	Notes	**31-12-2023** In € 1,000	**31-12-2022** In € 1,000
Group equity in accordance with NNNAV	*7.1.10*	45,654	49,439
Exclude:			
1. Cumulative distributions to shareholders		3,857	3,120
Group equity in accordance with NNNAV before distributions to shareholders		**49,511**	**52,559**
Total number of profit-sharing shares	*19.9.1*	4,177,083	4,185,984
2. Effect of exercise of options, convertibles, and other equity interests (diluted basis)		-	-
Total number of profit-sharing shares (diluted)		**4,177,083**	**4,185,984**
NNNAV per profit-sharing share before distributions to shareholders (in €)		**11.85**	**12.56**

8 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31-12-2023 In € 1,000	31-12-2022 In € 1,000
Assets			
Investment property	*15.2*	68,022	68,638
Investment property under development	*15.3*	945	958
Investments in associates	*15.4*	3,689	3,587
Derivative financial instruments	*15.5*	94	372
Deferred tax assets	*15.6*	-	432
Trade and other receivables	*15.9*	892	650
Prepayments and deferred expenses	*15.10*	9	-
Total non-current assets		**73,651**	**74,637**
Derivative financial instruments	*15.5*	206	107
Tax assets	*15.8*	367	563
Trade and other receivables	*15.9*	576	1,346
Prepayments and deferred expenses	*15.10*	299	214
Inventories	*15.11*	938	1,835
Cash and cash equivalents	*15.12*	2,382	4,740
Assets held for sale	*15.13*	5,253	6,777
Total current assets		**10,021**	**15,582**
Total assets		**83,672**	**90,219**
Group equity (attributable to Parent Company shareholders)	*11*	**45,396**	**46,515**
Liabilities			
Loans and borrowings	*15.16*	6,956	17,213
Deferred income and tenant deposits	*15.18*	378	384
Deferred tax liabilities	*15.19*	3,426	3,183
Total non-current liabilities		**10,760**	**20,780**
Tax liabilities	*15.15*	168	509
Loans and borrowings	*15.16*	24,896	18,912
Trade and other payables	*15.17*	2,148	3,344
Deferred income and tenant deposits	*15.18*	228	159
Liabilities directly associated with the assets held for sale	*15.20*	76	-
Total current liabilities		**27,516**	**22,924**
Total liabilities		**38,276**	**43,704**
Total Group equity and liabilities		**83,672**	**90,219**

9 CONSOLIDATED INCOME STATEMENT

	Notes	**2023** In € 1,000	**2022** In € 1,000
Gross rental income	*15.25*	6,576	6,165
Service charge income	*15.26*	2,508	2,433
Service charge expenses	*15.26*	-/- 2,668	-/- 2,471
Property operating expenses	*15.26*	-/- 1,834	-/- 1,936
Net rental and related income		**4,582**	**4,191**
Valuation results of properties	*15.27*	2,571	-/- 3,978
Result on disposals of properties	*15.28*	-/- 2,885	-/- 640
(Reversal of) impairment allowance of inventories		-	70
Result on disposals of inventories	*15.29*	1,093	-/- 29
Net results on properties	*15.30*	**779**	**-/- 4,577**
Share in results of investments in associates	*15.31*	225	-/- 68
Net results on equity investments		**225**	**-/- 68**
Financial income	*15.32*	394	262
Other operating income	*15.33*	7	513
Other income		**401**	**775**
Total income		**5,987**	**321**
Administrative expenses	*15.34*	675	705
Other operating expenses	*15.35*	1,219	1,348
Total operating expenses		**1,894**	**2,053**
Net operating result before financial expenses		**4,093**	**-/- 1,732**
Financial expenses	*15.37*	3,113	2,208
Profit / loss before income tax		**980**	**-/- 3,940**
Income tax expense	*15.39*	797	410
Profit / loss for the period		**183**	**-/- 4,350**
Profit / loss for the period attributable to:			
Parent Company shareholders		183	-/- 4,350
Profit / loss for the period		**183**	**-/- 4,350**
Basic earnings per share (€)	*15.40.1*	0.04	-/- 1.07
Diluted earnings per share (€)	*15.40.4*	0.04	-/- 1.07

10 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**2023** In € 1,000	**2022** In € 1,000
Profit / loss for the period	*9*	183	-/- 4,350
Items that are or may be reclassified subsequently to profit or loss:			
Foreign exchange and currency translation differences on net investment in group companies		-/- 551	-/- 163
Income tax on foreign exchange and currency translation differences on net investments in group companies		42	-/- 26
Total foreign exchange differences		-/- 509	-/- 189
Other comprehensive income for the period, net of tax		**-/- 509**	**-/- 189**
Total comprehensive income for the period		**-/- 326**	**-/- 4,539**
Total comprehensive income attributable to:			
Parent Company shareholders		-/- 326	-/- 4,539
Total comprehensive income for the period		**-/- 326**	**-/- 4,539**

11 CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY

	Issued capital	Share premium	Legal revaluation reserve	Reserve currency translation differences	Retained earnings	Total share-holders' equity
	In € 1,000	In € 1,000	In € 1,000	In € 1,000	In € 1,000	In € 1,000
Balance as at January 1, 2023	21,190	21,922	7,911	1,073	-/- 5,581	46,515
Profit or loss	-	-	-	-	183	183
Change in legal revaluation reserve	-	-	-/- 228	-	228	-
Other comprehensive income	-	-	-	-/- 509	-	-/- 509
Share buy-back[3]	-/- 305	-/- 108	-	-	357	-/- 56
Distributions to shareholders[4]	-	-/- 737	-	-	-	-/- 737
Balance as at December 31, 2023	**20,885**	**21,077**	**7,683**	**564**	**-/- 4,813**	**45,396**
Balance as at January 1, 2022	18,794	19,310	8,725	1,262	-/- 1,688	46,403
Profit or loss	-	-	-	-	-/- 4,350	-/- 4,350
Change in legal revaluation reserve	-	-	-/- 814	-	814	-
Other comprehensive income	-	-	-	-/- 189	-	-/- 189
Own shares issued	2,396	2,612	-	-	-	5,008
Share buy-back	-	-	-	-	-/- 357	-/- 357
Balance as at December 31, 2022	**21,190**	**21,922**	**7,911**	**1,073**	**-/- 5,581**	**46,515**

[3] For further information reference is made to section 15.14.4 “Share buy-back”.
[4] For further information reference is made to section 15.14.3 “Distributions to shareholders”.

12 CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2023 In € 1,000	2022 In € 1,000
Cash flows from operating activities			
Profit/loss for the period	*9*	183	-/- 4,350
Adjustments for:			
Net results on properties (inventories excluded)[5]	*15.30*	-/- 988	4,315
Share in results of investments in associates	*15.31*	-/- 225	68
Financial income	*15.32*	-/- 394	-/- 262
Financial expenses	*15.37*	3,113	2,208
Income tax expense	*15.39*	797	410
Changes in:			
Tax assets		-/- 21	14
Trade and other receivables		-/- 349	182
Prepayments and deferred expenses		-/- 96	74
Tax liabilities		-/- 201	125
Trade and other payables		-/- 707	165
Deferred income and tenant deposits		57	-/- 14
Cash generated from operating activities		**1,169**	**2,935**
Proceeds from the sale of inventories		2,328	-
Acquisitions of / additions to inventories		-/- 181	-
Interest received		174	39
Interest paid		-/- 3,034	-/- 1,627
Income tax paid / income tax received		7	-/- 1,446
Net cash from / used in (-/-) operating activities		**463**	**-/- 99**
Cash flows from investing activities			
Acquisitions of subsidiaries, net of cash acquired		-	50
Dividend from associates		123	-
Proceeds from the sale of assets held for sale		3,378	8,024
Acquisitions of / additions to owned investment properties		-/- 818	-/- 298
Acquisitions of / additions to assets held for sale		-/- 15	-/- 55
Net cash from / used in (-/-) investing activities	*15.43.1*	**2,668**	**7,721**
Cash flows from financing activities			
Share buy-back (treasury shares)		-/- 67	-/- 346
Proceeds from (refinanced) secured bank loans		6,049	-
Proceeds from other long-term liabilities		1,000	3,100
Distributions to shareholders		-/- 737	-
Transaction costs related to loans and borrowings		-/- 87	-
Repayments of secured bank loans		-/- 9,596	-/- 4,260
Repayments of other long-term liabilities		-/- 1,899	-/- 2,900
Payments of lease liabilities		-/- 219	-/- 188
Net cash from / used in (-/-) financing activities	*15.43.2*	**-/- 5,556**	**-/- 4,594**
Net increase / decrease (-/-) in cash and cash equivalents		-/- 2,425	3,028
Cash and cash equivalents as at 1 January	*15.11*	4,740	1,744
Effect of exchange and currency translation result on cash held		67	-/- 32
Cash and cash equivalents as at 31 December	*15.11*	**2,382**	**4,740**

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

13 ACCOUNTING PRINCIPLES CONSOLIDATED FINANCIAL STATEMENTS

13.1 REPORTING ENTITY

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

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

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

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

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

13.2 STATEMENT OF COMPLIANCE AND FUTURE RELATED ASSUMPTIONS

The Fund has applied the significant accounting principles as set out in sections 13.3 to 13.41. The Managing Board authorised the Consolidated Financial Statements for issue on April 30, 2024.

As at December 31, 2023, Group equity of the Fund is positive. As stated in the liquidity forecast up to end-2024, the current cash position is sufficient to cover budgeted costs. This forecast considers debt service requirements, the repayment and / or refinancing of loans and uncertainty regarding the impact of the financial markets (reference is made to section 15.41 “Risk management” and section 15.45 “Events after Statement of Financial Position’s date”).

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

Like the previous year, Management commissioned a market report from a local expert in December 2023. This report confirmed that the current real estate market conditions in the Odessa region remained highly uncertain due to the ongoing war, and market activity had been severely impacted. Based on an internal review, and in conjunction with the expert report, the Fund valued the Odessa land plot at USD 1.05 million through an internal valuation. This valuation is roughly one-third of the last external C&W property valuation at the end of 2021.

In the immediate aftermath of the invasion, reflecting the uncertainty on the ground, management decided to write down the value of both sites to zero. Unfortunately, almost two years later, the plot in Zaporizhzhia, while still under Ukrainian government control, is near the current front lines in the southeast of the country. It falls within the area formally "annexed" by a Russian presidential decree in September 2022. Thus, it seems prudent to maintain the valuation at zero. The security situation in Odesa has not significantly changed since last year, though the city remains vulnerable to sporadic missile attacks.

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

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

Going concern

At the end of 2023, the Fund refinanced the Česká Spořitelna loan with a loan from UniCredit. Subsequently, on 22 March 2024, the Fund secured a € 2 million loan from two investors to refinance the CVI bond loan, previously provided to its subsidiary holding leasehold retail assets in Poland, replacing an expensive EURIBOR + 8.5% rate with more favorable terms and settling all principal and accrued interest.

On December 31, 2023, a Romanian subsidiary (financed by a Patria Bank loan), a Slovak subsidiary (financed by a Slovenská Sporiteľňa Bank loan), and two Polish subsidiaries (financed by HYPO NOE Landesbank loans) of the Fund were assessed as being in violation of their DSCR covenants. In accordance with IFRS requirements, the loans from Patria Bank, Slovenská Sporiteľňa, and HYPO NOE Landesbank (Hypo Noe) were thus reclassified as short-term liabilities due to these covenant breaches. This reclassification resulted in the Fund's short-term liabilities temporarily surpassing its short-term assets.

In January 2024, Patria Bank issued a statement/waiver regarding their loan. In February 2024, Slovenská Sporiteľňa approved a waiver regarding their loan. In April 2024, Hypo Noe granted a one-off waiver until March 31, 2025. Here the Fund expects that, with falling interest rates and the renewal of leases, the Hypo Noe loan will be reclassified as a long-term liability in the future. This reclassification will be facilitated by the proceeds from anticipated sales in 2024.

In anticipation of the maturation in September 2024 of a loan with Slovenská Sporiteľňa (SLSP), Arcona Capital Real Estate Slovakia (ACRES) has negotiated the sale of one asset from the Slovak portfolio. The transaction is expected to complete by July 2024. The proceeds should substantially decrease the outstanding loan and reduce the loan-to-value ratio to below 20%. Even without this potential sale, due to ACRES' consistent loan servicing record since 2016, it is anticipated that SLSP will extend the current loan terms.

The sale during 2024 of the residual Bulgarian assets in combination with proceeds from other sales currently agreed and subject to legal documentation will resolve all short-term residual investor loans at the group level, enhance liquidity and will ensure covenant compliance for bank loans at subsidiary level. This proactive financial strategy underpins the Fund’s capacity to continue as a going concern.

A cumulative reduction in its loan to value ratio over recent years has enabled the Fund to meet all its financial obligations during the current period of high interest rates. The Managing Board is of the view the Fund can continue to meet its current obligations, supported by falling interest rates in its core markets and by continuing cash generation from operations and from the sales programme.

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

Up to mid-2025, the Fund will continue to return money to shareholders in accordance with the monetization plan agreed upon at the Extraordinary General Meeting (EGM) at the end of 2023. The ongoing sales programme will divest non-core assets and certain core assets that have reached their short-term peak values through refurbishment or re-letting campaigns. The proceeds from these sales will support the repayment of two investor loans by end of 2024 and finance the outstanding plot acquisitions in Ukraine.

Based on the assumptions outlined above, the Managing Board believes that the Fund can continue as a going concern through 2024. Therefore, these Consolidated Financial Statements are prepared on the assumption of going concern.

13.3 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

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

13.4 BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

13.4.1 General

The Consolidated Financial Statements have been prepared based on historical cost, except for:

- investment property;
- investment property under development;
- assets held for sale;
- financial assets at fair value through profit or loss; and
- financial liabilities at fair value through profit or loss.

The accounting policies explained below have been consistently applied to the results, other gains and losses, assets, liabilities, and cash flows of entities included in the Consolidated Financial Statements and are consistent with those used in the prior period, with the exception of the application of new and amended IFRS's as mentioned in section 13.4.4 "New and amended IFRS Standards and interpretations that are effective for the current period".

13.4.3.1 Amortised cost

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

13.4.3.2 Netting

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

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

13.4.2 Judgements, assumptions, and estimation uncertainties

13.4.3.1 General

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

13.4.3.2 Judgements

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

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

13.4.3.3 Assumptions and estimation uncertainties

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

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

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

13.4.3 Measurement of fair values

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

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

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

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

- 13.8 “Financial instruments”;
- 13.9.2 “Investment property”;
- 13.10 “Investment property under development”;
- 13.11 “Investments in associates”;
- 13.19.2 “Assets held for sale”.

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

A number of new standards and amendments to existing standards and interpretations are effective for annual periods beginning after January 1, 2023:

- IFRS 17: "Insurance Contracts";
- Disclosure of Accounting Policies: "Amendments to IAS 1 and IFRS Practise Statement 2";
- Definition of Accounting Estimates: "Amendments to IAS 8";
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction: "Amendments to IAS 12.

These new standards, amendments and interpretations did not have a significant impact on the Consolidated Financial Statements of the Fund.

13.4.5 New and amended IFRS Standards and interpretations not yet applied

A number of new standards, amendments to existing standards, and interpretations will become effective for annual periods beginning after January 1, 2023, and have not been applied in preparing these Consolidated Financial Statements:

- Non-current Liabilities with Covenants: "Amendments to IAS 1";
- Classification of Liabilities as Current or Non-current: "Amendments to IAS 1";
- Lease Liability in a Sale and Leaseback: "Amendments to IFRS 16";
- Supplier Finance Arrangements: "Amendments to IAS 7 and IFRS 7";
- Lack of Exchangeability: "Amendments to IAS 21".

The Managing Board expects these new standards, amendments and interpretations will not have a material impact on the Consolidated Financial Statements of the Fund in the current or future reporting periods, or on foreseeable future transactions.

13.5 BASIS OF CONSOLIDATION

13.5.1 Subsidiaries

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

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

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

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

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

13.5.2 Acquisitions of subsidiaries

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

The Fund applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquired assets and the equity interests issued by the Fund. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Fund recognises any non-controlling interest in the acquired assets on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred. Goodwill is the amount by which the cost of an acquired entity at first recognition exceeds the net fair value of the identifiable assets and liabilities and contingent liabilities assumed. Changes in the purchase price after the acquisition date do not result in recalculation or adjustment of the goodwill. After first recognition, the goodwill is valued at costs less any cumulative impairment losses. Goodwill i71emain7171eted to cash-generating entities and is not amortised. Goodwill is assessed for impairment annually, or earlier if circumstances give cause. Negative goodwill resulting from an acquisition is recognised directly into Income Statement.

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

13.5.3 Elimination of transactions on consolidation

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

13.6 BASIS OF PREPARATION OF CONSOLIDATED STATEMENT OF CASH FLOWS

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

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

13.7 CURRENCY

13.7.1 Functional and presentation currency

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

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

13.7.2 Foreign currency transactions

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

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

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

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

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

13.7.4 Exchange rates used for the Consolidated Statement of Financial Position

	31-12-2023	**31-12-2022**
Bulgarian Lev (EUR / BGN)	1.95580	1.95580
% change	*0.0%*	*0.0%*
Czech Koruna (EUR / CZK)	24.72400	24.11600
% change	*-/- 2.5%*	*3.0%*
Polish Zloty (EUR / PLN)	4.33950	4.68080
% change	*7.3%*	*-/- 1.8%*
Romanian Leu (EUR / RON)	4.97560	4.94950
% change	-/- 0.5%	0.0%
Ukrainian Hryvnia (EUR / UAH)	42.20790	38.95100
% change	*-/- 8.4%*	*-/- 26.0%*
US Dollar (EUR / USD)	1.10500	1.06660
% change	*-/- 3.6%*	*5.8%*

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

13.7.5 Average exchange rates used for the Consolidated Income Statement

	2023	**2022**
Bulgarian Lev (EUR / BGN)	1.95580	1.95580
Czech Koruna (EUR / CZK)	23.97092	24.53775
Polish Zloty (EUR / PLN)	4.52335	4.86680
Romanian Leu (EUR / RON)	4.95140	4.92536
Ukrainian Hryvnia (EUR / UAH)	39.76890	34.43851

13.8 FINANCIAL INSTRUMENTS

13.8.1 General

Financial assets and financial liabilities are recognised in the Consolidated Statement of Financial Position when the Fund becomes a party to the contractual provisions of the instrument.
Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

13.8.2 Financial assets

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

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

13.8.2.1 Classification of financial assets

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

I. Debt instruments that meet the following conditions are measured subsequently at amortised cost:
   - the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
   - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

Despite the foregoing, the Fund may make the following irrevocable election / designation at initial recognition of a financial asset:

- the Fund may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see below); and
- the Fund may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see below).

I. Financial assets at amortised cost and effective interest method

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

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

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

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

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

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

II. Financial assets classified as at FVTOCI

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

III. Financial assets at FVTPL

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

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

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

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

- investments in associates; and
- derivative financial instruments.

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

13.8.2.2 Impairment of financial assets

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

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

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

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

Significant increase in credit risk

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

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

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

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

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

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

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

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

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

Definition of default

The Fund considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:
- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Fund, in full (without considering any collateral held by the Fund).

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

Credit-impaired financial assets

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

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

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

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

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

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

Write-off policy

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

Measurement and recognition of expected credit losses

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

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

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

For a financial guarantee contract, as the Fund is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Fund expects to receive from the holder, the debtor or any other party.
If the Fund has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Fund measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which a simplified approach was used.

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

Derecognition of financial assets

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

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

13.8.3 Financial liabilities and equity

13.8.3.1 Classification as debt or equity

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

Equity instruments

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

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

Compound instruments

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

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

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

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

13.8.3.2 Financial liabilities

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

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

Financial liabilities at FVTPL

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

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

A financial liability is classified as held for trading if:

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

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

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

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

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

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

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

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

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

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

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

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

If the modification is not substantial, the difference between:
1. the carrying amount of the liability before the modification; and
2. the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

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

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

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

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

13.9 INVESTMENT PROPERTY

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

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

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

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

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

13.9.2 Measurement of fair value

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

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

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

Three standard methods of valuation computation are considered, namely:

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

I. Term and reversion method

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

II. Hard core and top-slice method

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

III. Initial yield method

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

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

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

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

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

		2023	2022
No.	**Property category**	**Yield factor[6]** in %	**Yield factor** in %
A	Office B$^+$-class	6.01 – 9.27	6.11–- 9.00
B	Office B$^-$-class	7.50 – 9.75	7.50–- 9.75
C	Office / business B / C-class	n.a.	n.a.
D	Retail B-class[7]	7.35 – 9.25	7.50–- 9.25

		2023	2022
No.	**Property category**	**Market rent per sqm** in €	**Market rent per sqm** in €
A	Office B$^+$-class	113 – 189	108–- 159
B	Office B$^-$-class	116 – 126	122–- 132
C	Office / business B / C-class	n.a.	n.a.
D	Retail B-class	92–- 162	92–- 157

		2023	2022
No.	**Property category**	**Vacancy** in %	**Vacancy** in %
A	Office B$^+$-class	0.0–- 23.9	0.0–- 24.0
B	Office B$^-$-class	8.2 – 37.5	13.2–- 40.4
C	Office / business B / C-class	n.a.	n.a.
D	Retail B-class	0.0 – 54.8	0.0–- 32.7

Where necessary the following aspects are reflected in the valuation:

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

[6] The yield factors 2022 and 2023 corresponds with the equivalent yield specifications of the external independent appraiser.
[7] Higher yields are related to the leasehold retail assets.

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

On the valuation date, the ongoing situation in Ukraine, combined with a scarcity of relevant or sufficient market evidence for valuers to base their judgments on, has led to the property valuations being reported with significant uncertainty. This is in accordance with VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

As of April 30, 2024, the Managing Board does not anticipate any adverse impacts from developments in Ukraine on the Fund's remaining real estate portfolio in Central Europe. The Fund operates in countries that are NATO members, making it unlikely for Russia to attack any of these countries as it would trigger a counter-reaction from other NATO members.

13.10 INVESTMENT PROPERTY UNDER DEVELOPMENT

Property currently under construction or development for future use as investment property is classified as investment property under development. Such property is measured at fair value when its fair value can be reliably determined. If the fair value of investment property under development cannot reliably be determined but is expected to be reliably determinable upon completion of construction, it is measured at cost less impairment until the fair value can be reliably determined or construction is completed–- whichever occurs first.

Determining the fair value of the investment property under development can sometimes present challenges. To assess this, the Managing Board considers various factors, including, but not limited to:

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

Costs include the material and labour for the construction, costs of staff directly related to technical supervision, project management on the basis of time spent and finance costs. The finance cost refers to the capitalized interest charged up until the delivery date. This interest is allocated to development projects based on either a specific project's financing rate or, in cases where no specific project financing exists, it is determined by the Fund's average effective rate. Interest charges include interest and all costs associated with the Fund.
Capitalised interest will cease when substantially all the activities necessary to prepare the investment property under development for its intended use or sale are completed.

The fair value of investment property under development is determined in a manner consistent with that of investment property, with the understanding that the capitalisation factor is adjusted to reflect development risks.

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

13.11 INVESTMENTS IN ASSOCIATES

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

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

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

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

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

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

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

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

13.12 INVENTORIES

Inventories are assets:

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

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

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

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

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

13.13 DERIVATIVE FINANCIAL INSTRUMENTS

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

13.14 DEFERRED TAX ASSETS

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

13.15 TAX ASSETS

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

13.16 TRADE AND OTHER RECEIVABLES

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

13.17 PREPAYMENTS AND DEFERRED EXPENSES

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

13.18 CASH AND CASH EQUIVALENTS

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

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

In the Consolidated Statement of Cash Flows, bank overdrafts at call, which are an integral part of the Fund's asset management, are included as part of cash and cash equivalents.

13.19 ASSETS HELD FOR SALE

13.19.1 General

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

13.19.2 Measurement of fair value

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

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

13.20 GROUP EQUITY

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

13.21 TAX LIABILITIES

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

13.22 LOANS AND BORROWINGS

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

13.23 TRADE AND OTHER PAYABLES

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

13.24 DEFERRED INCOME AND TENANT DEPOSITS

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

13.25 DEFERRED TAX LIABILITIES

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

13.26 LIABILITIES DIRECTLY ASSOCIATED WITH THE ASSETS HELD FOR SALE

For the accounting principles with regard to the liabilities directly associated with the assets held for sale reference is made to section 13.19 “Assets held for sale”.

13.27 GROSS RENTAL INCOME

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

Rent adjustments due to indexation are recognised as they arise.

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

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

13.28 SERVICE CHARGE INCOME AND SERVICE CHARGE EXPENSES

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

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

13.29 PROPERTY OPERATING EXPENSES

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

13.30 VALUATION RESULTS OF PROPERTIES

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

13.31 RESULT ON DISPOSALS OF PROPERTIES

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

13.32 (REVERSAL OF) IMPAIRMENT ALLOWANCE OF INVENTORIES

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

13.33 RESULT ON DISPOSALS OF INVENTORIES

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

13.34 SHARE IN RESULTS OF INVESTMENTS IN ASSOCIATES

The share in results of investments in associates relates to its share in the unrealised changes in the fair value of investments in associates compared to its share in the fair value as at 31 December of the preceding financial period, as well as the dividends the Fund is entitled to during the financial period. In case (part of) an investment in associate is sold the share in results of investments in associates also includes the reversal of the unrealised changes in the fair value from prior years (reference is made to section 13.35 “Result on disposals of investments in associates”).

13.35 RESULT ON DISPOSALS OF INVESTMENTS IN ASSOCIATES

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

13.36 FINANCIAL INCOME

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

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

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

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

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

13.37 OTHER OPERATING INCOME

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

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

13.38 LEASES

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

13.38.1 The Fund as a lessee

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

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

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

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

The Fund determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;

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

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

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

13.38.2 Short-term leases and low value assets

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

13.38.3 The Fund as a lessor

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

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

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

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

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

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

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

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

13.39 ADMINISTRATIVE EXPENSES AND OTHER OPERATING EXPENSES

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

13.40 FINANCIAL EXPENSES

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

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

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

13.41 INCOME TAX EXPENSE

13.41.1 Income tax expense

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

13.41.2 Current tax

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

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

13.41.3 Deferred tax

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

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are not discounted.

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

14 SEGMENT INFORMATION

14.1 GENERAL

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

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

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

The following segment reporting overviews are given for each property:

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

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

14.2 GEOGRAPHIC CATEGORIES

The Fund distinguishes the following geographic categories:

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

14.3 BUSINESS CATEGORIES

The Fund distinguishes the following business categories:

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

14.4 SEGMENTATION CRITERIA

The Fund uses the following segmentation criteria of its assets:

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

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

14.5 SEGMENT RESULTS

14.5.1 Overview of segment result (overview A)

Segment	Gross rental income 2023	Gross rental income 2022	Service charge income 2023	Service charge income 2022	Service charge expenses 2023	Service charge expenses 2022	Property operating expenses 2023	Property operating expenses 2022	Subtotal net rental & related income 2023	Subtotal net rental & related income 2022
	in € 1,000		in € 1,000		in € 1,000		in € 1,000		in € 1,000	
Czechia:										
Palmovka	326	313	157	128	-/- 108	-/- 97	-/- 77	-/- 77	298	267
Karlin	568	475	248	199	-/- 190	-/- 175	-/- 130	-/- 123	496	376
VUP	n.a.	217	n.a.	208	n.a.	-/- 202	n.a.	-/- 81	n.a.	142
Newton House	348	310	161	144	-/- 136	-/- 131	-/- 98	-/- 90	275	233
Total Czechia	**1,242**	**1,315**	**566**	**679**	**-/- 434**	**-/- 605**	**-/- 305**	**-/- 371**	**1,069**	**1,018**
Slovakia:										
Záhradnícka	352	317	12	11	-/- 111	-/- 89	-/- 142	-/- 131	111	108
Pražská 2	n.a.	27	n.a.	-	n.a.	-/- 10	n.a.	-/- 15	n.a.	2
Pražská 4	n.a.	18	n.a.	-	n.a.	-/- 9	n.a.	-/- 13	n.a.	-/- 4
Letná	1,229	1,200	25	21	-/- 233	-/- 213	-/- 391	-/- 348	630	660
Total Slovakia	**1,581**	**1,562**	**37**	**32**	**-/- 344**	**-/- 321**	**-/- 533**	**-/- 507**	**741**	**766**
Poland:										
Laubitza 8	145	137	66	54	-/- 83	-/- 70	-/- 93	-/- 62	35	59
800-lecia Inowroclawia	196	165	167	137	-/- 181	-/- 140	-/- 91	-/- 92	91	70
Krzemowa	294	261	215	182	-/- 159	-/- 134	-/- 94	-/- 85	256	224
Plutona	167	150	62	55	-/- 87	-/- 76	-/- 48	-/- 34	94	95
Kalinkowa	294	259	224	176	-/- 214	-/- 165	-/- 91	-/- 81	213	189
Wojska Polskiego	306	274	262	203	-/- 213	-/- 162	-/- 95	-/- 89	260	226
Wolnosci	69	166	54	73	-/- 113	-/- 100	-/- 64	-/- 62	-/- 54	77
Grzymaly Siedleckiego	246	238	135	109	-/- 129	-/- 104	-/- 30	-/- 29	222	214
Kardyn. Wyszynskiego	193	171	137	123	-/- 133	-/- 108	-/- 49	-/- 61	148	125
Legionow	372	353	255	202	-/- 208	-/- 170	-/- 68	-/- 61	351	324
Maris	764	775	328	408	-/- 364	-/- 316	-/- 140	-/- 150	588	717
Total Poland	**3,046**	**2,949**	**1,905**	**1,722**	**-/- 1,884**	**-/- 1,545**	**-/- 863**	**-/- 806**	**2,204**	**2,320**
Ukraine:										
Aisi Bela	-	-	-	-	-	-	-/- 15	-/- 31	-/- 15	-/- 31
Bulgaria:										
Boyana	-	-	-	-	-	-	-/- 11	-/- 71	-/- 11	-/- 71
Inventories	-	-	-	-	-/- 6	-	-/- 41	-/- 79	-/- 47	-/- 79
Total Bulgaria	**-**	**-**	**-**	**-**	**-/- 6**	**-**	**-/- 52**	**-/- 150**	**-/- 58**	**-/- 150**
Romania:										
EOS Business Park	707	339	-	-	-	-	-/- 66	-/- 45	641	294
Lelar (Delenco)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-/- 26	n.a.	-/- 26
Total Romania	**707**	**339**	**-**	**-**	**-**	**-**	**-/- 66**	**-/- 71**	**641**	**268**
Grand total	**6,576**	**6,165**	**2,508**	**2,433**	**-/- 2,668**	**-/- 2,471**	**-/- 1,834**	**-/- 1,936**	**4,582**	**4,191**

Segment	Subtotal net rental & related income in € 1,000		Net result on properties and equity investments in € 1,000		Other operating income[8] in € 1,000		Financial expenses / other operating expenses[9] in € 1,000		Total segment result in € 1,000	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Czechia:										
Palmovka	298	267	550	-/- 20	-	-	-	-	848	247
Karlin	496	376	106	-/- 227	-	71	-	-	602	220
VUP	n.a.	142	n.a.	947	n.a.	-	n.a.	-	n.a.	1,089
Newton House	275	233	-/- 256	-/- 35	-	-	-	-	19	198
Total Czechia	**1,069**	**1,018**	**400**	**665**	**-**	**71**	**-**	**-**	**1,469**	**1,754**
Slovakia:										
Záhradnícka	111	108	45	-/- 295	-	3	-	-	156	-/- 184
Pražská 2	n.a.	2	n.a.	-/- 92	n.a.	-	n.a.	-	n.a.	-/- 90
Pražská 4	n.a.	-/- 4	n.a.	-/- 66	n.a.	-	n.a.	-	n.a.	-/- 70
Letná	630	660	-/- 60	-/- 261	-	413	-	-	570	812
Total Slovakia	**741**	**766**	**-/- 15**	**-/- 714**	**-**	**416**	**-**	**-**	**726**	**468**
Poland:										
Laubitza 8	35	59	203	-/- 66	-	-	-	-	238	-/- 7
800-lecia Inowroclawia	91	70	-/- 64	-/- 96	-	-	-	-	27	-/- 26
Krzemowa	256	224	-/- 10	-/- 48	-	-	-	-	246	176
Plutona	94	95	40	-/- 80	-	-	-	-	134	15
Kalinkowa	213	189	66	77	-	-	-	-	279	266
Wojska Polskiego	260	226	9	-/- 54	-	-	-	-	269	172
Wolnosci	-/- 54	77	-/- 151	-/- 70	-	-	-	-	-/- 205	7
Grzymaly Siedleckiego	222	214	-/- 108	-/- 403	-	-	6	8	108	-/- 197
Kardyn. Wyszynskiego	148	125	-/- 26	-/- 252	-	-	24	20	98	-/- 147
Legionow	351	324	113	-/- 157	-	-	60	48	404	119
Maris	588	717	-/- 140	-/- 342	-	-	-	-	448	375
Total Poland	**2,204**	**2,320**	**-/- 68**	**-/- 1,491**	**-**	**-**	**90**	**76**	**2,046**	**753**
Ukraine:										
Aisi Bela	-/- 15	-/- 31	65	-/- 1,959	-	-	-	-	50	-/- 1,990
Bulgaria:										
Boyana	-/- 11	-/- 71	-/- 579	-/- 1,829	-	-	-	-	-/- 590	-/- 1,900
Inventories	-/- 47	-/- 79	1,093	41	-	-	-	-	1,046	-/- 38
Total Bulgaria	**-/- 58**	**-/- 150**	**514**	**-/- 1,788**	**-**	**-**	**-**	**-**	**456**	**-/- 1,938**
Romania:										
EOS Business Park	641	294	-/- 117	710	-	-	-	-	524	1,004
Lelar (Delenco)	n.a.	-/- 26	225	-/- 68	n.a.	n.a.	30	- [10]	195	-/- 94
Total Romania	**641**	**268**	**108**	**642**	**-**	**-**	**30**	**-**	**719**	**910**
Grand total	**4,582**	**4,191**	**3,772**	**-/- 4,645**	**-**	**487**	**120**	**76**	**5,466**	**-/- 43**

[8] Other operating income relates solely to penalties for early termination of rental contracts.

[9] Financial expenses relate solely to interest expense on lease liabilities. Other operating expenses relates solely to asset management fee Delenco.

[10] During 2022 the asset management fee Delenco was presented under “Property operating expenses”.

14.5.2 Reconciliation segment result with profit for the period

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

	2023 in € 1,000	2022 in € 1,000
Total segment result (overview A)	5,466	-/- 43
Unallocated income:		
Financial income	394	262
Other operating income	7	513
Less: early termination of rental contracts (allocated)	-	-/- 487
Subtotal unallocated income	401	288
Unallocated expenses:		
Administrative expenses	675	705
Other operating expenses	1,219	1,348
Less: asset management fee (allocated)	-/- 30	-
Subtotal unallocated other operating expenses	1,189	1,348
Financial expenses	3,113	2,208
Less: interest expense on lease liabilities (allocated)	-/- 90	-/- 76
Subtotal unallocated expenses	4,887	4,185
Profit before income tax	**980**	**-/- 3,940**
Income tax expense	797	410
Profit for the period	**183**	**-/- 4,350**

14.5.3 Overview carrying amount of type of property[11] per business category[12] (overview B)

Segment	31-12-2023 Carrying amount In € 1,000	31-12-2022 Carrying amount In € 1,000
Office:		
Palmovka	4,053	3,597
Karlin	6,190	6,220
Newton House	6,507	6,651
Záhradnícka	3,846	3,786
Letná	12,830	12,810
Maris	9,100	9,040
EOS Business Park	5,202	5,346
Total office	**47,728**	**47,450**
Retail:		
Laubitza 8	2,000	1,670
800-lecia Inowroclawia	2,610	2,670
Krzemowa	3,170	3,180
Plutona	1,940	1,900
Kalinkowa	2,790	2,700
Wojska Polskiego	3,310	3,310
Wolnosci	1,520	1,640
Grzymaly Siedleckiego	1,330	1,370
Kardyn. Wyszynskiego	2,190	2,160
Legionow	3,210	3,080
Total retail	**24,070**	**23,680**
Residential:		
Inventories Boyana	938	1,835
Land plots:		
Aisi Bela	945	958
Boyana	Sold	2,991
Total land	**945**	**3,949**
Grand total	**73,681**	**76,914**

14.5.4 Major tenants

The Fund reports one tenant (2022: one) with a gross rental income more than 10% (i.e. € 755,000) of the Fund's total gross rental income. This tenant, AT&T Global Network Services Slovakia, s.r.o., is a tenant in the Letná building, located in Košice, Slovakia.

[11] Right-of-use assets excluded.

[12] Based on main purpose of the property.

14.5.5 Overview of geographic assets (overview C)

	Czechia		Slovakia		Poland		Ukraine		Bulgaria	
	31-12-2023	31-12-2022	31-12-2023	31-12-2022	31-12-2023	31-12-2022	31-12-2023	31-12-2022	31-12-2023	31-12-2022
	in € 1,000		in € 1,000		in € 1,000		in € 1,000		in € 1,000	
Investment property	16,750	16,468	12,830	12,810	33,240	34,014	-	-	-	-
Investment property under development	-	-	-	-	-	-	945	958	-	-
Investments in associates	-	-	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	432	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	938	1,835
Tax assets	98	-	160	509	107	49	-	-	-	3
Trade and other receivables	50	1,006	233	237	284	201	-	-	21	-
Prepayments and deferred expenses	46	39	95	42	156	122	2	3	-	-
Cash and cash equivalents	674	1,374	312	249	1,105	1,196	-	16	85	2
Assets held for sale	-	-	3,846	3,786	1,407	-	-	-	-	2,991
	17,618	**18,887**	**17,476**	**17,633**	**36,299**	**36,014**	**947**	**977**	**1,044**	**4,831**

	Romania		The Netherlands		Other countries		Total	
	31-12-2023	31-12-2022	31-12-2023	31-12-2022	31-12-2023	31-12-2022	31-12-2023	31-12-2022
	in € 1,000		in € 1,000		in € 1,000		in € 1,000	
Investment property	5,202	5,346	-	-	-	-	68,022	68,638
Investment property under development	-	-	-	-	-	-	945	958
Investments in associates	3,689	3,587	-	-	-	-	3,689	3,587
Derivative financial instruments	-	-	-	-	300	479	300	479
Deferred tax assets	-	-	-	-	-	-	-	432
Inventories	-	-	-	-	-	-	938	1,835
Tax assets	2	2	-	-	-	-	367	563
Trade and other receivables	204	144	3	-	673	408	1,468	1,996
Prepayments and deferred expenses	5	5	4	3	-	-	308	214
Cash and cash equivalents	45	70	161	1,833	-	-	2,382	4,740
Assets held for sale	-	-	-	-	-	-	5,253	6,777
	9,147	**9,154**	**168**	**1,836**	**973**	**887**	**83,672**	**90,219**

15 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15.1 SUBSIDIARIES

15.1.1 Consolidated subsidiaries

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

			31-12-2023	
Name of subsidiary	Registered office	Country of incorporation	Proportion of shares held by the Parent In %	Proportion of shares held by the Group In %
Arcona Capital RE Bohemia s.r.o.	Prague	Czechia	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. z o.o.	Warsaw	Poland	n.a.	100.0
Aisi Bela LLC	Kyiv	Ukraine	100.0	n.a.
Boyana Residence E.O.O.D.	Sofia	Bulgaria	100.0	n.a.
Arcona Capital Real Estate Bulgaria Ltd.	Sofia	Bulgaria	merged	n.a.
Arcona Black Sea Real Estate B.V.	Amsterdam	The Netherlands	100.0	n.a.
N-E Real Estate Park First Phase S.r.l.	Bucharest	Romania	n.a.	100.0
Alfa Build Boyana E.O.O.D.	Sofia	Bulgaria	n.a.	sold
Boyana Residence Project E.O.O.D.	Sofia	Bulgaria	n.a.	sold

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

15.1.2 Subsidiaries incorporated during the financial period

As at March 23, 2023 the Fund incorporated (by means of the contribution of a land plot) a special Purpose Vehicle (SPV): Alfa Build Boyana E.O.O.D. This SPV was incorporated for the sale of (a part of) the development land within the project “Boyana Residence”, held by Boyana Residence E.O.O.D.

As at June 15, 2023 the Fund incorporated (by means of the contribution of a land plot) a SPV: Boyana Residence Project E.O.O.D. This SPV was incorporated for the sale of (a part of) the development land within the project “Boyana Residence”, held by Boyana Residence E.O.O.D.

15.1.3 Subsidiaries sold during the financial period

As at June 6, 2023 the Fund sold its 100%-share in the SPV Alfa Build Boyana E.O.O.D. for an amount of € 2,041,000, which corresponds to the agreed sale price of (a part of) the development land within the project “Boyana Residence”.

As at September 25, 2023 the Fund sold its 100%-share in the SPV Boyana Residence Project E.O.O.D. for an amount of € 460,000, which corresponds to the agreed sale price of (a part of) the development land within the project “Boyana Residence”.

15.1.4 Subsidiaries merged during the financial period

As at November 15, 2023 Arcona Capital Real Estate Bulgaria Ltd. (ACREBG) was merged with Boyana Residence E.O.O.D. In the past ACREBG solely maintains a secured bank loan, which relates to the project “Boyana Residence”. During the financial period the secured bank loan was fully redeemed and therefore ACREBG developed no activities anymore and concerned a dormant company as at November 15, 2023.

15.2 INVESTMENT PROPERTY

15.2.1 Analysis of investment property

	31-12-2023 In € 1,000	31-12-2022 In € 1,000
Owned investment property (lease incentives excluded)	66,540	67,204
Lease incentives	82	140
Owned investment property	66,622	67,344
Right-of-use assets	1,400	1,294
	68,022	**68,638**

15.2.2 Analysis of owned investment property

	31-12-2023 In € 1,000	31-12-2022 In € 1,000
Buildings (including underground)	66,622	67,344
Land plots	-	-
	66,622	**67,344**

15.2.3 Specification of owned investment property

Name of property	Address	31-12-2023 In € 1,000	31-12-2022 In € 1,000
In ownership of Arcona Capital RE Bohemia s.r.o. (Czechia)			
Palmovka	Na Žertvách 34, Prague	4,053	3,597
Karlin	Prvního Pluku 621/8a, Prague	6,190	6,220
Newton House	Politických Vězňu 10, Prague	6,507	6,651
Subtotal		**16,750**	**16,468**
In ownership of Arcona Capital RE Slovakia s.r.o. (Slovakia)			
Letná	Letná 45, Košice	12,830	12,810
In ownership of Arcona Capital Real Estate Poland Sp. z o.o. (Poland)			
Laubitza	Laubitza 8, Inowroclaw	2,000	1,670
Lecia Inowroclawia	800-lecia Inowroclawia 27, Inowroclaw	2,610	2,670
Krzemowa	Krzemowa 1, Gdansk	3,170	3,180
Plutona	Plutona 1, Glogow	1,940	1,900
Kalinkowa	Kalinkowa 82, Grudziadz	2,790	2,700
Wojska Polsiekgo	Wojska Polskiego 137, Piotrkow Trybunalski	3,310	3,310
Wolnosci	Wolnosci 6, Slupsk	1,520	1,640
Subtotal		**17,340**	**17,070**
In ownership of Arcona Capital Real Estate Trio Sp. z o.o. (Poland)			
Grzymaly Siedleckiego	Grzymaly Siedleckiego 20, Bydgoszcz	n.a.	1,370
Kardynala Wyszynskiego	Kardynala Wyszynskiego 107, Lodz	2,190	2,160
Legionow	Legionow 216, Torun	3,210	3,080
Subtotal		**5,400**	**6,610**
In ownership of Arcona Capital Poland B.V. Project 5 Sp. z o.o. (Poland)			
Maris	Holdu Pruskiego 9 & 12 Malopolska 12, Szczecin	9,100	9,040
In ownership of Aisi Bela LLC (Ukraine)			
Balabino Project	Territory of Balabynska Village Council, Zaporizkyi District, Zaporizhzhia Region	-	-
In ownership of N-E Real Estate Park First Phase S.r.l. (Romania)			
EOS Business Park	Strada Nicolae Cânea 140-160, Bucharest	5,202	5,346
		66,622	**67,344**

15.2.4 Statement of changes in owned investment property

	2023 In € 1,000	2022 In € 1,000
Balance as at 1 January	67,344	75,877
Acquisitions	-	4,642
Additions	818	365
Fair value adjustments	244	-/- 3,737
Exchange rate differences	-/- 454	458
Reclassification (to assets held for sale)	-/- 1,330	-/- 10,261
Balance as at 31 December	**66,622**	**67,344**

The “Reclassification (to assets held for sale)” for the amount of € 1,330,000 negative relates to the property Grzymaly Siedleckiego (Poland), which have been reclassified to “Assets held for sale”. For further reference, please see section 15.13.4 “Statement of changes in owned investment property held for sale”.

15.2.5 Valuation of owned investment property

The owned investment property, as listed in section 15.2.3 “Specification of owned investment property”, was valued by an external, independent appraiser as at Statement of Financial Position’s date, with the exception of the Zaporizhzhia plot and the Odessa plot, both in Ukraine. For the Odessa plot an internal valuation was undertaken with reference to an external expert report. For further reference, please see paragraph Invasion of Ukraine by Russia in section 13.2.

Regarding the Zaporizhzhia plot, the Managing Board decided, given the current situation in Ukraine and the plot’s proximity to the active front lines, to maintain the value of the land plot at zero. The situation will be reviewed regularly in consultation with the Fund’s local advisors.

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

15.2.6 Specification of right-of-use assets

Nature of right-of-use asset	Related to owned investment property	31-12-2023 In € 1,000	31-12-2022 In € 1,000
Right-of-use held by Arcona Capital Real Estate Trio Sp. z o.o. (Poland)			
Land lease	Grzymaly Siedleckiego	n.a.	114
Land lease	Kardynala Wyszynskiego	382	342
Land lease	Legionow	1,018	838
		1,400	**1,294**

15.2.7 Statement of changes in right-of-use assets

	2023 In € 1,000	2022 In € 1,000
Balance as at 1 January	1,294	1,397
Remeasurement (as a result of an index / inflation)	330	-
Fair value adjustments	-/- 147	-/- 103
Reclassification (to assets held for sale)	-/- 77	-
Balance as at 31 December	**1,400**	**1,294**

The “Remeasurement (as a result of an index / inflation)” for the amount of € 330,000 relates to the remeasurement of the lease liability. For further reference, please see section 15.16.5 “Statement of changes in lease liabilities”).

The “Reclassification (to assets held for sale)” for the amount of € 77,000 negative relates to the property Grzymaly Siedleckiego (Poland), which have been reclassified to “Assets held for sale”. For further reference, please see section 15.13.7 “Statement of changes in right-of-use assets held for sale”.

15.2.8 Valuation of right-of-use assets

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

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

15.2.9 Transactions with related parties

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

15.2.10 Sensitivity analysis

The appraisal of the buildings including underground, hereinafter referred to as the Portfolio implies an average weighted “Reversion Yield” of 8.1% (December 31, 2022: 8.1%).

In case the yields used for the appraisals of the Portfolio as at Statement of Financial Position’s date had been 50 basis points higher, the value of the Portfolio would have decreased by 6.5% (December 31, 2022: 6.5%). In this situation, the Group equity would have been € 3,874,000 lower (December 31, 2022: € 3,843,000 lower).

In case the yields used for the appraisals of the Portfolio as at Statement of Financial Position’s date had been 50 basis points lower, the value of the Portfolio would have increased by 7.5% (December 31, 2022: 7.5%). In this situation, the Group equity would have been € 4,461,000 higher (December 31, 2022: € 4,415,000 higher).

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

	31-12-2023				
Change in	**Change in yield**				
ERV	**-/- 0.50%**	**-/- 0.25%**	**0.00%**	**0.25%**	**0.50%**
-/- 5.0%	2.8%	-/- 0.8%	-/- 4.3%	-/- 7.5%	-/- 10.5%
-/- 2.5%	5.2%	1.4%	-/- 2.1%	-/- 5.4%	-/- 8.6%
0.0%	7.5%	3.7%	0.0%	-/- 3.4%	-/- 6.5%
2.5%	9.9%	5.9%	2.2%	-/- 1.3%	-/- 4.6%
5.0%	12.2%	8.1%	4.3%	0.8%	-/- 2.6%

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

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

15.3 INVESTMENT PROPERTY UNDER DEVELOPMENT

15.3.1 Specification of investment property under development

Name of property	Address	31-12-2023 In € 1,000	31-12-2022 In € 1,000
In ownership of Aisi Bela LLC (Ukraine)			
Bela Logistic Park	Territory of Nerubaiske Village Council, Biliayivskyi District, Odessa Region	945	958

15.3.2 Statement of changes in investment property under development

	2023 In € 1,000	2022 In € 1,000
Balance as at 1 January	958	2,699
Fair value adjustments	65	-/- 1,341
Exchange rate differences	-/- 78	-/- 400
Balance as at 31 December	**945**	**958**

15.3.3 Valuation of investment property under development

The investment property under development, as listed in section 15.3.1 "Specification of investment property under development", was valued by an external, independent appraiser as at Statement of Financial Position's date. The fair value of investment property under development is primarily derived using the "Market approach" based on comparable properties in the market.

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

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

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

15.4 INVESTMENTS IN ASSOCIATES

15.4.1 Specification of investments in associates

Name of project	Name of associate	Country	Asset type	31-12-2023 In € 1,000	31-12-2022 In € 1,000
Delea Nuova Project	Lelar Holdings Limited and S.C. Delenco Construct S.r.l.	Romania	Office building	3,689	3,587

Name of project	31-12-2023			2023		
	Proportion of shares held by the Group In %	Total assets In € 1,000	Total liabilities In € 1,000	Net rental and related income In € 1,000	Valuation result of properties In € 1,000	Profit for the period In € 1,000
Delea Nuova Project	24.35	17,356	2,208	1,406	-/- 120	925

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

15.4.2 Statement of changes in investments in associates

	2023 In € 1,000	2022 In € 1,000
Balance as at 1 January	3,587	-
Acquisitions	-	3,655
Fair value adjustments	102	-/- 68
Balance as at 31 December	**3,689**	**3,587**

The “Fair value adjustments” for the amount of € 102,000 consists of the following amounts:
- share in result of investments in associates for an amount of € 225,000; less
- dividend for an amount of € 123,000, which is recognised in the consolidated income statement;

For further reference, please see section 15.31 “Share in results of investments in associates”.

15.5 DERIVATIVE FINANCIAL INSTRUMENTS

15.5.1 Specification of derivative financial instruments

	31-12-2023	31-12-2022
	In € 1,000	In € 1,000
Non-current part of derivative financial instruments	94	372
Current part of derivative financial instruments	206	107
	300	**479**

15.5.2 Specification of derivative financial instruments

	31-12-2023	31-12-2022
	In € 1,000	In € 1,000
Interest rate swaps used for hedging	300	479

15.6 RECOGNISED DEFERRED TAXES

15.6.1 Specification of recognised deferred taxes

	31-12-2023		
	Recognised deferred tax assets In € 1,000	Recognised deferred tax liabilities In € 1,000	Total recognised deferred taxes In € 1,000
Owned investment property	201	3,411	-/- 3,210
Receivables from shareholders and other group companies	-	54	-/- 54
Subtotal non-current investments	201	3,465	-/- 3,264
Tax losses (carried forward)	158	-	158
Trade and other receivables	25	7	18
Prepayments and deferred expenses	36	6	30
(Interest) receivables from shareholders and group companies	10	55	-/- 45
Cash and cash equivalents	1	-	1
Assets held for sale	-	215	-/- 215
Loans and borrowings	-	120	-/- 120
Loans due to shareholders and other group companies	3	19	-/- 16
Interest due to shareholders and other group companies	7	-	7
Derivative financial instruments	-	45	-/- 45
Trade and other payables	65	-	65
Deferred taxes before set-off	506	3,932	-/- 3,426
Set-off deferred taxes	-/- 506	-/- 506	-
	-	**3,426**	**-/- 3,426**

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

15.6.2 Analysis of recognised deferred taxes

	31-12-2023	31-12-2022
	In € 1,000	In € 1,000
Will expire	104	112
Will never expire	-/- 3,530	-/- 2,863
	-/- 3,426	**-/- 2,751**

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

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

	31-12-2023	31-12-2022
	In € 1,000	In € 1,000
Expires in 2025	100	112
Expires in 2028	4	-
Subtotal will expire	104	112
Will never expire	54	97
	158	**209**

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

15.6.4 Statement of changes in recognised deferred taxes

	2023	2022
	In € 1,000	In € 1,000
Balance as at 1 January	-/- 2,751	-/- 2,909
Adjustments related to prior years	-/- 3	-/- 42
Additions as a result of acquisitions	-	-/- 704
Additions / withdrawals	-/- 599	945
Change in tax rate	-/- 94	-
Exchange rate differences	21	-/- 41
Balance as at 31 December	**-/- 3,426**	**-/- 2,751**

15.7 UNRECOGNISED DEFERRED TAXES

15.7.1 Specification of unrecognised deferred taxes

	31-12-2023		
	Unrecognised deferred tax assets In € 1,000	**Unrecognised deferred tax liabilities** In € 1,000	**Total unrecognised deferred taxes** In € 1,000
Owned investment property	415	588	-/- 173
Investment property under development	313	-	313
Receivables from shareholders and group companies	399	-	399
Tax losses (carried forward)	2,849	-	2,849
Inventories	14	-	14
Trade and other receivables	9	-	9
Trade and other payables	2	-	2
Interest due to shareholders and other group companies	239	-	239
	4,240	**588**	**3,652**

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

15.7.2 Analysis of unrecognised deferred taxes

	31-12-2023	31-12-2022
	In € 1,000	In € 1,000
Will expire	358	258
Will never expire	3,294	2,770
	3,652	**3,028**

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

	31-12-2023	31-12-2022
	In € 1,000	In € 1,000
Expires in 2023	-	22
Expires in 2024	11	11
Expires in 2025	46	53
Expires in 2026	126	116
Expires in 2027	42	56
Expires in 2028	133	-
Subtotal will expire	358	258
Will never expire	2,491	2,233
	2,849	**2,491**

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

The unrecognised deferred tax assets concerning tax losses (carried forward) which will never expire relates mainly to tax losses of the Parent Company. Mainly as a result of applying the participation exemption in the Netherlands it is expected the Parent Company will not generate taxable profits in the (near) future. Therefore the Managing Board is of the opinion no deferred tax assets can be recognised for these tax losses (carried forward).

15.7.4 Statement of changes in unrecognised deferred taxes

	2023	2022
	In € 1,000	In € 1,000
Balance as at 1 January	3,028	2,510
Adjustments related to prior years	-/- 9	8
Additions as a result of acquisitions	-	-/- 591
Additions / withdrawals	650	1,209
Change in tax rate	-	4
Exchange rate differences	-/- 17	-/- 112
Balance as at 31 December	**3,652**	**3,028**

15.8 TAX ASSETS

15.8.1 Specification of tax assets

	31-12-2023 In € 1,000	31-12-2022 In € 1,000
Non-current part of tax assets	-	-
Current part of tax assets	367	563
	367	**563**

15.8.2 Specification of tax assets

	31-12-2023 In € 1,000	31-12-2022 In € 1,000
Corporate income tax (**CIT**)	347	558
Value added tax (**VAT**)	6	3
Property tax	14	2
	367	**563**

15.9 TRADE AND OTHER RECEIVABLES

15.9.1 Analysis of trade and other receivables

	31-12-2023 In € 1,000	31-12-2022 In € 1,000
Non-current part of trade and other receivables	892	650
Current part of trade and other receivables	576	1,346
	1,468	**1,996**

15.9.2 Specification of trade and other receivables

	31-12-2023 In € 1,000	31-12-2022 In € 1,000
Debt Service Reserve Account (**DSRA**)	892	650
Trade receivables	439	353
Receivables SPDI	91	8
Sold properties	21	877
Termination derivative financial instruments (interest rate swap)	-	78
Interest income	6	6
Invoiceable amounts	-	5
Other trade and other receivables	19	19
	1,468	**1,996**

The “Sold properties” for the amount of € 21,000 relates to a part of the sold inventories (Bulgaria). This amount was received during the first quarter of 2024.

The “Receivables SPDI” for the amount of € 91,000 consists of:

- an overpayment as a result of withholding tax for the amount of € 8,000;
- compensation penalty interest Alpha Bank for the amount of € 83,000

15.9.3 Analysis of termination derivative financial instruments

	31-12-2023 In € 1,000	31-12-2022 In € 1,000
Termination derivative financial instruments (gross)	76	78
Individually assessed expected credit losses for derivative financial instruments	-/- 76	-
	-	**78**

As at October 25, 2022 the Fund agreed with Sberbank CZ to terminate the interest rate swap for an amount of approximately CZK 1,884,000 (€ 76,000). Sberbank CZ was declared bankrupt during August 2022. The Fund has sued Sberbank CZ for the termination of the interest rate swap whose value was zerolised by Sberbank CZ. The Fund is unable to foresee the court ruling though. The Board therefore cautiously resolves to value the interest rate swap to zero.

15.9.4 Analysis of trade receivables

	31-12-2023 In € 1,000	31-12-2022 In € 1,000
Trade receivables (gross)	825	800
Total expected credit losses for trade receivables	-/- 386	-/- 447
	439	**353**

15.9.5 Expected credit losses for trade receivables

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

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

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

15.9.6 Risk profile of trade receivables

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

	31-12-2023					
	Not past due	Up to 1 month past due	1 to 3 months past due	3 months to 1 year past due	More than 1 year past due	Total
Expected credit loss rate	4.4%	3.0%	8.9%	36.1%	98.1%	
Trade receivables (gross) (in € 1,000)	318	66	45	36	360	825
Collective assessed expected credit losses (in € 1,000)	-/- 14	-/- 2	-/- 4	-/- 13	-/- 353	-/- 386
Individually assessed expected credit losses (in € 1,000)						-
Trade receivables (net) (in € 1,000)						**439**

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

15.9.7 Movement in lifetime expected credit losses for trade receivables

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

	2023		
	Collective assessed expected credit losses In € 1,000	**Individually assessed expected credit losses** In € 1,000	**Total expected credit losses** In € 1,000
Balance as at 1 January	447	-	447
Amounts written-off	-/- 67	-	-/- 67
Amounts recovered	-/- 90	-	-/- 90
Change in loss allowance due to new trade and other receivables originated net of those derecognised due to settlement	94	-	94
Exchange rate differences	2	-	2
Balance as at 31 December	**386**	**-**	**386**

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

15.10 PREPAYMENTS AND DEFERRED EXPENSES

15.10.1 Analysis of prepayments and deferred expenses

	31-12-2023 In € 1,000	**31-12-2022** In € 1,000
Non-current part of prepayments and deferred expenses	9	-
Current part of prepayments and deferred expenses	299	214
	308	**214**

15.10.2 Specification of prepayments and deferred expenses

	31-12-2023 In € 1,000	31-12-2022 In € 1,000
Deferred expenses	160	97
Prepayments	148	117
	308	**214**

15.11 INVENTORIES

15.11.1 Analysis of inventories

		31-12-2023		31-12-2022	
Name of inventory	**Address**	**Quantity**	**Carrying amount** In € 1,000	**Quantity**	**Carrying amount** In € 1,000
In ownership of Boyana Residence E.O.O.D. (Bulgaria)					
Apartment 1-D	Gardova Glava, Boyana	3	233	7	367
Apartment 3-C	Gardova Glava, Boyana	2	269	6	426
Apartment 7-D	Gardova Glava, Boyana	2	189	5	305
Apartment 8-E	Gardova Glava, Boyana	2	159	8	482
Parking places	Gardova Glava, Boyana	21	88	61	255
			938		**1,835**

15.11.2 Statement of changes in inventories

	2023 In € 1,000	2022 In € 1,000
Balance as at 1 January	1,835	1,765
Additions	181	-
(Reversal of) impairments	-	70
Disposals	-/- 1,078	-
Balance as at 31 December	**938**	**1,835**

The fair value of the inventories as at Statement of Financial Position's date amounts to € 1,784,000 (December 31, 2022: € 3,256,000).

15.12 CASH AND CASH EQUIVALENTS

The cash and cash equivalents are at the free disposal of the Fund, with the exception of € 282,000 (December 31, 2022: € 481,000), which amount is retained on reserve accounts (e.g. "Security Deposit Account", "Repair Reserve Account" and "CAPEX Account").

15.12.1 Specification of cash and cash equivalents

	31-12-2023 In € 1,000	31-12-2022 In € 1,000
Bank balances	2,236	4,579
Deposits	144	161
Cash	2	-
	2,382	**4,740**

15.13 ASSETS HELD FOR SALE

15.13.1 Analysis of assets held for sale

	31-12-2023 In € 1,000	31-12-2022 In € 1,000
Owned investment property held for sale (lease incentives excluded)	5,174	6,774
Lease incentives held for sale	2	3
Owned investment property held for sale	5,176	6,777
Right-of-use assets held for sale	77	-
	5,253	**6,777**

15.13.2 Analysis of owned investment property held for sale

	31-12-2023 In € 1,000	31-12-2022 In € 1,000
Buildings (including underground)	5,176	3,786
Land plots	sold	2,991
	5,176	**6,777**

15.13.3 Specification of owned investment property held for sale

Name of property	Address	31-12-2023 In € 1,000	31-12-2022 In € 1,000
In ownership of Arcona Capital RE Slovakia s.r.o. (Slovakia)			
Záhradnícka	Záhradnícka 46, Bratislava	3,846	3,786
In ownership of Arcona Capital Real Estate Trio Sp. z o.o. (Poland)			
Grzymaly Siedleckiego	Grzymaly Siedleckiego 20, Bydgoszcz	1,330	n.a.
In ownership of Boyana Residence E.O.O.D. (Bulgaria)			
Boyana	Gardova Glava, Boyana	sold	2,991
		5,176	**6,777**

As at June 6, 2023 a part of the land plot Boyana (Bulgaria) was sold through a special purpose vehicle (SPV). As at September 25, 2023 the remaining part of the land plot Boyana (Bulgaria) was sold through a SPV. For further reference, please see section 15.1.3 “Subsidiaries sold during the financial period”.

The Fund has identified the properties listed above as owned investment property held for sale.

15.13.4 Statement of changes in owned investment property held for sale

	2023 In € 1,000	2022 In € 1,000
Balance as at 1 January	6,777	4,550
Reclassification (from owned investment property)	1,330	10,261
Additions	15	71
Fair value adjustments	-/- 445	795
Disposals	-/- 2,501	-/- 8,900
Balance as at 31 December	**5,176**	**6,777**

The “Reclassification (from owned investment property)” for the amount of € 1,330,000 relates to the property Grzymaly Siedleckiego (Poland). For further reference, please see section 15.2.4 “Statement of changes in Owned Investment Property”.

The “Disposals” for the amount of € 2,501,000 negative relates to the sale of the land plots Boyana (Bulgaria), through SPV. For further reference, please see section 15.1.3 “Subsidiaries sold during the financial period”.

15.13.5 Valuation of owned investment property held for sale

The owned investment property held for sale, as listed in section 15.13.3 “Specification of owned investment property held for sale”, has been valued by an external, independent appraiser as of the Statement of Financial Position’s date.

These valuations have been prepared in compliance with the applicable IFRS regulations and are intended for accounting purposes.

15.13.6 Specification of right-of-use assets held for sale

Nature of right-of-use asset	Related to owned investment property	31-12-2023 In € 1,000	31-12-2022 In € 1,000
Right-of-use held by Arcona Capital Real Estate Trio Sp. z o.o. (Poland)			
Land lease	Grzymaly Siedleckiego	77	n.a.

15.13.7 Statement of changes in right-of-use assets held for sale

	2023 In € 1,000	2022 In € 1,000
Balance as at 1 January	-	-
Reclassification (from right-of-use assets)	77	-
Balance as at 31 December	**77**	**-**

The "Reclassification (from right-of-use assets)" for the amount of € 77,000 relates to the property Grzymaly Siedleckiego (Poland). For further reference, please see section 15.2.7 "Statement of changes in right-of-use assets".

15.13.8 Valuation of right-of-use assets held for sale

The right-of-use assets held for sale, as listed in section 15.13.6 "Specification of right-of-use assets held for sale", were not valued by an external, independent appraiser as at Statement of Financial Position's date. Right-of-use assets held for sale are initially measured at cost, which compromises the initial amount of the lease liability directly associated with the assets held for sale adjusted by the amount of any prepaid or accrued lease payment, less any lease incentives received. The right-of-use asset held for sale is subsequently measured at fair value (subject to certain exceptions), less accumulated depreciation and impairment losses. The right-of-use asset held for sale will additionally be adjusted for any remeasurement of the lease liability directly associated with the assets held for sale, when applicable.

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

15.14 GROUP EQUITY

15.14.1 "Closed-end" structure

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

The registered shares are currently restricted from trading on Euronext Fund Services.

15.14.2 Capital management

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

15.14.3 Distributions to shareholders

The Managing Board made an distribution to the shareholders in the net amount of € 0.15 per ordinary and registered share, after the deduction of 15% dividend tax. The ex-dividend date was October 12, 2023. Payment date was October 18, 2023.

15.14.4 Share buy-back

As part of the share buy-back programme announced as at September 14, 2022, the Fund has repurchased 8,901 ordinary shares of the Fund (equal to € 56,000) during January 1, 2023 until March 15, 2023.

At the General Meeting of Shareholders (GM) of the Fund dated June 27, 2023, the GM approved the proposal of the members of the Stichting Prioriteit (the Priority) to cancel the 60,976 ordinary shares, which has been repurchased by the Fund during the share buy-back period and to reduce the Parent Company's issued capital for the same amount.

15.14.5 Nature and purpose of reserves

For the nature and the purpose of the various reserves reference is made to section:

- 18.3.6 “Revaluation reserve”;
- 18.3.7 “Reserve currency translation differences.

15.14.6 Equity components

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

15.15 TAX LIABILITIES

15.15.1 Specification of tax liabilities

	31-12-2023 In € 1,000	31-12-2022 In € 1,000
Non-current part of tax liabilities	-	-
Current part of tax liabilities	168	509
	168	**509**

15.15.2 Analysis of tax liabilities

	31-12-2023 In € 1,000	31-12-2022 In € 1,000
Property tax	2	233
Corporate income tax (**CIT**)	5	150
Value added tax (**VAT**)	129	94
Withholding tax (**WHT**)	32	32
	168	**509**

15.16 LOANS AND BORROWINGS

15.16.1 Analysis of loans and borrowings

	31-12-2023		
Kind of loans and borrowings	**Non-current liabilities** In € 1,000	**Current liabilities** In € 1,000	**Total** In € 1,000
Secured bank loans	5,725	20,780	26,505
Lease liabilities	1,231	157	1,388
Other loans and borrowings	-	3,959	3,959
	6,956	**24,896**	**31,852**

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

15.16.2 Statement of changes in secured bank loans

	2023	2022
	In € 1,000	In € 1,000
Balance as at 1 January	30,175	30,895
Additions as a result of acquisitions	-	3,276
Loans advanced	6,049	-
Redemptions	-/- 9,596	-/- 4,260
(Amortisation) flat fee and transaction costs	25	52
Exchange rate differences	-/- 148	212
Balance as at 31 December	**26,505**	**30,175**

The "Loans advanced" pertaining to the amount of € 6,049,000 refers to the refinancing of the Czech real estate portfoli''s loan, originally held by Česká Spořitelna (which assumed the loan portfolio of Sberbank CZ), through a new loan from UniCredit.

15.16.3 Analysis of secured bank loans

	31-12-2023				
Name of company	**Name of credit institution**	**Date of maturity**	**Weighted average interest rate**[13]	**Face value**	**Carrying amount**
			In %	In € 1,000	In € 1,000
Arcona Capital RE Bohemia s.r.o.	UniCredit	31-12-2028	8.87	5,865	5,836
Arcona Capital RE Slovakia s.r.o.	Slovenská Sporiteľňa	30-09-2024	6.36	5,329	5,328
Arcona Capital Real Estate Poland Sp. z o.o.	Hypo Noe	31-03-2026	7.07	7,324	7,265
Arcona Poland B.V. Project 5 Sp. z o.o.	Hypo Noe	31-03-2026	7.07	5,276	5,241
N-E Real Estate Park First Phase S.r.l.	Patria Bank	10-12-2031	7.50	2,897	2,835
				26,691	**26,505**

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

[13] Exclusive variable remunerations.

Boyana Residence E.O.O.D. and Arcona Capital Real Estate Bulgaria Ltd.
The Fund's 100% subsidiary companies in Bulgaria, Boyana Residence E.O.O.D. and Arcona Capital Real Estate Bulgaria Ltd., had loans from Alpha Bank with a total outstanding amount of approximately € 2.32 million, which were due on June 30, 2021.

As of January 9, 2023, the loans from Alpha Bank, including accrued (penalty) interest and costs, had been fully repaid as a result of successful refinancing. The Fund attracted loan(s) from Dutch investors for approximately € 3.6 million, with a maturity date of June 30, 2024, and an interest rate of 9.0%. Additionally, a variable remuneration based on achieved selling price per square meter of eight pre-selected apartment rights is payable, with a maximum variable remuneration of 4.0% of the original loan amount, if per square meter gross sellable area a sales price of € 1,100 or higher is achieved

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

Refinancing Czech portfolio by UniCredit
On December 28, 2023, the Fund finalized the refinancing of its Czech portfolio. The refinancing was facilitated through a strategic shift from Česká Spořitelna to UniCredit, securing a new five-year loan of CZK 145 million (€ 5.92 million) alongside an additional credit line up to € 2 million for future investments. This deal repays the existing debt and provides potential capital expenditure funding for the Prague office building at Politickych Veznu 10.

15.16.4 Securities provided, bank covenants and ratios secured bank loans

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

	UniCredit	**Slovenská Sporiteľňa**	**Hypo Noe**	**Patria Bank**
Carrying amounts securities provided:				
• Owned investment property (in € 1,000)	16,750	12,830	26,440	5,202
• Assets held for sale (in € 1,000)	-	3,846	-	-
• Trade and other receivables (in € 1,000)	45	226	791	198
• Cash and cash equivalents (in € 1,000)	674	311	786	45
Bank covenants:				
• Debt Service Coverage Ratio (**DSCR**) (minimum)	1.20	1.25	1.30	1.30
• Debt Service Reserve Account (**DSRA**) (in € 1,000)	29 [14]	190	582	120 [15]
• Capital expenditure (**CAPEX**) (in € 1,000)	61 [16]	70	n.a.	n.a.
• Minimum total annual collection in the bank account (in € 1,000)	n.a.	n.a.	n.a.	603[17]
• Equity / liabilities (minimum)	n.a.	10.00%	n.a.	n.a.
• Loan to value (maximum)	60.00%	45.00%	48.00%	n.a.
• Negative equity borrower	n.a.	n.a.	no[18]	n.a.
• Issued shares borrower pledged	no	no	yes[19]	no
Ratios:				
Debt Service Coverage Ratio (**DSCR**)	1.44	1.16	1.24	1.21
Loan to value (**LTV**)	35.01%	31.99%	47.66%	55.69%
Withdrawable credit facilities:				
Maximum credit facilities	7,887	5,329	12,600	2,897
Outstanding amount	5,865	5,329	12,600	2,897
Withdrawable credit facilities	2,022[20]	-	-	-

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

[14] In accordance with the bank covenant CZK 720,000.
[15] In accordance with the bank covenant the Debt Service Reserve account (DSRA) has to be built up monthly with an amount of € 5,000 until an amount of € 265,000 is reached.
[16] In accordance with the bank covenant CZK 1,500,000.
[17] In accordance with the bank covenant RON 3,000,000.
[18] Each borrower (Arcona Capital Real Estate Poland Sp. z o.o. and Arcona Poland B.V. Project 5 Sp. z o.o.) has to ensure that, at all times, its total assets increased by the aggregate of the subordinated liabilities then outstanding are greater than its total liabilities. For the purpose of this calculation contingent and prospective liabilities will not be considered and liabilities under subordinated shareholders loan will be treated as equity and not as liabilities.
[19] Only the shares in Arcona Capital Real Estate Poland Sp. z o.o. are pledged. The shares in Arcona Poland B.V. Project 5 Sp. z o.o. are not pledged.
[20] UniCredit has made a credit line of up to CZK 50,000,000 available for investments, including for investments in the office building Politickych Veznu 10.

15.16.5 Statement of changes in lease liabilities

	2023 In € 1,000	2022 In € 1,000
Balance as at 1 January	1,162	1,297
Remeasurement (as a result of an index / inflation)	330	-
Redemptions	-/- 219	-/- 188
Accrued interest	91	76
Exchange rate differences	100	-/- 23
Reclassifications (to liabilities directly associated with the assets held for sale)	-/- 76	-
Balance as at 31 December	**1,388**	**1,162**

The “Reclassification (to liabilities directly associated with the assets held for sale)” for the amount of € 76,000 negative relates to the property Grzymaly Siedleckiego (Poland). For further reference, please see section 15.20.4 “Statement of changes in liabilities directly associated with the assets held for sale”.

15.16.6 Analysis of lease liabilities

Nature of lease liability	Related to property	31-12-2023 In € 1,000	31-12-2022 In € 1,000
Lease liability by Arcona Capital Real Estate Trio Sp. z o.o. (Poland)			
Land lease	Grzymaly Siedleckiego	n.a.	101
Land lease	Kardynala Wyszynskiego	379	307
Land lease	Legionow	1,009	754
		1,388	**1,162**

15.16.7 Maturity analysis contractual undiscounted cash flows of lease liabilities

	31-12-2023 In € 1,000	31-12-2022 In € 1,000
Less than 1 year	232	171
1 year to 5 years	639	522
More than 5 years	1,619	1,330
	2,490	**2,023**

15.16.8 Statement of changes in other loans and borrowings

	2023 In € 1,000	2022 In € 1,000
Balance as at 1 January	4,788	4,604
Loans advanced	1,000	3,100
Redemptions	-/- 1,899	-/- 2,900
(Amortisation) flat fee and transaction costs	37	-/- 39
Accrued interest	37	37
Exchange rate differences	-/- 4	-/- 14
Balance as at 31 December	**3,959**	**4,788**

15.16.9 Analysis of other loans and borrowings

Name of company	Name of counterparty	Secured / unsecured	Date of maturity	31-12-2023 Weighted average interest rate[21] In %	 Face value In € 1,000	 Carrying amount In € 1,000
Aisi Bela LLC	Almaz-Press-Ukraine LLC	Unsecured	-	0.00	49	49
Arcona Capital Real Estate Trio Sp. z o.o.	Bond holder	Secured	29-03-2024	12.45[22]	1,800	1,788
Arcona Property Fund N.V.	Other third party (I)	Unsecured	15-01-2024[23]	9.50	250	250
Arcona Property Fund N.V.	Other third party (II)	Unsecured	30-06-2024	9.00	334	327
Arcona Property Fund N.V.	Other third party (III)	Unsecured	30-06-2024	9.00	400	396
Arcona Property Fund N.V.	Other third party (IV)	Unsecured	30-06-2024	9.00	667	660
Arcona Property Fund N.V.	Other third party (V)	Unsecured	30-06-2024	9.00	500	489
					4,000	**3,959**

Name of company	Name of counterparty	Secured / unsecured	Date of maturity	31-12-2022 Weighted average interest rate In %	 Face value In € 1,000	 Carrying amount In € 1,000
Aisi Bela LLC	Almaz-Press-Ukraine LLC	Unsecured	-	0.00	53	53
Arcona Capital Real Estate Trio Sp. z o.o.	Bond holder	Secured	29-03-2024	9.67[24]	2,000	1,937
Arcona Property Fund N.V.	Other third party (I)	Unsecured	15-01-2024	9.50	250	250
Arcona Property Fund N.V.	Other third party (II)	Unsecured	30-06-2024	9.00	1,000	980
Arcona Property Fund N.V.	Other third party (III)	Unsecured	30-06-2024	9.00	600	588
Arcona Property Fund N.V.	Other third party (IV)	Unsecured	30-06-2024	9.00	1,000	980
					4,903	**4,788**

The bond, secured by Arcona Capital Real Estate Trio Sp. z o.o. and having a carrying amount of € 1.79 million, set to mature on 29-03-2024, has been successfully refinanced in March 2024 through two investor loans from third parties, each of € 1 million. These loans are designated to be repaid with the proceeds from the forthcoming sale of the leasehold asset in Bydgoszcz, anticipated to be completed in 2024.

[21] Exclusive variable remunerations.
[22] The weighted average interest rate used amounts 14.56%.
[23] During January 2024 the date of maturity has been extended for 2 years (January 15, 2026).
[24] The weighted average interest rate used amounts 11.78%.

The four unsecured third-party loans, specifically linked to the Boyana Residence project, have a cumulative carrying amount of € 1.9 million. With maturity dates within the first half of 2024, they are expected to be settled with the sales proceeds from the Boyana Residence project within the same period.

15.16.10 Securities provided of other loans and borrowings

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

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

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

15.17 TRADE AND OTHER PAYABLES

15.17.1 Analysis of trade and other payables

	31-12-2023	**31-12-2022**
	In € 1,000	In € 1,000
Non-current part of trade and other payables	-	-
Current part of trade and other payables	2,148	3,344
	2,148	**3,344**

15.17.2 Specification of trade and other payables

	31-12-2023	**31-12-2022**
	In € 1,000	In € 1,000
Trade payables	539	346
Administrative expenses	550	1,120
Accruals	542	847
(Penalty) interest payables and costs Alpha Bank	-	660
Interest payables	397	228
Payable settlement acquisitions	120	120
Other trade and other payables	-	23
	2,148	**3,344**

15.17.3 Specification of administrative expenses

	31-12-2023	**31-12-2022**
	In € 1,000	In € 1,000
Fund management fee	550	1,120
Performance-related remuneration	-	-
	550	**1,120**

15.18 DEFERRED INCOME AND TENANT DEPOSITS

15.18.1 Analysis of deferred income and tenant deposits

	31-12-2023 In € 1,000	31-12-2022 In € 1,000
Non-current part of deferred income and tenant deposits	378	384
Current part of deferred income and tenant deposits	228	159
	606	**543**

15.18.2 Specification of deferred income and tenant deposits

	31-12-2023 In € 1,000	31-12-2022 In € 1,000
Deposits received from tenants	591	523
Advance payments received from tenants	15	20
	606	**543**

15.19 DEFERRED TAX LIABILITIES

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

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

15.20 LIABILITIES DIRECTLY ASSOCIATED WITH THE ASSETS HELD FOR SALE

15.20.1 Analysis of liabilities directly associated with the assets held for sale

	31-12-2023 In € 1,000	31-12-2022 In € 1,000
Loans and borrowings	76	-

15.20.2 Analysis of loans and borrowings

	31-12-2023 In € 1,000	31-12-2022 In € 1,000
Lease liabilities	76	-

15.20.3 Analysis of lease liabilities

Nature of lease liability	Related to property	31-12-2023 In € 1,000	31-12-2022 In € 1,000
Lease liability by Arcona Capital Real Estate Trio Sp. z o.o. (Poland)			
Land lease	Grzymaly Siedleckiego	76	-

15.20.4 Statement of changes in liabilities directly associated with the assets held for sale

	2023 In € 1,000	2022 In € 1,000
Balance as at 1 January	-	-
Reclassifications (from lease liabilities)	76	-
Balance as at 31 December	**76**	**-**

The “Reclassification (from lease liabilities)” for the amount of € 76,000 negative relates to the property Grzymaly Siedleckiego (Poland). For further reference, please see section 15.16.5 “Statement of changes in lease liabilities”.

15.21 CONTINGENT ASSETS

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Fund.

As of the Statement of Financial Position's date, the Fund did not hold any contingent assets that are not included in the Statement of Financial Position, except for unrecognised deferred tax assets, as mentioned in section 15.7 "Unrecognised deferred taxes".

15.22 NON-CONTINGENT ASSETS

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

15.23 NON-CONTINGENT LIABILITIES

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

15.24 CONTINGENT LIABILITIES

A contingent liability is:

A. a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Fund; or

B. a present obligation that arises from past events but is not recognised because:
   - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
   - the amount of the obligation cannot be measured with sufficient reliability.

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

A. Arcona Capital RE Bohemia s.r.o. has a contingent liability for the amount of CZK 4,741,000 (€ 192,000) towards the buyer of the investment property Štefánikova with regard to rent received in advance by Arcona Capital RE Bohemia s.r.o. for usage of the parking places (free of payment) by the lessee of Štefánikova. Based on the agreement (2012) the buyer of Štefánikova will pay the taxes with regard to this rent;

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

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

   Due to the conflict situation in Ukraine, it is currently not possible to complete the purchase of the two remaining properties (development plots) in and around Kyiv, which was agreed in June 2021 at € 1,970,000. This is because the purchase contract contains specific pre-completion conditions, the fulfilment of which require decisions and actions to be taken by Kyiv City Council and other

Ukrainian public authorities. The Sellers were unable to fulfil these conditions prior to the Russian invasion.

At the start of 2023, all the necessary conditions had been met, and the parties had come to a verbal agreement that a new valuation was required. The acquisition price will be determined based on this valuation, and delivery is expected during the first half of 2024.

C. The Fund has a contingent liability towards 4 Dutch investors who provided unsecured loans for an original amount of € 3.6 million. Based on the loan agreements a variable remuneration is payable based on the gross sellable area of 8 pre-selected apartment rights held by Boyana Residence E.O.O.D. The maximum variable remuneration amounts to 4% of the loan originally provided. As at Statement of Financial Position's date 2 pre-selected apartment rights are not sold. The fair value of the remaining contingent liability is negligible.

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

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

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

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

The statement of changes in warrants is as follows:

	2023 In pieces	**2022** In pieces
Balance as at 1 January	259,807	144,264
Granted during the financial period	-	115,543
Forfeited during the financial period	-	-
Expired during the financial period	-	-
Balance as at 31 December	**259,807**	**259,807**
Exercisable as at 31 December	**-**	**-**

E. On April 23, 2024, the Fund was notified that Hypo Noe had approved a waiver for ACREP and Project 5, addressing the breach of the DSCR forecast covenant. The Fund is responsible for a contingent liability, providing financial resources to ACREP and Project 5 up to a cumulative amount of € 104,523 (€ 104,523 for Project 5 and € 0 for ACREP) as at 30 April 2024. This funding is intended to address potential gaps in Project 5 for financing the planned fit-out costs at the Maris property and in ACREP for financing the planned fit-out costs of the Słupsk property.

F. The Fund has a contingent liability towards the Managing Board with regard to sales fee and sales performance-related fee, which is described in section 15.34.5 “Sales fee and sales performance-related fee.

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

15.25 GROSS RENTAL INCOME

15.25.1 General

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

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

15.25.2 Analysis of gross rental income

	2023	2022
	In € 1,000	In € 1,000
Gross rental income collected / accrued	6,794	6,389
Amortisation of lease incentives	-/- 218	-/- 224
	6,576	**6,165**

15.25.3 Analysis of gross rental income collected / accrued

	2023	2022
	In € 1,000	In € 1,000
Fixed lease payments received	6,794	6,165
Variable lease payments received	-	-
	6,794	**6,165**

15.25.4 Weighted average percentage of the vacant space

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

	31-12-2023	31-12-2022
	In %	In %
Buildings (including underground)	14.3	8.5
Land plots	n.a.	n.a.
Investment property under development	100.0	100.0
Inventories	100.0	100.0
Buildings (including underground) held for sale	28.2	41.0
Land plots held for sale	sold	n.a.

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

	2023	2022
	In %	In %
Buildings (including underground)	13.4	10.6
Land plots	n.a.	n.a.
Investment property under development	100.0	100.0
Inventories	100.0	100.0
Buildings (including underground) held for sale	29.7	40.0
Land plots held for sale	n.a.	n.a.

15.25.5 Non-cancellable leases

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

	31-12-2023	31-12-2022
	In € 1,000	In € 1,000
Less than 1 year	5,778	5,414
1 year to 2 years	3,365	3,713
2 years to 3 years	2,343	1,981
3 years to 4 years	1,778	1,161
4 years to 5 years	1,237	863
More than 5 years	1,167	1,041
	15,668	**14,173**

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

15.26.1 General

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

15.26.2 Analysis of property operating expenses

	2023 In € 1,000	2022 In € 1,000
Property management	476	452
Asset management	532	581
Maintenance expenses in respect of properties	481	471
Property taxes and fees	322	352
Insurance premiums	52	44
Subtotal	1,863	1,900
Adjustment property taxes and fees previous year(s)	9	58
Reimbursement from tenants	-/- 38	-/- 22
	1,834	**1,936**

15.26.3 Allocation of service charges and property operating expenses

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

	2023 In € 1,000	2022 In € 1,000
For properties let	4,028	3,952
For properties not let	474	455
	4,502	**4,407**

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

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

	31-12-2023 In € 1,000	31-12-2022 In € 1,000
Less than 1 year	-	-
1 to 5 years	-	-
More than 5 years	-	-
	-	**-**

15.27 VALUATION RESULTS OF PROPERTIES

	2023 In € 1,000	2022 In € 1,000
Owned investment property	303	-/- 3,669
Right-of-use assets	-/- 147	-/- 103
Investment property under development	65	-/- 1,341
Owned investment property held for sale	2,350	1,135
	2,571	**-/- 3,978**

15.28 RESULT ON DISPOSALS OF PROPERTIES

15.28.1 Analysis of results on disposals of properties

	2023 In € 1,000	2022 In € 1,000
Owned investment property held for sale	-/- 2,885	-/- 640

15.28.2 Specification of results on disposals of properties - per building

	2023 In € 1,000	2022 In € 1,000
Gardova Glava, Sofia (Bulgaria)	-/- 2,885	-
Pražská 2, Košice (Slovakia)	-	-/- 427
Pražská 4, Košice (Slovakia)	-	-/- 422
VUP, Brno (Czechia)	-	209
	-/- 2,885	**-/- 640**

15.28.3 Specification of results on disposals of properties

	2023 In € 1,000	2022 In € 1,000
Realised value adjustments	-/- 2,795	-/- 341
Transaction costs on sale of investment properties	78	290
Consultancy fees and legal fees	12	9
Subtotal costs on sale of investment properties	90	299
	-/- 2,885	**-/- 640**

15.29 RESULT ON DISPOSALS OF INVENTORIES

15.29.1 Analysis of results on disposals of inventories

	Quantity	2023 In € 1,000	2022 In € 1,000
Apartment 1-D, Gardova Glava, Sofia (Bulgaria)	4	227	-
Apartment 2-A, Gardova Glava, Sofia (Bulgaria)	-	26	-/- 29
Apartment 3-C, Gardova Glava, Sofia (Bulgaria)	4	155	-
Apartment 7-D, Gardova Glava, Sofia (Bulgaria)	3	129	-
Apartment 8-E, Gardova Glava, Sofia (Bulgaria)	6	474	-
Parking places, Gardova Glava, Sofia (Bulgaria)	40	82	-
		1,093	**-/- 29**

15.29.2 Specification of results on disposals of inventories

	2023 In € 1,000	2022 In € 1,000
Selling price	2,349	-
Less: carrying amount of sold inventories	1,078	-
	1,271	-
Adjustment refund of value added tax	177	-
Transaction costs on sale of inventories	1	-
Settlement charged costs of adjustment refund of value added tax	-	29
Subtotal costs on sale of inventories	178	29
	1,093	**-/- 29**

The “Adjustment refund of value added tax” for the amount of € 177,000 represents the expense for Bulgarian valued added tax as a result of the repayment of a tax credit incurred by the sale of the inventories.

15.30 NET RESULTS ON PROPERTIES

	2023 In € 1,000	2022 In € 1,000
Valuation gains	2,519	1,941
Valuation losses	-/- 1,472	-/- 6,190
	1,047	-/- 4,249
Costs on sale of properties	268	328
	779	**-/- 4,577**

15.31 SHARE IN RESULTS OF INVESTMENTS IN ASSOCIATES

15.31.1 Analysis of share in results of investments in associates

	2023 In € 1,000	2022 In € 1,000
Lelar Holdings Limited	225	-/- 68

15.31.2 Specification of share in results of investments in associates

	2023 In € 1,000	2022 In € 1,000
Fair value adjustments	102	-/- 68
Dividend	123	-
	225	**-/- 68**

15.32 FINANCIAL INCOME

	2023 In € 1,000	2022 In € 1,000
Realised currency results on net investments in group companies	220	27
Change in fair value of derivative financial instruments	-	182
Interest income on derivative financial instruments	150	15
Interest income of bank balances and deposits	19	9
Interest on trade receivables	4	10
Penalty interest and fees	1	11
Foreign exchange and currency gains	-	8
	394	**262**

15.33 OTHER OPERATING INCOME

	2023 In € 1,000	2022 In € 1,000
Penalties for early termination of rental contracts	-	487
Other operating income	7	26
	7	**513**

15.34 ADMINISTRATIVE EXPENSES

15.34.1 Specification administrative expenses

	2023 In € 1,000	2022 In € 1,000
Fund management fee	675	705
Performance-related remuneration	-	-
	675	**705**

15.34.2 Management fee

This is the total fee received by the Managing Board (Arcona Capital Fund Management B.V.) for the management it performs. The total management fee consists of the Fund management fee as well as the Asset management fee. The management fee is calculated by percentages on the value of the Fund's total assets at month-end. In accordance with the Fund's prospectus, the Registration Document dated October 19, 2016, Security Note dated October 28, 2016 and the addendum of the Registration Document dated December 20, 2023 these percentages are:

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

15.34.3 Specification Fund management fee

	2023 In € 1,000	2022 In € 1,000
Management fee	1,237	1,286
Less: Asset management fee:		
Arcona Capital Czech Republic s.r.o.	263	295
Arcona Capital Poland Sp. z o.o.	196	203
Arcona Capital Bulgaria E.O.O.D.	28	-
CEG South East Continent Unique Real Estate Management Limited	75	83
	562[25]	581
Fund management fee (Arcona Capital Fund Management B.V.)	**675**	**705**

15.34.4 Performance-related remuneration

Until December 20, 2023 the Managing Board was entitled to performance-related remuneration dependent on the Fund's total annual return. The total return is defined as the increase in Net Asset Value per profit-sharing share over the relevant financial period increased by dividends distributed during that financial period. The sum of these components is expressed as a percentage of the Net Asset Value per profit-sharing share at the start of the financial period. The total performance-related remuneration is calculated on the total average number of outstanding profit-sharing shares in the relevant financial period multiplied by the Net Asset Value per profit-sharing share at the start of the relevant financial period.

In accordance with the Fund's prospectus, the Registration Document dated October 19, 2016, Security Note dated October 28, 2016 and the First Amendment (Addendum May 24, 2018) the performance-related remuneration consists of three tiers:

1. in the case of a total return of up to 12% the performance-related remuneration is 0%;
2. in the case of a total return of 12% to 15% the performance-related remuneration is 20% of the total return less 12%;
3. in the case of a total return of more than 15% the performance-related remuneration is 30% of the total return less 15%. In addition, the remuneration indicated under 2 will be awarded.

The performance-related remuneration will be charged annually in arrears and is budgeted and put aside on a three-monthly basis. This performance-related remuneration will not be due if the stock exchange price of the share plus the dividends distributed in the relevant financial period is lower than that of any preceding period for which the performance-related remuneration was deducted.

50% of the performance-related remuneration is payable in shares of the Fund, such shares to be issued at Net Asset Value as at year-end rather than the prevailing stock exchange price (unless the stock market price is above the Net Asset Value per share). The share component of the performance-related remuneration due for a financial period is payable after publication of the Annual Report after the end of the relevant financial period, the cash components are payable in three equal amounts on 30 April, 31 July and 31 October following the end of the relevant financial period.

As of June 21, 2025, the original agreement (Registration Document dated October 19, 2016 and the Securities Note dated October 28, 2016) and the First Amendment (Addendum May 24, 2018) will come into force again.

For the financial period, the Managing Board is not entitled to performance-related remuneration.

[25] Reference is made to section 15.26.2 "Analysis of property operating expenses" and 15.35.2 "Analysis of costs of service providers".

15.34.5 Sales fee and sales performance-related fee

In accordance with the addendum of the Registration Document dated December 20, 2023 the Managing Board is entitled to a sales fee and sales performance-related fee, which replaces the performance-related remuneration is described in section 15.34.4 “Performance-related remuneration”.

The sales fee consists of two tiers:

1. in the case the sale of an asset is realised within the 12-month period the sales fee is 2.0% of the gross sales price agreed;
2. in the case the sale of an asset is realised within the 13-to-18-month period the sales fee is 1.5% of the gross sales price agreed.

The sales performance-related fee consists of two tiers:

1. in the case the sale of an asset is realised within the 12-month period the sales performance-related fee is 20.0%% of the excess gross sales price over valuation;
2. in the case the sale of an asset is realised within the 13-to-18-month period the sales fee is 15.0% of the excess gross sales price over valuation.

Starting points for the calculation of the Incentive for the Managing Board:

1. gross sales price is the sales price before costs;
2. valuation: the assessed value in local currency as reported as at June 30, 2023;
3. a sale is realised on the date of the contractual signing of the sales agreement;
4. the 12-months period runs from December 21, 2023 up to and including December 20, 2024;
5. the 13 to 18-months period runs from December 21, 2024 up to and including June 20, 2025;
6. the sales fee is payable upon receipt of the sale proceeds (sales closed);
7. the 20.0% sales performance-related fee is payable as of December 21, 2024 for sales closed prior to this date or (if closed on or later than December 21, 2024) at the moment of closing;
8. the 15.0% sales performance-related fee is payable as of June 21, 2025 for sales closed prior to this date or (if closed on or later than June 21, 2025) at the moment of closing;
9. the sales performance-related fee is calculated separately for each period on the entire positive or negative deviation compared to the assessed value as at June 30, 2023 during the 12- and 6-months period.

As of June 21, 2025, the original agreement (Registration Document dated October 19, 2016 and the Securities Note dated October 28, 2016) and the First Amendment (Addendum May 24, 2018) will come into force again.

For the financial period, the Managing Board is not entitled to a sales (performance-related) fee.

15.35 OTHER OPERATING EXPENSES

15.35.1 Specification of other operating expenses

	2023	**2022**
	In € 1,000	In € 1,000
Costs of service providers	1,059	1,006
Other operating expenses	149	135
	1,208	1,141
Costs of funding and acquisitions	11	207
	1,219	**1,348**

15.35.2 Analysis of costs of service providers

	2023 In € 1,000	2022 In € 1,000
Accounting expenses	275	257
Audit fees	262	255
Consultancy fees	239	151
Court fees	3	96
Custody fees	59	56
Appraisal expenses	39	47
Asset management	30	- [26]
Supervisory Board fees	28	35
Marketing expenses	26	15
Supervisors' expenses	22	15
Insurance AIFMD	22	18
Bank costs	17	12
Listing, Paying and Fund Agent fees	14	11
Other costs of service providers	23	38
	1,059	**1,006**

For the items listed above the following explanation can be given:

- the "Accounting expenses" include the expenses in respect of bookkeeping, consolidation activities on a quarterly basis for results announcements and the determination of corresponding Net Asset Value (**NAV**), preparation of (semi)-annual report and other activities to fulfil administrative requirements for the Fund and its subsidiaries;
- the "Audit fees" include the fees for the audit of the Consolidated Financial Statements and Parent Company Financial Statements, as well as audits of accounts of subsidiaries. The fees for the audit of the Consolidated Financial Statements, Parent Company Financial Statements and European Single Electronic Format (**ESEF**) reporting 2023 (Deloitte Netherlands) are estimated at € 86,000 (2022: € 88,000). During the financial period audit fees related to prior years have been booked in an amount of € 1,000 negative (2022: € 17,000). The audit fees of accounts of subsidiaries (Deloitte other countries) amount to € 177,000 (2022: € 150,000).
  Except for:
  - audit of the Consolidated Financial Statements and Parent Company Financial Statements,
  - audits of accounts of subsidiaries, and
  - audit of ESEF reporting and requirements

  no services of Deloitte have been used.
- the "Consultancy fees", including legal fees, relate mainly to consultancy fees for tax structuring;
- the "Custody fees" include the fees for operational activities by the AIFMD Depositary;
- the "Asset management" relate to asset management fee Delenco (associates);
- the "Supervisors' expenses" include expenses for supervision by the AFM and DNB;
- the "Other costs of service providers" include, among others, costs of press releases, required software ESEF, Euronext Fund Services and Prague Stock Exchange.

[26] The Asset management fee 2022 (for the amount of € 26,000) is included in the "Property operating expenses".

15.35.3 Analysis of Supervisory Board fees

	2023 In € 1,000	2022 In € 1,000
Mr. H.H. Kloos RBA (until June 30, 2022)	-	7
Mr. B. Vos M.Sc. (until June 22, 2022)	-	7
Mr. M.P. Beys	14	14
Mrs. A.N. Krol (as of June 22, 2022)	14	7
Mr. J.J. van Heijst MSc.[27]	-	-
	28	**35**

The Fund has provided no loans, advances, or guarantees for the members of the Supervisory Board. The members of the Supervisory Board receive no options or remuneration in the form of the Fund's shares.

15.35.4 Analysis of other operating expenses

	2023 In € 1,000	2022 In € 1,000
Change in expected credit losses termination interest rate swaps	78	-
Irrecoverable trade receivables	67	63
Change in expected credit losses for trade receivables	-/- 63	-
Non-refundable value added tax (**VAT**)	54	60
Wages and salaries statutory directors	12	12
	149	**135**

15.35.5 Analysis of costs of funding and acquisitions

	2023 In € 1,000	2022 In € 1,000
Consultancy fees / legal fees	11	207

The costs of funding and acquisitions include costs of technical, legal and tax due diligence for potential acquisitions.

15.35.6 Transaction costs

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

Based on article 123:1.c of the Decree on Conduct of Business Supervision of Financial Undertakings under the Act of Financial Supervision (in Dutch: Besluit Gedragstoezicht Financiële ondernemingen Wft) the analysis of identifiable and quantifiable transaction costs on purchase and sale of investments during the financial period is disclosed. The analysis is as follows:

	2023 In € 1,000	2022 In € 1,000
Transaction costs on purchase of investments	-	-
Transaction costs on sale of investments	268	328
	268	**328**

[27] Mr. J.J. van Heijst M.Sc. has waived his Supervisory Board fee.

15.35.7 Costs of lending financial instruments

During the financial period no financial instruments were borrowed or lent by either the Fund or its related parties (so-called securities lending). No expenses were therefore incurred, or fees requested.

15.35.8 Remuneration for orders on behalf of the Fund

Neither the Managing Board, the directors of the Managing Board, the Fund, the Depositary of the Fund, nor parties affiliated with these parties, received any remuneration for performing assignments for the Fund, other than as described in section 15.33 “Administrative expenses” and 15.34 “Other operating expenses”.

15.35.9 Outsourcing expenses

The Managing Board of the Fund has in the ordinary course of business outsourced the accounting activities of the Fund to Moore MKW Accountants B.V. (formerly: KroeseWevers Accountants B.V.).

The related expenses are included in the section accounting expenses, as indicated in section 15.35.2 “Analysis of costs of service providers”.

15.35.10 Comparison of actual costs with prospectus

	2023		2022	
	Actual	**Prospectus**	**Actual**	**Prospectus**
	In € 1,000	In € 1,000	In € 1,000	In € 1,000
Costs of service providers	1,059	900	1,006	900

For comparison of actual costs of service providers with budgeted costs of service providers as per the Fund’s prospectus, the Registration Document dated October 19, 2016 in conjunction with the Security Note dated October 28, 2016 has been used.

For the analysis of costs of service providers is referred to section 15.35.2 “Analysis of costs of service providers”.

15.36 PERSONNEL COSTS

The Fund does not employ any personnel, with the exception of statutory directors of the Fund’s subsidiaries. The statutory directors receive a wage, which is specified in other operating expenses (reference is made to section 15.35.4 “Analysis of other operating expenses”).

15.37 FINANCIAL EXPENSES

	2023 In € 1,000	**2022** In € 1,000
Interest expense on secured bank loans	1,932	1,549
Interest expense on other loans and borrowings	620	302
Penalty interest and costs on secured bank loans	1	196
Change in fair value of derivative financial instruments	179	-
Foreign exchange and currency losses	135	-
Variable compensation on other loans and borrowings	101	-
Interest expense on lease liabilities	91	76
Interest expense and costs of Tax Authorities	5	38
Withholding tax on loans due to shareholders and other group companies	37	24
Other financial expenses	12	23
	3,113	**2,208**

15.38 ONGOING CHARGES FIGURE

Based on article 123:1.l of the Decree on Conduct of Business Supervision of Financial Undertakings under the Act of Financial Supervision (in Dutch: “Besluit Gedragstoezicht Financiële ondernemingen Wft”) the Ongoing Charges Figure (**OCF**) is disclosed. The OCF is calculated by dividing the total expenses (including operating expenses) during the financial year by the average Group equity of the Fund during the financial year. The total expenses include the expenses charged to the profit for the period as well as to Group equity. They also include the operating expenses of the properties. No net service charges are included in the total expenses, since these are entirely covered by the service income from service fees and the fees part of the gross rental income. The expenses which are related to the issuance and the redemption of own ordinary shares, as far as these are covered by surcharges and reductions received, are not taken into consideration. Regular interest charges for loans contracted, as well as costs of investment transactions, are also not included in the calculation of the OCF.

The average Group equity is determined by the average of all calculated and published Net Asset Values (**NAV**’s).

	2023 In %	**2022** In %	**2021** In %	**2020** In %	**2019** In %
OCF	7.66	8.02	9.50	9.96	11.13

In 2023 the OCF decreased as a result of a decrease of the total expenses (including other operating expenses) by approximately 7%, in conjunction with the decrease of the average Group equity by approximately 2%.

The total expenses also include non-regular costs, such as costs of funding and acquisition (reference is made to section 15.35.5 “Analysis of costs of funding and acquisitions”). Without these non-regular costs, the OCF would be as follows:

	2023 In %	**2022** In %	**2021** In %	**2020** In %	**2019** In %
OCF (without non-regular costs)	7.63	7.61	9.31	9.00	10.01

15.39 INCOME TAX EXPENSE

15.39.1 Tax position

The taxable profits of the Fund are subject to corporate income tax (**CIT**).

15.39.2 Income tax expense recognised in the Consolidated Income Statement

	2023 In € 1,000	**2022** In € 1,000
Current income tax expense		
Current year	63	649
Adjustments related to prior years	-/- 4	-/- 17
Subtotal current income tax expense	59	632
Deferred income tax expense		
Origination and reversal of taxable temporary differences	249	-/- 878
Recognition of previously unrecognised (derecognition of previously recognised) tax losses carried forward	35	140
Recognition of previously unrecognised (derecognition of previously recognised) other taxable temporary differences	357	474
Change in tax rate	94	-
Adjustments related to prior years	3	42
Subtotal deferred income tax expense	738	-/- 222
Total income tax expense	**797**	**410**

15.39.3 Reconciliation of effective tax rate

	2023 In %	**2023** In € 1,000	**2022** In %	**2022** In € 1,000
Profit before income tax		**980**		**-/- 3,940**
Tax using the Parent Company's domestic tax rate	25.8	253	25.8	-/- 1,017
Effect of tax rates in foreign jurisdictions	-/- 11.4	-/- 112	-/- 12.1	475
Change in tax rate	9.6	94	0.0	-
Tax effect of:				
Non-deductible expenses	5.6	55	-/- 4.4	173
Tax exempt revenues	-/- 19.8	-/- 194	2.5	-/- 99
Tax on phantom results	-/- 7.3	-/- 72	-/- 0.2	9
Current year losses for which no deferred tax asset is recognised	38.9	382	-/- 5.8	229
Recognition of previously unrecognised (derecognition of previously recognised) tax losses	3.6	35	-/- 3.5	140
Recognition of previously unrecognised (derecognition of previously recognised) other taxable temporary differences	36.4	357	-/- 12.1	475
Adjustments related to prior years	-/- 0.1	-/- 1	-/- 0.6	25
	81.3	**797**	**-/- 10.4**	**410**

15.39.4 Deferred income tax recognised directly in Group equity

	2023 In € 1,000	2022 In € 1,000
Related to receivables from shareholders and other group companies	-/- 42	26

15.39.5 Applicable local corporate income tax rates

	2025 In %	2024 In %	2023 In %	2022 In %	2021 In %
The Netherlands:					
- first bracket	19.00	19.00	19.00	15.00	15.00
- second bracket as of € 200,000	25.80	25.80	25.80	n.a.	n.a.
- second bracket as of € 245,000	n.a.	n.a.	n.a.	n.a.	25.00
- second bracket as of € 395,000	n.a.	n.a.	n.a.	25.80	n.a.
Czechia:	21.00	21.00	19.00	19.00	19.00
Poland:					
- regular	19.00	19.00	19.00	19.00	19.00
- small taxpayers[28]	9.00	9.00	9.00	9.00	9.00
Romania:					
- regular	16.00	16.00	16.00	16.00	16.00
- micro-companies[29] with at least 1 employee	1.00	1.00	1.00	1.00	1.00
- micro-companies with no employees	n.a.	n.a.	n.a.	3.00	3.00
Slovakia:					
- regular	21.00	21.00	21.00	21.00	21.00
- micro-taxpayers[30]	15.00	15.00	15.00	15.00	15.00
Ukraine	18.00	18.00	18.00	18.00	18.00
Bulgaria	10.00	10.00	10.00	10.00	10.00

[28] As of January 1, 2019, a reduced corporate income tax rate was introduced in Poland for so-called “small taxpayers”. Small taxpayers are, for example, entities whose revenues, including value added tax (**VAT**), in a given tax year did not exceed in the preceding tax year the PLN equivalent of € 2.0 million. The reduced corporate income tax rate will not be available for entities created or involved in certain restructuring activities.

[29] Micro-companies in Romania are corporate taxpayers and entrepreneurs and self-employed individuals that achieve turnover up to € 0.5 million for the relevant tax period (until January 1, 2023: up to € 1.0 million). The reduced tax rate of 1.00% is solely applicable if the company has at least one employee with full-time employment contract for an indefinite period.

[30] As of January 1, 2021, a reduced corporate income tax rate was introduced in Slovakia for so-called “micro-taxpayers”. Micro-taxpayers are corporate taxpayers and entrepreneurs and self-employed individuals that achieve taxable income (revenues) up to € 49,790 for the relevant tax period.

15.40 EARNINGS PER SHARE[31]

15.40.1 Calculation of basic earnings per share

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

The weighted average number of shares is adjusted for events, other than the conversion of potential ordinary shares, which have changed the number of ordinary shares outstanding without a corresponding change in resources.
If the number of shares outstanding increases as a result of a capitalisation, bonus issue or share split, or decreases as a result of a reverse share split, the calculation of basic and diluted earnings per share and of the comparative figures is adjusted retrospectively.

15.40.2 Profit for the period attributable to shareholders (basic)

	2023	**2022**
	In € 1,000	In € 1,000
Profit for the financial period	183	-/- 4,350

15.40.3 Weighted average number of outstanding shares (basic)

	2023	**2022**
	In pieces	In pieces
Issued shares as at 1 January	4,185,984	3,758,683
Effect of issued shares during the financial period	-	326,898
Effect of treasury shares held during the financial period	-/- 7,487	-/- 7,846
	4,178,497	**4,077,735**

15.40.4 Calculation of diluted earnings per share

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

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

15.40.5 Profit for the period attributable to shareholders (diluted)

	2023	**2022**
	In € 1,000	In € 1,000
Profit for the period	183	-/- 4,350
Interest expense on convertible bonds (net of tax)	-	-
	183	**-/- 4,350**

[31] The calculation of the earnings per share includes all types of profit-sharing shares (e.g. ordinary and registered shares). Therefore, treasury shares are excluded from the earnings per share.

15.40.6 Weighted average number of outstanding shares (diluted)

	2023 In pieces	2022 In pieces
Weighted average number of outstanding shares outstanding during the financial period (basic)	4,178,497	4,077,735
Effect of conversion of warrants	-	-
Effect of conversion of convertible bonds	-	-
	4,178,497	**4,077,735**

15.41 RISK MANAGEMENT

15.41.1 General

According to its investment policy set out in the prospectus, the Registration Document dated October 19, 2016 in conjunction with the Security Note dated October 28, 2016, as well as the addendum of the Registration Document dated December 20, 2023 the Fund may hold investments in direct property in Central Europe. The Fund's investment portfolio currently consists of property in the Czech Republic, Slovakia, Poland, Ukraine, Bulgaria and Romania. These properties in principle are held for an indefinite period. However, the goal is to monetize a significant portion of the portfolio within an 18-month period by selling, among other things, the assets in Ukraine and Bulgaria, as well as non-core assets in Slovakia and Poland. The Fund's investment activities result in exposure to various risks, as also defined in the prospectus.

The Managing Board of the Fund determines the tactical investment mix. The Managing Board regularly monitors the deviation between the previously determined tactical investment mix and the actual investment mix. The risks are summarised in the table below:

Risk category	Risk	Policy	Notes	Risk appetite	Impact	Likelihood
Strategy	Market	Mitigation	15.40.2	High	Medium	High
	Concentration	Avoidance/control	15.40.6	Low	Medium	Medium
	Economic	Acceptance	15.40.8	High	High	High
Operational	Fraud	Avoidance	15.40.15	Low	Medium	Low
	Internal control	Mitigation	15.40.15	Low	Medium	Low
	Counterparty	Mitigation	15.40.9	Low	Medium	Low
	Integrity	Avoidance	15.40.19	Low	Medium	Low
Financial position	Currency	Mitigation/Avoidance	15.40.3	Medium	Medium	High
	Interest rate	Mitigation	15.40.4	Low	High	High
	Price	Acceptance	15.40.5	High	High	High
	Borrowed money	Avoidance	15.40.7	Low	High	Medium
	Credit	Mitigation	15.40.9	Low	Medium	Low
	Rent	Mitigation	15.40.10	Medium	Medium	High
	Debtor	Mitigation	15.40.11	Medium	Low	High
	Vacancy	Mitigation	15.40.12	Medium	Medium	High
	Liquidity	Avoidance	15.40.14	Low	High	Medium
Financial reporting	Outsourcing	Avoidance	15.40.17	Low	Low	Low
Legal and compliance risk	Regulations	Mitigation	15.40.13	Low	Medium	Medium
	Tax	Mitigation/Acceptance	15.40.16	Low	Medium	High
	Legal	Mitigation	15.40.18	Low	High	High
	ESG	Mitigation/Avoidance	15.40.20	Low	Medium	Medium

The nature and scope of properties as at Statement of Financial Position's date and the risk policy with regard to the above-mentioned risks and other risks are discussed below.

15.41.2 Market risk

Market risk is the risk of losses in positions arising from movements in market prices. Property values are affected by many factors, including the outlook for economic growth, inflation rate, and developments on the capital markets and the rental income at the time of sale of the property.

The greater the fluctuation in the development of these factors, the greater the risk. The Fund cannot influence macro-economic factors that determine property value. However, through good investment property management the Fund will try to mitigate the risk and will seek to maximise the attraction of the properties in its portfolio to prospective tenants and purchasers. The Fund invests in countries which have different legal systems to Western Europe. In some areas there is much less public information available than would be the case in Western Europe.

Control of the market risk is determined by the Managing Board's investment policy, which is aimed at achieving investment results by purchasing investments that are assumed to have been undervalued and are expected to benefit from the further development of the Czech, Slovak, Polish, Ukrainian, Bulgarian, and Romanian economy. The market risk is managed on a day-to-day basis.

The Fund's policy is *mitigation*. The risk appetite is high. The impact is considered medium, the likelihood is high (reference is made to section 15.2.10 "Sensitivity analysis" of the buildings (including underground)).

15.41.3 Currency risk

The currency risk can be defined as the risk that the fair value of investments and the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Fund may invest in properties in countries where the Euro has not (yet) been implemented. There is a currency risk that the exchange rate fluctuates. The Fund has the option to mitigate the risk by using financial instruments to hedge the currency risk. The Fund also seeks to mitigate/avoid the risk by concluding rental contracts in Euro.

The Fund invests in property in currencies other than the functional currency (the Euro) used in these Consolidated Financial Statements. At present, the currencies involved are:

- Czech Koruna (CZK);
- Polish Zloty (PLN);
- US Dollar (USD);
- Ukrainian Hryvnia (UAH);
- Bulgarian Lev (BGN); and
- Romanian Leu (RON).

Consequently, the Fund is exposed to the risk that the exchange rate of the functional currency in relation to the foreign currency may develop in such a way that this has a negative impact on the value of the investment portfolio in foreign currency.

Taking into account the high costs involved and Managing Board's expectation that the EUR / CZK exchange rate, EUR / PLN exchange rate, EUR / USD exchange rate, EUR / UAH exchange rate and EUR / RON exchange rate will continue to show relative stability over the long term, the Managing Board has opted not to hedge the currency risk by means of financial derivative financial instruments, such as forward contracts.

The EUR / BGN exchange rate has been pegged for many years. The Managing Board does not expect that this will change the following years.

The EUR / UAH exchange rate is more vulnerable to fluctuations, as the UAH is, compared to the other currencies, less liquid.

As at Statement of Financial Position's date the Fund had the following exposure with regard to financial assets. The percentages are based on the carrying amount of financial assets.

	31-12-2023	**31-12-2022**
	In %	In %
Euro (EUR)	77.0	67.3
Polish Zloty (PLN)	10.3	10.3
Czech Koruna (CZK)	10.2	20.9
Romanian Leu (RON)	1.6	1.4
Bulgarian Lev (BGN)	0.9	0.1
	100.0	**100.0**

The following table sets out the Fund's total exposure to currency risk and the net exposure to currencies of the monetary assets and liabilities. The amounts are based on the carrying amount of monetary assets and liabilities.

In € 1,000	**31-12-2023**		
	Monetary assets	**Monetary liabilities**	**Net exposure**
Euro (EUR)	2,604	26,237	-/-23,633
Czech Koruna (CZK)	723	6,045	-/- 5,322
Polish Zloty (PLN)	632	1,979	-/- 1,347
Bulgarian Lev (BGN)	79	93	-/- 14
Romanian Leu (RON)	132	48	84
Ukrainian Hryvnia (UAH)	-	51	-/- 51
US Dollar (USD)	-	4	-/- 4
	4,170	**34,457**	**-/- 30,287**

	31-12-2022		
	Monetary assets	**Monetary liabilities**	**Net exposure**
Euro (EUR)	3,656	31,690	-/- 28,034
Czech Koruna (CZK)	2,380	6,306	-/- 3,926
Polish Zloty (PLN)	1,023	1,552	-/- 529
Bulgarian Lev (BGN)	6	416	-/- 410
Romanian Leu (RON)	155	74	81
Ukrainian Hryvnia (UAH)	-	66	-/- 66
US Dollar (USD)	-	5	-/- 5
	7,220	**40,109**	**-/- 32,889**

If the Euro had weakened by 5.0% in relation to one of the other currencies, with all variables held constant, net assets attributable to shareholders per the Consolidated Income Statement and equity would have decreased by the amounts shown below:

	31-12-2023	31-12-2022
	In € 1,000	In € 1,000
Czech Koruna (CZK)	266	196
Polish Zloty (PLN)	67	26
Bulgarian Lev (BGN)	1	21
Romanian Leu (RON)	-/- 4	-/- 4
Ukrainian Hryvnia (UAH)	3	3
US Dollar (USD)	-	-

A 5% strengthening of the Euro against the above currencies would have resulted in an equal but opposite effect on the above Financial Statement amounts, on the basis that all other variables remain constant.

The Fund's policy is mitigation / avoidance. The risk appetite is medium, the impact is medium and the likelihood high.

15.41.4 Interest rate risk

General
The interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's investment policy allows loans to be taken up. For reasons of control of liquidity, the Fund holds limited cash and cash equivalents. The Fund has the possibility of investing these funds in short-term deposits.

The Fund manages its interest rate risk with the objective of reducing the cash flow interest rate risk by the use of derivative financial instruments. As at Statement of Financial Position's date the Fund has contracted into the following derivative financial instruments for the loans contracted in the Czech Republic (Interest rate swap I) and Poland (Interest rate swap II). In the Czech Republic, Sberbank CZ asserts that on September 25, 2022, they terminated the swap as part of the insolvency process, thus reducing its value to zero. On February 9, 2023, Sberbank CZ rejected the objections of ACREB regarding the zero value of the interest rate swap. The Fund has filed a lawsuit against Sberbank CZ seeking the termination of the interest rate swap, the value of which was reduced to zero by Sberbank CZ.The Fund is unable to foresee the court ruling though. Therefore cautiously the Managing Board decided to value the termination of the interest rate swap to zero.

	31-12-2023					
	Nominal amount	Average fixed interest rate	Termination date	Assets	Liabilities	Line item in the SFP where the hedging instrument is included
	In € 1,000	In %		In € 1,000	In € 1,000	
Interest rate swap I	n.a.	1.995	25-10-2022	-	-	Trade and other receivables
Interest rate swap II	8,820	1.480	31-03-2026	300	-	Derivative financial instruments

	31-12-2022					
	Nominal amount	Average fixed interest rate	Termination date	Assets	Liabilities	Line item in the SFP where the hedging instrument is included
	In € 1,000	In %		In € 1,000	In € 1,000	
Interest rate swap I	n.a.	1.995	25-10-2022	78	-	Trade and other receivables
Interest rate swap II	9,212	1.480	31-03-2026	479	-	Derivative financial instruments

Exposure to interest rate risk

The following table details the Fund's exposure to interest rate risks. It includes the Fund's financial assets and financial liabilities, categorised by the earlier of contractual re-pricing or maturity date measured by the carrying amount of the financial assets and financial liabilities.

In € 1,000	31-12-2023						
	Less than 1 month	**1 month to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**More than 5 years**	**Non-interest bearing**	**Total**
Investments in associates	-	-	-	-	-	3,689	3,689
Derivative financial instruments	-	-	300	-	-	-	300
Tax assets	-	-	-	-	-	367	367
Trade and other receivables	772	-	-	-	-	696	1,468
Prepayments and deferred expenses	-	-	-	-	-	308	308
Cash and cash equivalents	2,380	-	-	-	-	2	2,382
Financial assets	**3,152**	**-**	**300**	**-**	**-**	**5,062**	**8,514**
Loans and borrowings	284	16,164	14,419	262	969	49	32,147
Effect of interest rate swaps	-	-	-/- 8,820	-	-	-	-/- 8,820
Tax liabilities	-	-	-	-	-	168	168
Trade and other payables	-	-	-	-	-	2,148	2,148
Deferred income and tenant deposits	-	-	-	-	-	605	605
Financial liabilities	**284**	**16,164**	**5,599**	**262**	**969**	**2,970**	**26,248**
Total interest sensitivity gap	**2,868**	**-/- 16,164**	**-/- 5,299**	**-/- 262**	**-/- 969**		**-/- 19,826**

In € 1,000	31-12-2022						
	Less than 1 month	**1 month to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**More than 5 years**	**Non-interest bearing**	**Total**
Investments in associates	-	-	-	-	-	3,587	3,587
Derivative financial instruments	-	-	479	-	-	-	479
Tax assets	-	-	-	-	-	563	563
Trade and other receivables	650	-	-	-	-	1,346	1,996
Prepayments and deferred expenses	-	-	-	-	-	214	214
Cash and cash equivalents	4,739	-	-	-	-	1	4,740
Financial assets	**5,389**	**-**	**479**	**-**	**-**	**5,711**	**11,579**
Loans and borrowings	2,353	17,133	15,191	881	795	53	36,406
Effect of interest rate swaps	-	-	-/- 9,212	-	-	-	-/- 9,212
Tax liabilities	226	-	-	-	-	283	509
Trade and other payables	-	-	-	-	-	3,344	3,344
Deferred income and tenant deposits	-	-	-	-	-	543	543
Financial liabilities	**2,579**	**17,133**	**5,979**	**881**	**795**	**4,223**	**31,590**
Total interest sensitivity gap	**2,810**	**-/- 17,133**	**-/- 5,500**	**-/- 881**	**-/- 795**		**-/- 21,499**

Fair value sensitivity analysis for fixed-rate instruments
An increase of 100 basis points in interest rates as at Statement of Financial Position's date would have decreased Group equity and profit for the period by € 198,000 (2022: € 215,000).
A decrease of 100 basis points in interest rates as at Statement of Financial Position's date would have increased Group equity and profit for the period by € 198,000 (2022: € 215,000).

This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

Cash flow value sensitivity analysis for variable-rate instruments
A possible change of 100 basis points (**bp**) in interest rates as at Statement of Financial Position's date would have increased and / or decreased profit for the period by the amounts shown below.

This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

In € 1,000	31-12-2023		31-12-2022	
	100 bp increase	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Variable rate instruments	-/- 169	284	-/- 235	272
Interest rate swaps	95	-/- 55	78	-/- 78
Cash flow sensitivity (net)	**-/- 74**	**229**	**-/- 157**	**194**

Weighted average interest rate of loans and borrowings
The main part of the financial liabilities represents loans and borrowings. As at Statement of Financial Position's date the weighted average interest rate of loans and borrowings is as follows:

	31-12-2023	**31-12-2022**
	In %	In %
Weighted average interest rate of loans and borrowings	7.83	6.13

The Fund's policy is *mitigation.* The risk appetite is low. The impact of interest rate risk is high, the likelihood of the risk is high.

15.41.5 Price risk
The price risk can be defined as the risk that the value of the investments will fluctuate as a result of changes in market prices (other than those arising from currency risk or interest rate risk), caused by factors specific to the individual investment or the issuing institution or factors applicable to the market as a whole.

Rental risk includes the risk of loss of rental income due to vacancies, the ease with which space can be leased, and fluctuations in market rents.

Property value risk includes the risk of loss of property value due to changing economic circumstances, economic decline and / or oversupply of comparable real estate.

Since the Fund's properties are stated at fair value, with both realised and unrealised value adjustments being recognised directly in the Income Statement, a change in market conditions impacts directly on the Fund's investment result. The price risk is managed by the Fund by constructing a portfolio such that optimum diversification across sectors and markets is achieved.

The Fund's risk policy towards price risk is *Acceptance.* The risk appetite is high. The impact of this risk is high, the likelihood is also high.

For the sensitivity analysis of the buildings (including underground) is referred to section 15.2.10 "Sensitivity analysis".

15.41.6 Concentration risk

The concentration risk is the risk that can occur if the Fund has a large concentration of investments in certain regions or types of properties or if the Fund depends on a limited number of large tenants. To reduce this risk, investments of the Fund are spread across different types of properties in several regions in Central Europe and the portfolio has many small and medium-sized tenants. The Fund has decreased its concentration in Košice, Slovakia by selling during 2023 a further one of the eight properties it originally owned in the city, reducing the holding to a single property (Letna).

The Fund's policy towards this risk is *Avoidance / control.* The risk appetite is low. The impact of this risk is medium, the likelihood is medium.

15.41.7 Risk associated with investing with borrowed money

The risk associated with investing with borrowed money lies in the fact that shareholders might lose their investment because the lender has a priority call on the proceeds of realisation. The investments are indeed used as a security for the (bank) loans. However, this risk is limited to the equity within the borrower subsidiary as there is no cross collateralisation and no parent entity guarantee. If the "Loan-to-Value" (**LTV**) ratio is too high according to the bank covenants it is possible that the Fund needs to sell property to improve LTV. The Fund manages this risk by keeping the LTV below 60% and preferably around 50%. For the LTV reference is made to section 15.16.4 "Securities provided, bank covenants and ratios secured bank loans".

The Fund's policy towards this risk is *Avoidance.* The risk appetite is low. The impact of this risk is high, the likelihood is medium.

15.41.8 Economic risk

Economic risk is derived from direct financial factors (developments in interest rates and inflation) and market developments (changes in for example GDP growth and employment). The former tends to affect capital values, the latter occupancy rates and rental levels. Economic risk is managed by the Fund through focussing the Fund's investments on flexible assets in economically stable regional centres, and managing these assets through local professional teams closely attuned to developments in local market conditions.

The Fund's policy towards this risk is *Acceptance.* The risk appetite is high. The impact of economic risk is high, the likelihood is also high.

15.41.9 Counterpart risk (credit risk)

The credit risk can be defined as the risk of a counterparty being unable to fulfil its obligation to the Fund associated with monetary assets. The Fund has a credit policy, and the counterpart risk is monitored and controlled on a continuous basis. The risk is presumed to be low, given the short settlement period of most of such monetary assets. The Fund does business with various parties; the most important are banks, tenants and the local administrators of the properties. The Fund will mitigate this risk by regular contact with these counterparties. If credits rise above certain risk limits, measures will be taken to reduce the risk for the Fund.

The carrying amount of monetary assets best represents the maximum credit risk exposure as at Statement of Financial Position's date. As this date, the Fund's monetary assets exposed to credit risk amounted to the following, related to the Fund's net assets attributable to the holders of redeemable ordinary registered and treasury shares:

	31-12-2023	**31-12-2023**	**31-12-2022**	**31-12-2022**
	In € 1,000	In %	In € 1,000	In %
Derivative financial instruments	300	0.7	479	1.0
Tax assets[32]	20	0.0	5	0.0
Trade and other receivables	1,468	3.2	1,996	4.3
Cash and cash equivalents	2,382	5.2	4,740	10.2
	4,170	**9.1**	**7,220**	**15.5**

Other than the above-mentioned items, there were no significant concentrations of credit risk to counterparties as at Statement of Financial Position's date. No individual financial investment exceeded 10% of the net assets attributable to the holders of redeemable ordinary and registered shares either as at Statement of Financial Position's date.

The following table sets out the ageing analysis of the Fund's monetary assets. The amounts are based on the carrying amount of monetary assets.

In € 1,000	**31-12-2023**					
	Current (not past due)	**Up to 1 month past due**	**1 to 3 months past due**	**3 months to 1 year past due**	**More than 1 year past due**	**Total**
Gross monetary assets						
Derivative financial instruments	300	-	-	-	-	300
Tax assets[18]	20	-	-	-	-	20
Trade and other receivables	1,254	66	47	36	527	1,930
Cash and cash equivalents	2,382	-	-	-	-	2,382
	3,956	**66**	**47**	**36**	**527**	**4,632**
Impairment of monetary assets						
Derivative financial instruments	-	-	-	-	-	-
Tax assets[18]	-	-	-	-	-	-
Trade and other receivables	14	2	4	13	429	462
Cash and cash equivalents	-	-	-	-	-	-
	14	**2**	**4**	**13**	**429**	**462**
Net monetary assets						
Derivative financial instruments	300	-	-	-	-	300
Tax assets[18]	20	-	-	-	-	20
Trade and other receivables	1,240	64	43	23	98	1,468
Cash and cash equivalents	2,382	-	-	-	-	2,382
	3,942	**64**	**43**	**23**	**98**	**4,170**

[32] Exclusive of corporate income tax (**CIT**).

In € 1,000	31-12-2022					
	Current (not past due)	Up to 1 month past due	1 to 3 months past due	3 months to 1 year past due	More than 1 year past due	Total
Gross monetary assets						
Derivative financial instruments	479	-	-	-	-	479
Tax assets[33]	5	-	-	-	-	5
Trade and other receivables	1,741	112	122	31	436	2,442
Cash and cash equivalents	4,740	-	-	-	-	4,740
	6,965	**112**	**122**	**31**	**436**	**7,666**
Impairment of monetary assets						
Derivative financial instruments	-	-	-	-	-	-
Tax assets[18]	-	-	-	-	-	-
Trade and other receivables	5	4	4	9	424	446
Cash and cash equivalents	-	-	-	-	-	-
	5	**4**	**4**	**9**	**424**	**446**
Net monetary assets						
Derivative financial instruments	479	-	-	-	-	479
Tax assets[18]	5	-	-	-	-	5
Trade and other receivables	1,736	108	118	22	12	1,996
Cash and cash equivalents	4,740	-	-	-	-	4,740
	6,960	**108**	**118**	**22**	**12**	**7,220**

The impairment with regard to trade and other receivables relates to trade receivables and termination derivative financial instruments. For further details with regard to these amounts is referred to section 15.9 “Trade and other receivables”. The following table sets out the pledges of the Fund’s financial assets.

In € 1,000	31-12-2023		
	Guarantee deposits from tenants	Other pledge	Total
Trade and other receivables	235	-	235
Prepayments and deferred expenses	93	-	93
	328	**-**	**328**

In € 1,000	31-12-2022		
	Guarantee deposits from tenants	Other pledge	Total
Trade and other receivables	225	-	225
Prepayments and deferred expenses	40	-	40
	265	**-**	**265**

The Fund’s policy towards this risk is *Mitigation.* The risk appetite is low. The impact is medium, the likelihood is low.

[33] Exclusive of corporate income tax (**CIT**).

15.41.10 Rent risk

Rent levels may be subject to downward pressure in periods of economic weakness. In the market, vacancy rates can increase, and rents will drop. This can also occur at other points of the economic cycle when new development creates supply that temporarily exceeds demand. Rental risk can be best mitigated by professional, active local asset management with the ability to deploy cash resources to modernise assets and fund tenant incentives. It is also mitigated by ensuring diversification in lease contract expiry dates, to avoid a number of contracts expiring contemporaneously into a weak market.

The Fund's policy towards the risk is *Mitigation.* The risk appetite is medium. The impact of the rent risk is medium, the likelihood is high.

15.41.11 Debtor risk

Debtor risk is the risk that arises from the possibility that a specific counterparty is unable to meet its obligations to the Fund. The policy of the Fund is to reduce the default risk by applying a capital adequacy ratio to (potential) tenants and by ensuring a diverse tenant base across industries (e.g. Food Retail, Financial Services, Communications, Healthcare, Technology, Government, Transportation & Logistics) so that an exposure to certain sectors is limited.

The Fund's policy towards this risk is *Mitigation*. The risk appetite is medium. The impact of this risk is, due to tenant base low, the likelihood is high.

15.41.12 Vacancy risk

The occupancy of properties may decrease by lease termination or bankruptcy of tenants. This risk is mitigated and most effectively managed by the Fund by active local asset management and by a regular programme of capital investment at asset level. For information about non-cancellable leases reference is made to section 15.25.5 "non-cancellable leases".

The Fund's policy towards this risk is *Mitigation.* The risk appetite is medium. The impact of this risk is medium, the likelihood is high.

15.41.13 Risks with regard to regulations

Political decisions to change the law on, for example, soil pollution, zoning, rent control and taxation can affect the yield of the Fund. This risk is mitigated by the undertaking of detailed analysis of potentially relevant risks (due diligence) before an acquisition. The Fund also follows new developments and adjusts its policy, if necessary, based on changes in laws and regulations.

The Fund's policy is *Mitigation*. The risk appetite is low. The impact of this risk is medium, the likelihood also is medium.

15.41.14 Liquidity risk

The liquidity risk can be defined as the risk of the Fund being unable to fulfil its obligation to counterparties associated with monetary liabilities.

The Fund invests in real estate, a characteristic of which is its relative illiquidity; typically, the sale of real estate takes time, and this could potentially affect the liquidity position of the Fund. The Fund will continuously monitor and manage liquidity to meet its obligations.

The following table shows the contractual, undiscounted cash flows of the Fund's monetary liabilities. The loans and borrowings include the payable interest. The payable interest is calculated by using the weighted average interest rate of loans and borrowings as at Statement of Financial Position's date.

In € 1,000	**31-12-2023**						
	Less than 1 month	**1 month to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**More than 5 years**	**No stated maturity**	**Total**
Non-derivative liabilities							
Tax liabilities[34]	163	-	-	-	-	-	163
Loans & borrowings	541	2,700	9,337	23,215	2,817	-	38,610
Trade and other payables	1,879	168	101	-	-	-	2,148
Liabilities directly associated with the assets held for sale	6	15	55	-	-	-	76
	2,589	2,883	9,493	23,215	2,817	-	40,997
Derivative liabilities							
Interest rate swaps	-	-	-	-	-	-	-
Monetary liabilities	**2,589**	**2,883**	**9,493**	**23,215**	**2,817**	**-**	**40,997**

In € 1,000	**31-12-2022**						
	Less than 1 month	**1 month to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**More than 5 years**	**No stated maturity**	**Total**
Non-derivative liabilities							
Tax liabilities[19]	359	-	-	-	-	-	359
Loans & borrowings	2,584	973	4,910	29,223	2,831	-	40,521
Trade and other payables	3,191	153	-	-	-	-	3,344
	6,134	1,126	4,910	29,223	2,831	-	44,224
Derivative liabilities							
Interest rate swaps	-	-	-	-	-	-	-
Monetary liabilities	**6,134**	**1,126**	**4,910**	**29,223**	**2,831**	**-**	**44,224**

Weighted remaining maturity of loans and borrowings

The main part of the financial liabilities represents loans and borrowings. As at Statement of Financial Position's date the weighted remaining maturity of loans and borrowings is as follows:

	31-12-2023	**31-12-2022**
	In years	In years
Weighted remaining maturity of loans and borrowings	3.52	3.21

[34] Exclusive of Corporate Income Tax (**CIT**).

Withdrawable credit facilities
As at Statement of Financial Position's date the withdrawable credit facilities of the Fund are as follows:

	31-12-2023	31-12-2022
	In € 1,000	In € 1,000
Withdrawable credit facilities	2,022	-

For further information with regard to the withdrawable credit facilities reference is made to section 15.16.4 "Securities provided, bank covenants and ratios secured bank loans".

The Fund's policy towards this risk is *Avoidance.* The risk appetite is low. The Fund works with budgets where the debt service obligation towards banks is carefully monitored. The impact of this risk can be high, the likelihood medium.

15.41.15 Operational risk
Operational risk is the risk of losses coming from failed internal processes, people or systems or from external operational events. Examples of operational risk incidents are fraud, claims, losses, errors, violation of laws and system failure. During the financial period no material operational risks materialised.

The risk appetite is low. The Fund's policy towards operational risks is *Avoidance / Mitigation.* The Fund for example does not tolerate fraud, executes an extensive supplier due diligence / know your customer analysis for service contracts and for transactions and asks for Supervisory Board approval for the purchase or sale of real estate. The impact of these risks is medium, the likelihood is low.

15.41.16 Tax risk
Tax risk is the risk associated with possible changes in tax laws or changing interpretations and effects of government policy and regulation.

The Fund's policy towards this risk is *Mitigation / Acceptance.* The Fund tries to mitigate this risk by using local specialists on regulation and taxation. The risk appetite is low. The impact of this risk is medium, the likelihood is high.

15.41.17 Outsourcing risk
Risk of outsourcing activities brings with it the risk that the counterparty does not fulfil its contractual obligations or makes mistakes. The Fund periodically assesses the compliance of the agreements and takes action as it deems necessary, e.g. when mistakes occur.

The Fund's policy towards this risk is *Avoidance*. The risk appetite, impact and likelihood are low.

15.41.18 Legal risk
Legal risk is the risk associated with possible changes in legislation or changing interpretations. In normal times legislative changes are proposed by governments and made subject to comment by interested parties before finally being passed into law. This enables drafting errors and unintended consequences to be identified and removed and market participants to prepare themselves carefully for the impact of such changes. The COVID-19 pandemic has led to a wave of emergency legislation from governments across the region in which the Fund invests. This legislation has not been subject to the usual consultation and review processes. As a result, there is a significantly increased risk that such legislation will impact negatively on the interests of the Fund and its subsidiaries. In particular, there is a risk that cancellation or deferment of lease obligations, ostensibly to help retail tenants affected by the pandemic, will lead to a long-term diminution of value in some of the Fund´s properties. The Managing Board will carefully assess all such legislation and seek to mitigate its negative effects to the fullest extent possible by active asset management and by specific legal action.

The Fund's policy is therefore *Mitigation*. The risk appetite is low. The impact can be high, the likelihood is high.

15.41.19 Integrity risk

Within organizations there is a risk that people harm organizations by committing fraud or theft. The Managing Board therefore evaluates the reliability and integrity of its staff. All staff in key positions employed the Managing Board will be screened by “Pre-Employment Screening of Dutch Securities Institute” (**DSI**).

The Fund’s policy towards the integrity risk is *Avoidance*. The risk appetite is low. The impact of the risk is medium, the likelihood low.

15.41.20 ESG risk

ESG risk refers to the risk of non-compliance with ESG standards for properties, which can have adverse effects. To mitigate this risk, the Fund actively strives to meet ESG standards by investing in energy-saving measures, enhancing real estate, and fostering a positive social environment for tenants. As of now, the Fund does not perceive significant ESG risks, such as refinancing of expiring loans in 2024 and beyond. However, this may change in the future if banks establish higher ESG standards, which they presently do not.

The Fund's policy for managing this risk is *Mitigation/avoidance*, with a low-risk appetite. The impact of this risk is considered medium, while the likelihood is medium.

15.41.21 Offsetting financial assets and financial liabilities

As at Statement of Financial Position’s date the Fund has set-off the following financial assets and / or financial liabilities:

In € 1,000	31-12-2023		
	Gross amounts before set-off	**Gross amounts set-off**	**Net amounts presented in SFP**
Trade and other receivables	1,468	-	1,468
Trade and other payables	2,148	-	2,148

In € 1,000	31-12-2022		
	Gross amounts before set-off	**Gross amounts set-off**	**Net amounts presented in SFP**
Trade and other receivables	2,079	-/- 83	1,996
Trade and other payables	3,427	-/- 83	3,344

The above set-off relates to a receivable towards SDPI for the amount of € 83,000, with regard to penalty interest of Alpha Bank. The receivable for € 83,000 has been set-off against the liability towards Alpha Bank with regard to accrued penalty interest. In case Alpha Bank will charge the penalty interest SPDI will bear the burden for an amount of € 83,000.

The Fund does not intend to set-off other financial assets and / or financial liabilities and / or does not have the legally enforceable right to do so in the business as usual.

15.42 DISCLOSURES LEASES

15.42.1 Impact as at Statement of Financial Position's date

The following table present the impact of the application of IFRS 16 as at Statement of Financial Position's date:

	31-12-2023 In € 1,000	31-12-2022 In € 1,000
Right-of-use assets	1,400	1,294
Right-of-use assets held for sale	77	-
Total assets	**1,477**	**1,294**
Non-current lease liabilities	1,231	991
Current lease liabilities	233	171
Total liabilities	**1,464**	**1,162**

For the specification and statement of changes in right-of-use assets is referred to sections:

- 15.2.6 "Specification of right-of-use assets";
- 15.2.7 "Statement of changes in right-of-use assets";
- 15.13.6 "Specification of right-of-use assets held for sale"; and
- 15.13.7 "Statement of changes in right-of-use assets held for sale".

For the statement of changes, analysis, and maturity analysis of undiscounted cash flows of lease liabilities are referred to sections:

- 15.16.5 "Statement of changes in lease liabilities";
- 15.16.6 "Analysis of lease liabilities;
- 15.16.7 "Maturity analysis contractual undiscounted cash flows of lease liabilities";
- 15.20.3 "Analysis of lease liabilities"; and
- 15.20.4 "Statement of changes in liabilities directly associated with the assets held for sale".

15.42.2 Amounts recognised in Consolidated Income Statement

The following table present the impacts of the application of IFRS 16 in the Consolidated Income Statement:

	31-12-2023 In € 1,000	31-12-2022 In € 1,000
Valuation losses of right-of-use assets	147	103
Interest expense on lease liabilities	91	76
Foreign exchange and currency results of lease liabilities	100	-/- 23
Expenses relating to short-term leases	-	-
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	-	-
	338	**156**

15.42.3 Amounts recognised in Consolidated Statement of Cashflows

The following table present the impacts of the application of IFRS 16 in the Consolidated Statement of Cashflows:

	31-12-2023 In € 1,000	31-12-2022 In € 1,000
Payment of lease liabilities	219	188

15.42.4 Analysis of lease payments

	31-12-2023 In € 1,000	31-12-2022 In € 1,000
Fixed lease payments	219	188
Variable lease payments	-	-
	219	**188**

15.43 DISCLOSURES CONSOLIDATED STATEMENT OF CASH FLOWS

15.43.1 Changes in cash flows arising from investing activities

The following table shows the changes in cash flows arising from investing activities, including:

- changes arising from cash flows; and
- non-cash changes.

In € 1,000	2023		
Investing activities	**Cash changes**	**Non-cash changes**	**Total**
Acquisitions of / additions to owned investment property	-/- 818	-	-/- 818
Acquisitions of / additions to assets held for sale	-/- 15	-	-/- 15
Proceeds from the sale of assets held for sale	3,378	-/- 877	2,501
Dividend from associates	123	-	123
Fair value adjustments of owned investment property	-	-/- 244	-/- 244
Fair value adjustments right-of-use assets	-	147	147
Fair value adjustments of investment property under development	-	-/- 65	-/- 65
Fair value adjustments investments in associates	-	-/- 102	-/- 102
Fair value adjustments of assets held for sale	-	445	445
Remeasurement (as a result of an index / inflation) right-of-use assets	-	-/- 330	-/- 330
Effect of changes in exchange rate of owned investment property	-	454	454
Effect of changes in exchange rate of property under development	-	78	78
Reclassification (to assets held for sale) owned investment property	-	1,330	1,330
Reclassification (from owned investment property) assets held for sale	-	-/- 1,330	-/- 1,330
Reclassification (to assets held for sale) right-of-use assets	-	77	77
Reclassification (from right-of-use assets) assets held for sale	-	-/- 77	-/- 77
	2,668	**-/- 494**	**2,174**

In € 1,000	2022		
Investing activities	**Cash changes**	**Non-cash changes**	**Total**
Acquisition of subsidiaries, net of cash acquired	50	-	50
Acquisitions of / additions to owned investment property	-/- 298	-/- 4,709	-/- 5,007
Acquisitions of investments in associates	-	-/- 3,655	-/- 3,655
Acquisitions of / additions to assets held for sale	-/- 55	-/- 16	-/- 71
Proceeds from the sale of assets held for sale	8,024	876	8,900
Fair value adjustments of owned investment property	-	3,737	3,737
Fair value adjustments right-of-use assets	-	103	103
Fair value adjustments of investment property under development	-	1,341	1,341
Fair value adjustments investments in associates	-	68	68
Fair value adjustments of assets held for sale	-	-/- 795	-/- 795
(Reversal) of impairment of inventories	-	-/- 70	-/- 70
Effect of changes in exchange rate of owned investment property	-	-/- 458	-/- 458
Effect of changes in exchange rate of property under development	-	400	400
Reclassification (to assets held for sale) owned investment property	-	10,261	10,261
Reclassification (from owned investment property) right-of-use assets	-	-/- 10,261	-/- 10,261
	7,721	**-/- 3,178**	**4,543**

15.43.2 Changes in cash flows arising from financing activities

The following table shows the changes in cash flows arising from financing activities, including:

- changes arising from cash flows; and
- non-cash changes.

In € 1,000	2023		
Financing activities	**Cash changes**	**Non-cash changes**	**Total**
Distribution to shareholders	-/- 737	-	-/- 737
Share buy-back (treasury shares)	-/- 67	11	-/- 56
Proceeds from / acquisitions of secured bank loans	6,049	-	6,049
Proceeds from other loans and borrowings	1,000	-	1,000
Repayments of secured bank loans	-/- 9,596	-	-/- 9,596
Repayments of other loans and borrowings	-/- 1,899	-	-/- 1,899
Payments of lease liabilities	-/- 219	-	-/- 219
(Amortisation) flat fee and transaction costs secured bank loans	-	25	25
(Amortisation) flat fee and transaction costs other loans and borrowings	-/- 87	124	37
Accreted interest of lease liabilities	-	91	91
Accreted interest of other loans and borrowings	-	37	37
Effect of changes in exchange rate of secured bank loans	-	-/- 148	-/- 148
Effect of changes in exchange rate of lease liabilities	-	100	100
Effect of changes in exchange rate of other loans and borrowings	-	-/- 4	-/- 4
Remeasurement (as a result of an index / inflation) lease liabilities	-	330	330
Reclassification (to liabilities directly associated with the assets held for sale) lease liabilities	-	-/- 76	-/- 76
Reclassification (from lease liabilities) liabilities directly associated with the assets held for sale	-	76	76
	-/- 5,556	**566**	**-/- 4,990**

In € 1,000	2022		
Financing activities	**Cash changes**	**Non-cash changes**	**Total**
Share buy-back (treasury shares)	-/- 346	-/- 11	-/- 357
Proceeds from / acquisitions of secured bank loans	-	3,276	3,276
Proceeds from other loans and borrowings	3,100		3,100
Repayments of secured bank loans	-/- 4,260	-	-/- 4,260
Repayments of other loans and borrowings	-/- 2,900	-	-/- 2,900
Payments of lease liabilities	-/- 188	-	-/- 188
(Amortisation) flat fee and transaction costs secured bank loans	-	52	52
(Amortisation) flat fee and transaction costs other loans and borrowings	-	-/- 39	-/- 39
Accreted interest of lease liabilities		76	76
Accreted interest of other loans and borrowings	-	37	37
Effect of changes in exchange rate of secured bank loans	-	212	212
Effect of changes in exchange rate of lease liabilities	-	-/- 23	-/- 23
Effect of changes in exchange rate of other loans and borrowings	-	-/- 14	-/- 14
	-/- 4,594	**3,566**	**-/- 1,028**

15.44 RELATED PARTIES

15.44.1 Identity of related parties

For the Fund the following categories of related parties were identified during the financial period:

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

Related parties include both natural and legal persons. Close members of the family of natural persons, being related parties, are also classified as related parties.

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

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

A. the Managing Board received a remuneration (management fee) for an amount of € 1,237,000 (2022: € 1,286,000);
B. the Managing Board reduced its own management fee by an amount equivalent to the asset management fees paid by the Fund (and / or its subsidiaries) to Arcona Capital Czech Republic s.r.o. for the amount of € 263,000 (2022: € 295,000);
C. the Managing Board reduced its own management fee by an amount equivalent to the asset management fees paid by the Fund (and / or its subsidiaries) to Arcona Capital Poland Sp. z o.o. for the amount of € 196,000 (2022: € 203,000);
D. the Managing Board reduced its own management fee by an amount equivalent to the asset management fees paid by the Fund (and / or its subsidiaries) to Arcona Capital Bulgaria E.O.O.D. for the amount of € 28,000 (2022: € nil);
E. the Managing Board reduced its own management fee by an amount equivalent to the asset management fees paid by the Fund (and / or its subsidiaries) to CEG South East Continent Unique Real Estate Management Limited for the amount of € 75,000 (2022: € 83,000);
F. the Supervisory Board received a remuneration for an amount of € 28,000 (2022: € 35,000).

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

For the personal interests of members of the Managing and Supervisory Board reference is made to section 20.3 “Personal interests”.

For the remuneration of the Managing Board reference is made to section 15.34 “Administrative expenses”.

For the remuneration of the Supervisory Board and the remuneration of the statutory directors’ reference is made to section 15.35.3 “Analysis of Supervisory Board fees” and section 15.35.4 “Analysis of other operating expenses”.

15.44.3 Specification major investors

As at Statement of Financial Position's date the Fund identified the following major investors:

Name	Type of share	Direct real voting rights	Indirect real voting rights	Direct potential voting rights	Total
		In %	In %	In %	In %
Stichting Prioriteit APF	Priority shares	100.00	n.a.	n.a.	100.00
SPDI	Registered shares	25.69	n.a.	6.22	31.91

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

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

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

Name	Kind of transaction	2023	31-12-2023
		Amount of transaction	Carrying amount
		In € 1,000	In € 1,000
SPDI	Acquisition 21.18%-share in Lelar Holding Ltd.	-	57
SPDI	Acquisition 3.17%-share in Lelar Holding Ltd.	-	16
SPDI	Acquisition 100%-share in N-E Real Estate Park First Phase	-	47
SPDI	Receivable / current account	-	91

Name	Kind of transaction	2022	31-12-2022
		Amount of transaction	Carrying amount
		In € 1,000	In € 1,000
SPDI	Acquisition 21.18%-share in Lelar Holding Ltd.	3,173	57
SPDI	Acquisition 3.17%-share in Lelar Holding Ltd.	482	16
SPDI	Acquisition 100%-share in N-E Real Estate Park First Phase	1,473	47
SPDI	Receivable / current account	-	8

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

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

Name	Kind of transaction	Other information	2023 Amount of transaction In € 1,000	31-12-2023 Carrying amount In € 1,000
Arcona Capital Czech Republic s.r.o.	Asset management fee	-	263	-
Arcona Capital Poland Sp. z o.o.	Asset management fee	-	196	-
Arcona Capital Bulgaria E.O.O.D.	Asset management fee	-	28	-
			487	-
Arcona Capital Czech Republic s.r.o.	Advisory services	-	13	-
Several	Rental income	268 m^2	69	-
Statutory directors	Wages and salaries	-	12	1

Name	Kind of transaction	Other information	2022 Amount of transaction In € 1,000	31-12-2022 Carrying amount In € 1,000
Arcona Capital Czech Republic s.r.o.	Asset management fee	-	295	-
Arcona Capital Poland Sp. z o.o.	Asset management fee	-	203	-
			498	-
Arcona Capital Czech Republic s.r.o.	Advisory services	-	11	-
Several	Rental income	268 m^2	57	-
Statutory directors	Wages and salaries	-	12	6

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

Investment trusts, investment funds and other investment companies managed by an entity within Arcona Capital, do hold investments in companies in which the Fund also has investments. As at Statement of Financial Position's date the Fund held no investments in other related parties.

15.44.7 Transactions with related parties

During the financial period the Fund entered into or maintained the following transactions with related parties affiliated with the Managing Board of the Fund:

Name	Kind of transaction	2023 Amount of transaction In € 1,000	31-12-2023 Carrying amount In € 1,000
R.J. Barker	Providing unsecured loan	-	250
R.J. Barker	Payable interest unsecured loan provided	24	6

Name	Kind of transaction	2022 Amount of transaction In € 1,000	31-12-2022 Carrying amount In € 1,000
R.J. Barker	Providing unsecured loan	-	250
R.J. Barker	Payable interest unsecured loan provided	24	6

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

15.44.8 Loans from third parties

During the financial period the Fund has entered into loan agreements with third parties. Those third parties are not related parties to the Fund or the Managing Board but are investors in other funds managed by the Managing Board.

15.45 EVENTS AFTER STATEMENT OF FINANCIAL POSITION'S DATE

The following material events after Statement of Financial Position's date have occurred:

A. On 22 January 2024, the Fund has been granted a waiver by Patria Bank of Romania for breaching the DSCR covenant due to elevated debt service costs associated with high interest rates.

B. On February 19, 2024 the Fund has been granted a waiver by Slovenská sporiteľňa, a Slovakian bank, for breaching the DSCR covenant due to elevated debt service costs associated with high interest rates.

C. On February 20, 2024, the Fund reported adjustments in its real estate portfolio values as of 31 December 2023, with valuation increases across its holdings, except for a decrease in Romanian assets. Following the Extraordinary General Meeting on 20 December 2023, the Fund has updated its deferred tax liability calculation method, now recognizing the full nominal value of these liabilities in anticipation of planned property sales.

D. On March 22, 2024, the Fund has secured two € 1 million loans from two investors, which will be utilized to refinance the group-level CVI bond loan. This loan was previously provided as an intercompany loan to its subsidiary, Arcona Capital Real Estate Trio Limited Liability Company, which owns three leasehold retail assets in Poland. The CVI bond loan carried an interest rate of EURIBOR + 8.5%, effectively totaling 12.4% per annum. The new investor loans has been used to settle the € 1.8 million principal of the CVI loan and all accrued interest. These investor loans have an 11% interest rate and a 0.75% arrangement fee. It offers the flexibility to be settled at any time on or before its maturity date of 18 December 2024.

E. On April 23, 2024, the Fund has received a waiver from Austrian Hypo NOE, the financier of the large Polish portfolio for breaching the DSCR-covenant due to elevated debt service costs associated with high interest rates.

For further information is referred to section 13.2 “Statement of compliance and future related assumptions”.

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

PARENT COMPANY FINANCIAL STATEMENTS 2023

16 PARENT COMPANY BALANCE SHEET

After proposal result appropriation	*Notes*	31-12-2023 In € 1,000	31-12-2022 In € 1,000
Investments			
Investments in group companies	*19.1*	29,659	31,981
Receivables from group companies	*19.2*	22,233	22,549
		51,892	**54,530**
Receivables			
Other receivables	*19.3*	1,212	1,149
Deferred expenses	*19.4*	4	3
		1,216	**1,152**
Other assets			
Cash at bank	*19.7*	160	1,814
Total assets		**53,268**	**57,496**
Shareholders' equity	*19.8*		
Issued capital	*19.9*	20,885	21,190
Share premium	*19.10*	21,077	21,922
Revaluation reserve	*19.8.1*	7,683	7,911
Reserve currency translation differences	*19.8.1*	564	1,073
Reserve investments in group companies	*19.8.1*	7,750	9,157
Retained earnings	*19.8.1*	-/- 12,563	-/- 14,738
		45,396	**46,515**
Provisions			
Investments in group companies	*19.11*	-	38
Long-term liabilities			
Private loans	*19.13*	-	668
Debts to group companies	*19.14*	581	6,717
		581	**7,385**
Current liabilities			
Private loans	*19.13*	2,122	2,130
Debts to group companies	*19.14*	4,255	-
Tax liabilities	*19.15*	3	6
Other liabilities	*19.16*	48	69
Accruals	*19.17*	863	1,353
Total current liabilities		**7,291**	**3,558**
Total shareholders' equity and liabilities		**53,268**	**57,496**

17 PARENT COMPANY PROFIT AND LOSS ACCOUNT

	Notes	**2023** In € 1,000	**2022** In € 1,000
Income from investments			
Interest	*19.20*	1,334	1,165
Realised valuation results of investments			
Investments in group companies	*19.21*	104	27
Receivables from group companies	*19.22*	116	-
		220	27
Unrealised valuation results of investments			
Investments in group companies	*19.23*	219	-/- 1,910
Receivables from group companies	*19.24*	377	-/- 1,923
		596	-/- 3,833
Other operating income	*19.25*	53	-
Total income		**2,203**	**-/- 2,641**
Administrative expenses	*19.26*	675	705
Other operating expenses	*19.27*	460	633
Interest expenses	*19.29*	843	397
Total expenses		**1,978**	**1,735**
Result before income tax		**225**	**-/- 4,376**
Income tax expense	*19.30*	42	-/- 26
Result after income tax		**183**	**-/- 4,350**

18 ACCOUNTING PRINCIPLES PARENT COMPANY FINANCIAL STATEMENTS

18.1 GENERAL

The Parent Company Financial Statements for the financial period are part of the Consolidated Financial Statements for the financial period.

18.2 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The Parent Company Financial Statements have been prepared in accordance with the provisions of Part 9 of Book 2 of the Dutch Civil Code (Titel 9, Boek 2 van het Burgerlijk Wetboek). For the purpose of determining the principles of valuation of assets and liabilities and the determination of results for its Parent Company Financial Statements, the Parent Company makes use of the option offered in Book 2, article 2:362 (8) of the Dutch Civil Code. This means that the principles of valuation of assets and liabilities and determination of results (hereinafter referred to as the “principles of valuation”) of the Fund’s Parent Company Financial Statements are identical to those that have been applied for the Consolidated Financial Statements. In this context investment in group companies, on which significant influence is exercised, are valued at Net Asset Value. The Consolidated Financial Statements have been prepared in accordance with the standards adopted by the International Accounting Standards Board (“**IASB**”) and accepted by the European Union (hereinafter referred to as “EU-IFRS”). Reference is made to sections 13.6 “Basis of preparation of the consolidated financial statements” to 13.41 “Income tax expense”, inclusive for a description of those principles.

18.3 BASIS OF PREPARATION OF THE PARENT COMPANY FINANCIAL STATEMENTS

18.3.1 Investments in group companies

Investments in group companies in which the Parent Company either exercises voting control or effective management responsibility are valued at Net Asset Value. The initial recognition in the accounts and valuations at balance sheet dates is made at Net Asset Value. The value is adjusted with the share of the Parent Company in the results of the group company, based on the principles for determining results as applied in the Consolidated Financial Statements and with the share in the other movements in equity of the group company with effect from the date on which control commences.

In case the value of the group company is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the Parent Company has incurred legal or constructive obligations or made payments on behalf of the group company. If the group company subsequently reports profits, the Parent Company resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The Net Asset Value of the foreign group companies is translated into Euros at the exchange rate as at the balance sheet date. The results of foreign group companies are translated into Euros at the exchange rates at the dates of the transactions. For practical reasons, the average monthly exchange rates for the financial period are used to approximate the exchange rates at the dates of the transactions, as long as the exchange rates have not fluctuated significantly.

18.3.2 Receivables from group companies

Receivables from group companies are initially measured at fair value and subsequently measured at amortised cost. As at balance sheet date the receivables from group companies are translated into Euros at the exchange rate as at the balance sheet date. The recognition and determination of impairments takes place in a forward-looking manner based on the expected credit loss model (**ECL**). The ECL model applies to the receivables from group companies. Due to the fact that investments in group companies are considered as a combination of assets and liabilities, this means in general that expected credit losses on receivables from group companies are eliminated. The elimination is recognised in the carrying amount of the receivables from group companies.

18.3.3 Acquisitions by share-based payments

In case the Fund acquires investments in group companies, receivables from group companies, investments in associates or other assets by share-based payments (IFRS 2), the difference between the fair value of those assets and the purchase price agreed is recognised directly into the share premium.

18.3.4 Issued capital

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

When equity shares are repurchased, the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. The Parent Company classifies the repurchased shares as treasury shares at the payment date to its liquidity provider and charges them to the retained earnings, including directly attributable costs. If the treasury shares are sold or reissued later, the amount received is recognized as an increase in equity, and any surplus or deficit resulting from the transaction is presented within share premium. There is no impact on the profit and loss account when the company buys back, sells, issues, or cancels its own shares.

18.3.5 Share premium

The share premium comprises the amount paid in by the shareholders on ordinary and registered shares of the Parent Company over and above the nominal value. The uplift received on issuance of own ordinary and registered shares, or the reduction applied on redemption of own ordinary and registered shares is recognised directly into the share premium.

18.3.6 Revaluation reserve

The legal revaluation reserve comprises the cumulative unrealised positive net changes in the fair value of the properties held by the investments in group companies (owned investment property, investment property under development as well as properties classified as assets held for sale), less the related deferred tax liabilities. The deferred tax liabilities are deducted in accordance with the principles of valuation for deferred taxes.
In case of sale of property the cumulative unrealised positive net change in the fair value of the property sold, as well as the related deferred tax liabilities, are no longer stated in the revaluation reserve but recognised under retained earnings.

18.3.7 Reserve currency translation differences

Results arising from translation of net investments in group companies outside the Euro-zone into the Parent Company's functional currency (Euro) are recognised directly in the shareholders' equity in reserve currency translation differences. In the event of reduction or sale of the net investment in group companies the cumulative exchange differences related to that group company are (proportionally) transferred to the retained earnings.

18.3.8 Reserve investments in group companies

The Parent Company maintains a legal reserve ("Reserve investments in group companies") for the amount of its share in the positive result in its group companies and of its share in direct increases in equity since the initial recognition of the group company was made. Negative cumulative results in a group company since its first valuation are not considered.

The reserve investments in group companies will be reduced by:

- distributions to which the Parent Company, until the moment of adoption of its own Financial Statement, has acquired an entitlement;
- direct decreases in equity of the group company;
- distributions which the Parent Company may affect without restrictions.

The distributions as mentioned in this section do not include distributions made in the form of shares.

18.3.9 Result from investments in group companies

The share of the results from investments in group companies comprises the Parent Company's share in the results of the group companies, including the revaluation result of the assets held by the group companies. The result from investments in group companies has been determined on the basis of the principles of valuation adopted by the Parent Company. Results from transactions between the Parent Company and the group companies, as well as between the group companies themselves, are recognised as far as they are realised. If the group companies have been acquired in the course of the financial period, the Parent Company accounts for the results from investments in group companies with effect from the date on which control commenced.

18.4 SIZE AND COMPOSITION OF THE EQUITY AND RESULTS IN THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS

As the Parent Company makes use of the option provided in Book 2, article 2:362 (8) of the Dutch Civil Code, the size of the Group equity (in the Consolidated Statement of Financial Position) and the shareholders‘ equity (in the Parent Company Balance Sheet) is identical.

The composition of the equity (in the Consolidated Statement of Financial Position) and the shareholders‘ equity (in the Parent Company Balance Sheet) is not identical.

Since the Parent Company makes use of the option provided in Book 2, article 2:362 (8) of the Dutch Civil Code, the profit for the period in the Consolidated Income Statement and profit for the period in the Parent Company Profit and Loss Account is identical.

19 NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

19.1 INVESTMENTS IN GROUP COMPANIES

19.1.1 Analysis of investments in group companies

	31-12-2023 In € 1,000	**31-12-2022** In € 1,000
Arcona Capital RE Bohemia s.r.o.	7,867	7,788
Arcona Capital RE Slovakia s.r.o.	11,530	13,422
Arcona Capital Real Estate Poland Sp. z o.o.	2,320	2,818
Arcona Capital Real Estate Trio Sp. z o.o.	6,664	6,309
Arcona Real Estate B.V.	564	894
Aisi Bela LLC	714	750
Boyana Residence E.O.O.D.	-	-
Arcona Capital Real Estate Bulgaria Ltd.	n.a.	-
Arcona Black Sea Real Estate B.V.	-	-
	29,659	**31,981**

The companies indicated above are included in the Consolidated Financial Statements. For further analysis of the investments in group companies' reference is made to section 15.1.1 "Consolidated subsidiaries".

As at November 15, 2023 Arcona Capital Real Estate Bulgaria Ltd. was merged with Boyana Residence E.O.O.D. For further information reference is made to section 15.1.4 "Subsidiaries merged during the financial period".

19.1.2 Statement of changes in investments in group companies

	2023 In € 1,000	**2022** In € 1,000
Balance as at 1 January	31,981	35,146
Share in result of group companies	181	-/- 1,910
Distributions	-/- 2,221	-/- 372
Exchange rate differences	-/- 282	-/- 234
Other movements directly in shareholders' equity	-	-/- 675
Reclassifications (to provision investments in group companies)	-	26
Balance as at 31 December	**29,659**	**31,981**

The "Distributions" for the amount of € 2,221,000 negative concerns dividend distributions from Arcona Capital RE Slovakia s.r.o.

19.1.3 Securities provided

As at balance sheet date the following securities were provided:

- the issued shares of Arcona Capital Real Estate Poland Sp. z o.o. are pledged to Hypo Noe;
- the issued shares of Arcona Capital Real Estate Trio Sp. z o.o. are pledged to the holders of secured series A bearer bonds.

For further information on the pledges to credit institutions and bank covenants reference is made to section 15.16.4 "Securities provided, bank covenants and ratios secured bank loans".

19.2 RECEIVABLES FROM GROUP COMPANIES

19.2.1 Analysis of receivables from group companies

	31-12-2023	31-12-2022
	In € 1,000	In € 1,000
Loans to group companies	22,219	22,542

19.2.2 Analysis of loans to group companies

	31-12-2023	31-12-2022
	In € 1,000	In € 1,000
Arcona Capital Real Estate Poland Sp. z o.o.	8,541	7,950
Arcona Capital Black Sea Real Estate B.V.	5,983	5,670
Arcona Poland BV Project 5 Sp. z o.o.	4,335	-
Arcona Capital RE Bohemia s.r.o.	2,265	3,325
Arcona Real Estate B.V.	-	3,305
Boyana Residence E.O.O.D.	936	2,143
Aisi Bela LLC	159	149
	22,219	**22,542**

As at balance sheet date the weighted average interest rate on all receivables from group companies is 6.57% per annum (December 31, 2022: 5.46% per annum).

19.2.3 Statement of changes in loans to group companies

	2023	2022
	In € 1,000	In € 1,000
Balance as at 1 January	22,542	17,327
Loans advanced	8,732	7,036
Redemption on loans advanced	-/- 9,383	-
Exchange rate differences	-/- 49	102
Provision	377	-/- 1,923
Balance as at 31 December	**22,219**	**22,542**

19.3 OTHER RECEIVABLES

This covers other receivables with a payment term within one year.

19.3.1 Analysis of other receivables

	31-12-2023	31-12-2022
	In € 1,000	In € 1,000
Dividend from investments in group companies	846	785
Interest on loans to group companies	264	281
Receivables SPDI	83	83
Current account to group companies	16	-
Other receivables	3	-
	1,212	**1,149**

For further information with regard to “Receivables SPDI” for the amount of € 83,000 reference is made to section 15.9.2 “Specification of trade and other receivables”.

19.3.2 Specification of dividend from investments in group companies

	31-12-2023	31-12-2022
	In € 1,000	In € 1,000
Arcona Capital Real Estate Trio Sp. z o.o.	846	785

19.3.3 Specification of interest on loans to group companies

	31-12-2023	31-12-2022
	In € 1,000	In € 1,000
Arcona Capital RE Bohemia s.r.o.	264	281

19.3.4 Specification of current account to group companies

	31-12-2023	31-12-2022
	In € 1,000	In € 1,000
Arcona Capital Real Estate Trio Sp. z o.o.	16	-

19.4 DEFERRED EXPENSES

This covers deferred expenses with a maturity within one year.

19.4.1 Analysis of deferred expenses

	31-12-2023	31-12-2022
	In € 1,000	In € 1,000
Prepayments	4	3

19.5 RECOGNISED DEFERRED TAXES

19.5.1 Specification of recognised deferred taxes

	31-12-2023		
	Recognised deferred tax assets In € 1,000	**Recognised deferred tax liabilities** In € 1,000	**Total deferred taxes** In € 1,000
Receivables from group companies	-	55	-/- 55
Tax losses (carried forward)	55	-	55
Deferred taxes before set-off	55	55	-
Set-off deferred taxes	-/- 55	-/- 55	-
	-	**-**	**-**

	31-12-2022		
	Recognised deferred tax assets In € 1,000	**Recognised deferred tax liabilities** In € 1,000	**Total deferred taxes** In € 1,000
Receivables from group companies	-	97	-/- 97
Tax losses (carried forward)	97	-	97
Deferred taxes before set-off	97	97	-
Set-off deferred taxes	-/- 97	-/- 97	-
	-	**-**	**-**

19.5.2 Analysis of recognised deferred taxes

	31-12-2023 In € 1,000	**31-12-2022** In € 1,000
Will expire	-	-
Will never expire	-	-
	-	**-**

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

	31-12-2023 In € 1,000	**31-12-2022** In € 1,000
Will expire	-	-
Will never expire	55	97
	55	**97**

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

19.6 UNRECOGNISED DEFERRED TAXES

19.6.1 Specification of unrecognised deferred taxes

	31-12-2023		
	Unrecognised deferred tax assets	**Unrecognised deferred tax liabilities**	**Total**
	In € 1,000	In € 1,000	In € 1,000
Tax losses (carried forward)	2,010	-	2,010
Receivables from group companies	399	-	399
	2,409	**-**	**2,409**

	31-12-2022		
	Unrecognised deferred tax assets	**Unrecognised deferred tax liabilities**	**Total**
	In € 1,000	In € 1,000	In € 1,000
Tax losses (carried forward)	1,766	-	1,766
Receivables from group companies	512	-	512
	2,278	**-**	**2,278**

19.6.2 Analysis of unrecognised deferred taxes

	31-12-2023	**31-12-2022**
	In € 1,000	In € 1,000
Will expire	-	-
Will never expire	2,409	1,766
	2,409	**1,766**

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

19.6.3 Statement of changes in unrecognised deferred taxes

	2023	**2022**
	In € 1,000	In € 1,000
Balance as at 1 January	2,278	1,635
Adjustments related to prior years	-	13
Additions / withdrawals	131	630
Balance as at 31 December	**2,409**	**2,278**

19.7 CASH AT BANK

Cash at bank is entirely at the free disposal of the Parent Company.

19.8 SHAREHOLDERS' EQUITY

19.8.1 Statement of changes in shareholders' equity

	Issued capital In € 1,000	Share premium In € 1,000	Revaluation reserve In € 1,000	Reserve currency translation differences In € 1,000	Reserve investments in group companies In € 1,000	Retained earnings In € 1,000	Share-holders' equity In € 1,000
Balance as at January 1, 2023	21,190	21,922	7,911	1,073	9,157	-/- 14,738	46,515
Result after income tax	-	-	-	-	-	183	183
Change in revaluation reserve	-	-	-/- 228	-	-	228	-
Change in reserve currency translation differences	-	-	-	-/- 509	-	-	-/- 509
Change in reserve investments in group companies	-	-	-	-	-/- 1,407	1,407	-
Treasury shares repurchased	-/- 305	-/- 108				357	-/- 56
Distributions to shareholders	-	-/- 737	-	-	-	-	-/- 737
Balance as at December 31, 2023	**20,885**	**21,077**	**7,683**	**564**	**7,750**	**-/- 12,563**	**45,396**

	Issued capital In € 1,000	Share premium In € 1,000	Revaluation reserve In € 1,000	Reserve currency translation differences In € 1,000	Reserve investments in group companies In € 1,000	Retained earnings In € 1,000	Share-holders' equity In € 1,000
Balance as at January 1, 2022	18,794	19,310	8,725	1,262	7,989	-/- 9,677	46,403
Result after income tax	-	-		-	-	-/- 4,350	-/- 4,350
Change in revaluation reserve	-	-	-/- 814	-	-	814	-
Change in reserve currency translation differences	-	-	-	-/- 189	-	-	-/- 189
Change in reserve investments in group companies	-	-	-	-	1,168	-/- 1,168	-
Own shares issued	2,396	2,612	-	-	-	-	5,008
Treasury shares repurchased	-	-	-	-	-	-/- 357	-/- 357
Balance as at December 31, 2022	**21,190**	**21,922**	**7,911**	**1,073**	**9,157**	**-/- 14,738**	**46,515**

19.9 ISSUED CAPITAL

19.9.1 Analysis of issued capital

	31-12-2023 In pieces	31-12-2023 In € 1,000	31-12-2022 In pieces	31-12-2022 In € 1,000
Ordinary shares (at € 5.00 each)	3,104,173	15,521	3,113,074	15,565
Registered shares (at € 5.00 each)	1,072,910	5,364	1,072,910	5,364
Subtotal profit-sharing shares (at € 5.00 each)	4,177,083	20,885	4,185,984	20,929
Treasury shares (at € 5.00 each)	-	-	52,075	261
Priority shares (at € 5.00 each)	1	-	1	-
	4,177,084	**20,885**	**4,238,060**	**21,190**

19.9.2 Ordinary shares

The holders of ordinary shares are entitled to dividends, the distribution of which has been resolved by the General Meeting of Shareholders. The holders of ordinary shares are entitled to exercise one vote per ordinary share at the General Meeting of Shareholders.

	2023	**2023**	**2022**	**2022**
	In pieces	In € 1,000	In pieces	In € 1,000
Balance in issue as at 1 January	3,113,074	15,565	3,165,149	15,826
Share buy-back	-/- 8,901	-/- 44	-/- 52,075	-/- 261
Balance in issue as at 31 December fully paid	**3,104,173**	**15,521**	**3,113,074**	**15,565**

19.9.3 Registered shares

The registered shares are currently restricted from trading on Euronext Fund Services in Amsterdam and the Prague Stock Exchange.

	2023	**2023**	**2022**	**2022**
	In pieces	In € 1,000	In pieces	In € 1,000
Balance in issue as at 1 January	1,072,910	5,364	593,534	2,968
Issued during the financial period	-	-	479,376	2,396
Balance in issue as at 31 December fully paid	**1,072,910**	**5,364**	**1,072,910**	**5,364**

19.9.4 Treasury shares

The treasury shares are held by the Parent Company.

	2023	**2023**	**2022**	**2022**
	In pieces	In € 1,000	In pieces	In € 1,000
Balance in issue as at 1 January	52,075	261	-	-
Share buy-back	8,901	44	52,075	261
Repurchased during the financial period	-/- 60,976	-/- 305	-	-
Balance in issue as at 31 December fully paid	**-**	**-**	**52,075**	**261**

As at June 27, 2023 the General Meeting agreed with the proposal of the members of the Stichting Prioriteit APF (the Priority) to reduce the issued capital with regard to the treasury shares held by the Parent Company.

19.9.5 Priority shares

From the profit earned in a financial period, primarily and as far as possible a dividend is distributed on the priority shares amounting to seven per cent (7%) on an annual basis, calculated over the nominal value of the priority shares. No further distributions are made on the priority shares.

	2023	**2023**	**2022**	**2022**
	In pieces	In € 1,000	In pieces	In € 1,000
Balance in issue as at 1 January	1	-	1	-
Issued during the financial period	-	-	-	-
Redeemed during the financial period	-	-	-	-
Balance in issue as at 31 December fully paid	**1**	**-**	**1**	**-**

19.9.6 Analysis of authorised share capital

	31-12-2023 In pieces	31-12-2023 In € 1,000	31-12-2022 In pieces	31-12-2022 In € 1,000
Ordinary shares (at € 5.00 each)	4,999,999	25,000	4,999,999	25,000
Priority shares (at € 5.00 each)	1	-	1	-
	5,000,000	**25,000**	**5,000,000**	**25,000**

19.9.7 Acquisitions through share-based payments

During the financial period the Fund acquired no subsidiaries (investments in group companies), through share-based payments.

19.10 SHARE PREMIUM

For the statement of changes in share premium reference is made to section 19.8.1 “Statement of changes in shareholders’ equity”.

The paid-up share premium for tax purposes as at December 31, 2023 was € 25,297,000 (December 31, 2022: € 25,525,000).

19.11 PROVISIONS

19.11.1 Analysis of provisions

	31-12-2023 In € 1,000	31-12-2022 In € 1,000
Investments in group companies	-	38

19.11.2 Specification of provisions investments in group companies

	31-12-2023 In € 1,000	31-12-2022 In € 1,000
Arcona Capital Real Estate Bulgaria Ltd.	-	38

19.11.3 Statement of changes in provisions investments in group companies

	2023 In € 1,000	2022 In € 1,000
Balance as at 1 January	38	12
Additions	-	26
Withdrawals	-/- 38	-
Balance as at 31 December	**-**	**38**

19.12 DEFERRED TAX LIABILITIES

For the specification and analysis of the (un)recognised deferred tax liabilities reference is made to section 19.5 “Recognised deferred taxes and section 19.6 “Unrecognised deferred taxes”.

19.13 PRIVATE LOANS

19.13.1 Analysis of private loans

	31-12-2023 In € 1,000	31-12-2022 In € 1,000
(Un)secured loans third parties	2,122	2,798

19.13.2 Statement of changes in private loans

	2023 In € 1,000	2022 In € 1,000
Balance as at 1 January	2,798	2,500
Loans advanced	1,000	3,100
Redemptions	-/- 1,699	-/- 2,750
(Amortisation) flat fee and transaction costs	23	-/- 52
Balance as at 31 December	**2,122**	**2,798**

For the conditions and securities provided of the private loans reference is made to section 15.16.9 “Analysis of other loans and borrowings” and section 15.16.10 “Securities provided of other loans and borrowings”.

19.13.3 Maturity analysis of private loans

	31-12-2023 In € 1,000	31-12-2022 In € 1,000
Less than 1 year	2,122	2,130
1 to 5 years	-	668
More than 5 years	-	-
	2,122	**2,798**

19.14 DEBTS TO GROUP COMPANIES

19.14.1 Analysis of debts to group companies

	31-12-2023 In € 1,000	31-12-2022 In € 1,000
Loans due to group companies	3,995	6,237
Interest on loans due to group companies	828	480
Payables due to group companies	13	-
	4,836	**6,717**

19.14.2 Maturity analysis of debts due to group companies

	31-12-2023			
	Loans due to group companies	**Interest on loans due to group companies**	**Payables due to group companies**	**Total**
	In € 1,000	In € 1,000	In € 1,000	In € 1,000
Less than 1 year	3,414	828	13	4,255
1 to 5 years	581	-	-	581
More than 5 years	-	-	-	-
	3,995	**828**	**13**	**4,836**

	31-12-2022		
	Loans due to group companies	**Interest on loans due to group companies**	**Total**
	In € 1,000	In € 1,000	In € 1,000
Less than 1 year	-	-	-
1 to 5 years	6,237	480	6,717
More than 5 years	-	-	-
	6,267	**480**	**6,717**

19.14.3 Specification of loans due to group companies

	31-12-2023	**31-12-2022**
	In € 1,000	In € 1,000
Arcona Capital Real Estate Trio Sp. z o.o.	2,013	2,013
Arcona Capital RE Slovakia s.r.o.	1,401	3,623
Arcona Real Estate B.V.	858	-
Arcona Capital Real Estate Bulgaria Ltd.	-	601
	4,272	**6,237**

As at balance sheet date the weighted average interest rate on all loans due to group companies is 8.25% per annum (December 31, 2022: 4.98%).

19.14.4 Statement of changes in loans due to group companies

	2023	**2022**
	In € 1,000	In € 1,000
Balance as at 1 January	6,237	3,359
Loans advanced	671	3,450
Redemptions	-/- 2,913	-/- 572
Balance as at 31 December	**3,995**	**6,237**

19.14.5 Specification of interest on loans due to group companies

	31-12-2023	**31-12-2022**
	In € 1,000	In € 1,000
Arcona Capital RE Slovakia s.r.o.	236	90
Arcona Capital Real Estate Trio Sp. z o.o.	592	337
Arcona Capital Real Estate Bulgaria Ltd.	-	53
	828	**480**

19.14.6 Specification of payables due to group companies

	31-12-2023 In € 1,000	31-12-2022 In € 1,000
Arcona Capital Real Estate Trio Sp. z o.o.	13	-

19.15 TAX LIABILITIES

	31-12-2023 In € 1,000	31-12-2022 In € 1,000
Value Added Tax (**VAT**)	3	6

19.16 OTHER LIABILITIES

This covers other liabilities with a payment term within one year.

19.16.1 Analysis of other liabilities

	31-12-2023 In € 1,000	31-12-2022 In € 1,000
Trade payables	48	69

19.17 ACCRUALS

This covers accruals with a payment term within one year.

19.17.1 Analysis of accruals

	31-12-2023 In € 1,000	31-12-2022 In € 1,000
Administrative expenses	550	1,120
Other operating expenses	156	227
Interest payables	157	6
	863	**1,422**

19.18 NON-CONTINGENT LIABILITIES

As at balance sheet date the Parent Company was not subject to any contractual obligation concerning for example investments or other non-contingent liabilities that require settlement in a future financial period.

19.19 CONTINGENT LIABILITIES

As at balance sheet date the Parent Company has the following contingent liabilities:

A. The Parent Company is at the head of the fiscal unity for corporate income tax (**CIT**) purposes with Arcona Black Sea Real Estate B.V. On this basis, the Parent Company is jointly and severally liable for the corporate income tax liability of the fiscal unity as a whole.

B. The Parent Company has a contingent liability to issue ordinary shares arising from the outstanding warrants. For further information reference is made to section 15.24 “Contingent liabilities”.

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

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

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

At the start of 2023, all the necessary conditions had been met, and the parties had come to a verbal agreement that a new valuation was required. The acquisition price will be determined based on this valuation, and delivery is expected during the first half of 2024.

D. On April 23, 2024, the Fund was notified that Hypo Noe had approved a waiver for ACREP and Project 5, addressing the breach of the DSCR forecast covenant. The Fund is responsible for a contingent liability, providing financial resources to ACREP and Project 5 up to a cumulative amount of € 104,523 (€ 104,523 for Project 5 and € 0 for ACREP) as at 30 April 2024. This funding is intended to address potential gaps in Project 5 for financing the planned fit-out costs at the Maris property and in ACREP for financing the planned fit-out costs of the Słupsk property.

E. The Fund has a contingent liability towards the Managing Board with regard to sales fee and sales performance-related fee, which is described in section 15.34.5 “Sales fee and sales performance-related fee.

As at balance sheet date the Parent Company was not subject to any other contingent liabilities, including any obligations that result from security transactions related to (exchange) rate risk in connection with investments.

19.20 INCOME FROM INVESTMENTS

The income from investments concerns the interest from receivables from group companies. The specification is as follows:

	2023 In € 1,000	2022 In € 1,000
Arcona Capital Real Estate Poland Sp. z o.o.	480	450
Arcona Black Sea Real Estate B.V.	356	232
Arcona Capital RE Bohemia s.r.o.	273	277
Arcona Real Estate B.V.	219	202
Aisi Bela LLC	6	4
	1,334	**1,165**

19.21 REALISED VALUATION RESULTS OF INVESTMENTS IN GROUP COMPANIES

	2023 In € 1,000	2022 In € 1,000
Realised currency results Arcona Capital RE Slovakia s.r.o.	104	27

The “Realised currency results Arcona Capital RE Slovakia s.r.o.” for the amount of € 104,000 concerns realised currency results as a result of dividend distributions from Arcona Capital RE Slovakia s.r.o. for the amount of € 2,221,000.

19.22 REALISED VALUATION RESULTS OF RECEIVABLES FROM GROUP COMPANIES

	2023 In € 1,000	2022 In € 1,000
Realised currency results Arcona Capital RE Bohemia s.r.o.	116	-

19.23 UNREALISED VALUATION RESULTS OF INVESTMENTS IN GROUP COMPANIES

The unrealised valuation results of investments in group companies contain the share in the results from investments in group companies as well as changes in provisions investments in group companies. The specification is as follows:

	2023 In € 1,000	2022 In € 1,000
Arcona Capital RE Bohemia s.r.o.	278	353
Arcona Capital RE Slovakia s.r.o.	329	183
Arcona Capital Real Estate Poland Sp. z o.o.	-/- 498	32
Arcona Capital Real Estate Trio Sp. z o.o.	356	-/- 257
Arcona Real Estate B.V.	-/- 330	9
Aisi Bela LLC	34	-/- 2,120
Boyana Residence E.O.O.D.	-	-/- 758
Arcona Capital Real Estate Bulgaria Ltd.	38	-/- 29
Arcona Black Sea Real Estate B.V.	12	677
	219	**-/- 1,910**

19.24 UNREALISED VALUATION RESULTS OF RECEIVABLES FROM GROUP COMPANIES

The unrealised valuation results of receivables from group companies contain the provision loan to group companies, in case the carrying amount of the corresponding investment in group company is negative and the Parent Company has provided a loan to the corresponding group company. The specification is as follows:

	2023	2022
	In € 1,000	In € 1,000
Boyana Residence E.O.O.D.	337	-/- 1,654
Arcona Black Sea Real Estate B.V.	40	-/- 269
	377	**-/- 1,923**

19.25 OTHER OPERATING INCOME

	2023	2022
	In € 1,000	In € 1,000
Foreign exchange and currency gains	53	-

19.26 ADMINISTRATIVE EXPENSES

For the remuneration of the Managing Board reference is made to section 15.34 “Administrative expenses”.

19.27 OTHER OPERATING EXPENSES

19.27.1 Specification of other operating expenses

	2023	2022
	In € 1,000	In € 1,000
Costs of service providers	449	426
Costs of funding and acquisition	11	207
	460	**633**

19.27.2 Analysis of costs of service providers

	2023	2022
	In € 1,000	In € 1,000
Audit fees	118	125
Accounting expenses	114	108
Custody fees	59	56
Consultancy fees	30	7
Supervisory Board fees	28	35
Marketing expenses	26	14
Insurance AIFMD	22	18
Supervisors’ expenses	22	15
Listing, Paying and Fund Agent fees	14	11
Other costs of service providers	16	37
	449	**426**

19.27.3 Audit fees

The "Audit fees" for the amount of € 118,000 include the fees for the audit of the Consolidated Financial Statements and Parent Company Statements and European Single Electronic Format (**ESEF**) reporting 2023, as well as an estimated amount of € 33,000 (2022: € 19,000) for the audit of the figures of the Bulgarian, Ukrainian and Romanian subsidiaries. During the financial period audit fees for prior years have been booked in an amount of € 1,000 negative (2022: € 17,000).

19.27.4 Analysis of Supervisory Board fees

For the analysis of the Supervisory Board fees reference is made to section 15.35.3 "Analysis of Supervisory Board fees".

19.27.5 Analysis of costs of funding and acquisition

For the analysis of the cost of funding and acquisition reference is made to section 15.35.5 "Analysis of costs of funding and acquisitions".

19.27.6 Supervisors' expenses

The "Supervisors' expenses" include expenses for supervision by the AFM and DNB.

19.27.7 Other costs of service providers

The "Other costs of service providers" include, among others, costs of press releases, required software European Single Electronic Format (**ESEF**), Euronext Fund Services and Prague Stock Exchange.

19.27.8 Costs of funding and acquisitions

The "Costs of funding and acquisitions" include costs of technical, legal and tax due diligence for potential acquisitions.

19.28 PERSONNEL COSTS

The Parent Company does not employ any personnel (2022: nil).

19.29 INTEREST EXPENSES

	2023 In € 1,000	**2022** In € 1,000
Interest expense on loans due to group companies	402	317
Interest expenses on private loans	340	69
Variable compensation on private loans	101	-
Foreign exchange and currency losses	-	9
Other interest expenses	-	2
	843	**397**

19.30 INCOME TAX EXPENSE

The results of the Parent Company are subject to corporate income tax (**CIT**).

19.30.1 Income tax expense recognised in the Parent Company profit and loss account

	2023 In € 1,000	2022 In € 1,000
Current income tax expense		
Current year	-	-
Adjustments related to prior years	-	-
	-	-
Deferred income tax expense		
Origination and reversal of taxable temporary differences	16	-/- 4
Recognition of previously unrecognised (derecognition of previously recognised) tax losses	42	-/- 26
Recognition of previously unrecognised (derecognition of previously recognised) other taxable temporary differences	-/- 16	4
Change in tax rate	-	-
Adjustments related to prior years	-	-
	42	-/- 26
Total	**42**	**-/- 26**

19.30.2 Deferred income tax recognised directly in shareholders' equity

	2023 In € 1,000	2022 In € 1,000
Related to receivables from group companies	-/- 42	26

19.31 RELATED PARTIES

For the definition of related parties' reference is made to section 15.45 "Related parties".

In addition to section 15.44 "Related parties" the Parent Company entered into or maintained the following transactions with group companies, part of other related parties:

A. dividends received from group companies, as described in section 19.1.2 "Statement of changes in investments in group companies";

B. loans advanced and redemption on loans to group companies, as described in section 19.2.3 "Statement of changes in loans to group companies";

C. loans advanced and redemption on loans due to group companies, as described in section 19.14.4 "Statement of changes loans due to group companies";

D. the Parent Company has paid several costs for Arcona Capital Real Estate Trio Sp. z o.o. for an amount of € 16,000, as described in section 19.3.4 "Specification of current account to group companies";

E. Arcona Capital Real Estate Trio Sp. z o.o. has several costs charged to the Parent Company for an amount of € 13,000, as described in section 19.14.6 "Specification of payables due to group companies".

19.32 PROPOSAL FOR THE PARENT COMPANY RESULT APPROPRIATION

The Parent Company´s result for the financial period amounts to € 183,000. Recognising the mandatory:

- net deduction of € 228,000 from the revaluation reserve; and
- net deduction of € 1,407,000 from the reserve investments in group companies;

the remaining profit for the financial period was € 1,818,000. It is proposed to the General Meeting of Shareholders (**GM**) to add the whole of the remaining profit for the financial period to the retained earnings.

This proposal has already been recognised in the Parent Company balance sheet.

19.33 DETERMINING OF PARENT COMPANY RESULT FOR THE PREVIOUS FINANCIAL PERIOD

During the General Meeting of Shareholders (**GM**) of the Parent Company as at June 27, 2023, the GM approved the result appropriation proposal of the Managing Board as stated in the Annual Report of the previous year.

19.34 EVENTS AFTER BALANCE SHEET DATE

The following material events have occurred after balance sheet date:

A. On 22 January 2024, the Fund has been granted a waiver by Patria Bank of Romania for breaching the DSCR covenant due to elevated debt service costs associated with high interest rates.

B. On February 19, 2024, the Fund has been granted a waiver by Slovenská Sporiteľňa for breaching the DSCR covenant due to elevated debt service costs associated with high interest rates.

C. On February 20, 2024, the Fund reported adjustments in its real estate portfolio values as of 31 December 2023, with valuation increases across its holdings, except for a decrease in Romanian assets. Following the Extraordinary General Meeting on 20 December 2023, the Fund has updated its deferred tax liability calculation method, now recognizing the full nominal value of these liabilities in anticipation of planned property sales.

D. On March 22, 2024, the Fund has secured a two € 1 million loans from two investors, which will be utilized to refinance the group-level CVI bond loan. This loan was previously provided as an intercompany loan to its subsidiary, Arcona Capital Real Estate Trio Limited Liability Company, which owns three leasehold retail assets in Poland. The CVI bond loan carried an interest rate of EURIBOR + 8.5%, effectively totaling 12.4% per annum. The new investor loans have been used to settle the € 1.8 million principal of the CVI loan and all accrued interest. This investor loans have an 11% interest rate and a 0.75% arrangement fee. It offers the flexibility to be settled at any time on or before its maturity date of 18 December 2024.

E. On April 23, 2024, the Fund has received a waiver from Hypo NOE, the financier of the large Polish portfolio for breaching the DSCR-covenant due to elevated debt service costs associated with high interest rates.

For more information reference is made to section 13.2 “Statement of compliance and future related assumptions”.

No further material events have occurred after balance sheet date.

Amsterdam, April 30, 2024

The Managing Board:

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

G.St.J. Barker LLB	P.H.J. Mars M.Sc	M. Van der Laan B.Sc	M.T.H. Blokland BBA
Managing director	*Managing director*	*Managing director*	*Managing director*

The Supervisory Board:

Mr. drs. A.N. Krol	J.J. van Heijst M.Sc	M.P. Beys Esq.
Chairperson	*Member*	*Member*

20 OTHER INFORMATION

20.1 GENERAL PROVISIONS OF THE ARTICLES OF ASSOCIATION CONCERNING RESULT APPROPRIATION

In accordance with Article 28 of the Articles of Association dated September 21, 2016, profits are determined and distributed as follows:

28.1 From the profit earned in a financial period as far as possible a dividend is first distributed on the priority share, the amount of which dividend is equal to seven per cent (7%) on an annual basis, calculated on the nominal value of the priority share. No further distributions are made on the priority share.

28.2 The priority shareholder determines annually what part of the profit remaining after application of article 28.1 above is added to the reserves.

28.3 It is the prerogative of the general meeting of shareholders to allocate the profit remaining after application of articles 28.1 and 28.2 above.

28.4 Distribution of profit occurs after adoption of the Financial Statements evidencing that this is permitted.

28.5 The priority shareholder may resolve to make interim distributions on ordinary shares and / or distributions on ordinary shares charged to a Parent Company reserve.

28.6 Distributions on shares may only take place up to a maximum of the amount of the distributable shareholders' equity.

28.7 Unless the body that decides on distribution determines another time, distributions on shares are payable immediately after declaration.

28.8 In calculating the amount of any distribution on shares the shares held by the Parent Company in its own capital are not included.

20.2 DECREE ON THE DUTCH ACT ON FINANCIAL SUPERVISION

Arcona Capital Fund Management B.V. has a permit from the AFM under the Dutch Act on Financial Supervision (Wet op het financieel toezicht, the **Wft**) to act as the management company of the Parent Company.

20.3 PERSONAL INTERESTS

During the financial period neither the Managing Board nor the Supervisory Board held interests in investments by the Parent Company, except for:

- J.J. van Heijst (member of the Supervisory Board) who owns 12,855 pieces (December 31, 2022: 12,855 pieces) of ordinary shares in private possession. Mr. J.J. van Heijst M.Sc. is working for the Stichting Value Partners Family office who owns 397,694 pieces (December 31, 2022: 397,694 pieces) of ordinary shares;
- M.P. Beys (member of the Supervisory Board) owns no (December 31, 2022: no) ordinary shares in private possession. Mr. M.P. Beys is also the Chairman of the Board of Directors of SPDI. SPDI owns 1,072,910 pieces (December 31, 2022: 1,072,910 pieces) of registered shares.

20.4 SPECIAL CONTROLLING RIGHTS

Special rights in respect of control of the Parent Company have been granted to the holders of priority shares. The priority shares are bearer shares. As provided by the Articles of Association the priority shares entitle the Foundation:

- to determine the number of members of the Managing Board and Supervisory Board;
- to make binding nominations for appointment of the members of the Managing Board and the members of the Supervisory Board;
- to make the proposal to the General Meeting of Shareholders to suspend or dismiss a Managing Board member and / or a Supervisory Board member;
- to make the proposal to the Supervisory Board for the remuneration of the members of the Supervisory Board;
- to determine which part of the profits remaining after priority dividend (reference is made to section 20.1) shall be reserved;
- to make interim distributions on ordinary shares and / or distributions on ordinary shares charged to a Parent Company reserve;
- to make the proposal to the General Meeting of Shareholders to amend the Articles of Association of the Parent Company;
- to make the proposal to the General Meeting of Shareholders for statutory merger or statutory demerger of the Parent Company;
- to make the proposal to the General Meeting of Shareholders for dissolution of the Parent Company.

The General Meeting of Shareholders needs the approval of the Foundation for decisions of the Managing Board concerning the reduction of the issued share capital.

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INDEPENDENT AUDITOR'S REPORT

To the shareholders and the Supervisory Board of Arcona Property Fund N.V.

Report on the audit of the financial statements 2023 included in THE ANNUAL ACCOUNTS

Our opinion

We have audited the financial statements 2023 of Arcona Property Fund N.V., based in Amsterdam. The financial statements comprise the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Arcona Property Fund N.V. as at 31 December 2023, and of its result and its cash flows for 2023 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

- The accompanying company financial statements give a true and fair view of the financial position of Arcona Property Fund N.V. as at 31 December 2023, and of its result for 2023 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. The consolidated statement of financial position as at 31 December 2023.
2. The following statements for 2023: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows.
3. The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. The company balance sheet as at 31 December 2023.
2. The company profit and loss account for 2023.
3. The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

Deloitte Accountants B.V. is registered with the Trade Register of the Chamber of Commerce and Industry in Rotterdam number 24362853. Deloitte Accountants B.V. is a Netherlands affiliate of Deloitte NSE LLP, a member firm of Deloitte Touche Tohmatsu Limited.

We are independent of Arcona Property Fund N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at € 800,000. The materiality is based on 1% of total assets. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of € 40,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Arcona Property Fund N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Arcona Property Fund N.V..

Our group audit mainly focused on significant group entities based in Czech Republic, Slovakia, Poland, Ukraine, Bulgaria and Romania, covering 100% of total revenues and 100% of total investment properties.

In establishing the overall group audit strategy and plan, we determined the type of work that needed to be performed at the components by the group engagement team and by component auditors from other Deloitte network firms. Where the work was performed by components auditors, we determined the level of involvement we needed to have in the audit work at those components so as to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the group financial statements as a whole. For each component we determined whether we require an audit of their complete financial information or whether other procedures would be sufficient.

For the group entities in Czech Republic, Slovakia, and Poland we determined that a full audit of the financial information was required. For the components in the Ukraine, Romania and Bulgaria we performed an audit of specific account balances.

The group engagement team directed the planning, reviewed the work performed by component auditors and assessed and discussed the results and findings with the component auditors.

The group engagement team held multiple meetings, including site visits, with all the individual component auditors, and management of the relevant group entities, and participated in the component auditor closing calls. For all component auditors, file reviews were conducted to evaluate the work undertaken and to assess their findings.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Audit approach fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the entity and its environment and the components of the system of internal control, including the risk assessment process and management's process for responding to the risks of fraud and monitoring the system of internal control and how the supervisory board exercises oversight, as well as the outcomes.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as among others the code of conduct, whistle blower procedures and incident registration. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness, of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated whether these factors indicate that a risk of material misstatement due fraud is present.

We identified the following fraud risks and performed the following specific procedures:

- The presumed risk of management override of controls
- The risk of fraud within revenue recognition pinpointed to occurrence of rental income

Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or noncompliance.

We considered available information and made enquiries of relevant executives and the Supervisory Board.

We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

We tested, for a sample of rental income and new lease agreements, the recorded revenue is in correspondence with the underlying agreements.

We evaluated whether the selection and application of accounting policies by the group, particularly those related to subjective measurements and complex transactions, may be indicative of fraudulent financial reporting.

We evaluated whether the judgments and decisions made by management in making the accounting estimates included in the financial statements indicate a possible bias that may represent a risk of material misstatement due to fraud. Management insights, estimates and assumptions that might have a major impact on the financial statements are disclosed in note 13.9 of the financial statements.

We performed a retrospective review of management judgments and assumptions related to significant accounting estimates reflected in prior year financial statements. Valuation of investment property is a significant area to our audit as the valuation is inherently judgmental in nature, due to the use of assumptions that are highly sensitive, any change in assumption may have a significant effect on the outcome given the relative size of the investment property balance.

For significant transactions such as disposals of investment property we evaluated whether the business rationale of the transactions suggests that they may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets.

This did not lead to indications for fraud potentially resulting in material misstatements.

Audit approach compliance with laws and regulations

We assessed the laws and regulations relevant to the Company through discussion with the Managing Board, reading minutes.

As a result of our risk assessment procedures, and while realizing that the effects from non-compliance could considerably vary, we considered the following laws and regulations: adherence to (corporate) tax law and financial reporting regulations, the requirements under the International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and Part 9 of Book 2 of the Dutch Civil Code with a direct effect on the financial statements as an integrated part of our audit procedures, to the extent material for the related financial statements.

We obtained sufficient appropriate audit evidence regarding provisions of those laws and regulations generally recognized to have a direct effect on the financial statements.

Apart from these, Arcona Property Fund N.V. is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts and/or disclosures in the financial statements, for instance, through imposing fines or litigation.

Naturally, we remained alert to indications of (suspected) non-compliance throughout the audit. Finally, we obtained written representations that all known instances of (suspected) fraud or non-compliance with laws and regulations have been disclosed to us.

Audit approach going concern

Management made a specific assessment of the company's ability to continue as a going concern and to continue its operations for at least the next 12 months. We discussed and evaluated the assessment with management exercising professional judgment and maintaining professional skepticism. We considered whether management's going concern assessment, based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, contains all events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

Based on our procedures performed, we did not identify serious doubts on Arcona Property Fund's ability to continue as a going concern for the next 12 months. Our conclusions are based on the audit evidence obtained up to the date of our independent audito's report. However, future events or conditions may cause a company to cease to continue as a going concern.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investment properties

Key audit matter:

As at December 31, 2023 the Company held as portfolio of investment property with a fair value of € 68.0 million (December 31, 2022: € 68.6 million) and investment property under construction of € 0.9 million (December 31, 2022: € 1.0 million).

At the end of each reporting period, the management board determines the fair value of its investment property portfolio in accordance with the requirements of IAS 40 and IFRS 13. The Company uses external valuation reports issued by external independent professionally qualified appraisers to determine the fair value of its investment property.

As the valuation of investment property is inherently judgmental in nature, due to the use of assumptions that are highly sensitive, any change in assumptions may have a significant effect on the outcome given the relative size of the investment property balance.

The most significant assumptions and parameters involved, given the sensitivity and impact on the outcome, are the capitalization rate and market rent levels and the market-derived discount rate.

Furthermore, on February 24, 2022, Russian troop invaded Ukraine. As disclosed in note 15.2.5 to the financial statements, the Fund owns two land plots (under development) in Ukraine. The land plots are located in the regions Odessa and Zaporizhzhia. The Zaporizhzia land plot has been written down to zero during 2022, the Odessa land plot has a fair value of € 1.0 million. The assessment of the Zaporizhzhia land plot did not result in any changes for 2023. For the Odessa land plot, management acquired an updated external expert report with a fair value of € 0.9 million. The current political and market conditions create a higher degree of uncertainty regarding the reported value.

The uncertainties over the current economic environment in Ukraine, caused by the outbreak of the war, has had a negative impact on the valuation of the Company's land plots during 2023. As most active markets are currently closed in Ukraine, there is limited to no market information available to support the current valuation of the assets based in Ukraine.

Due to the magnitude and related estimation uncertainty, valuation of investment property is considered a key audit matter.

How the key audit matter was addressed in the audit:

Our audit procedures included, among others, the following:

- We have gained understanding of the valuation process and tested the design and implementation of the Company's relevant controls with respect to the data used in the valuation of the property portfolio;
- We evaluated the competence of the Company's external appraiser, which included consideration of their qualifications and expertise;
- We have further evaluated and challenged the assumptions made in respect to the creditworthiness of significant tenants, lease incentives and vacancy periods in the valuation calculations.

In relation to the significant assumptions used in the valuation of investment property we have:

- determined that the valuation methods as applied by the management board, as included in the valuation reports, are appropriate;
- we have evaluated and challenged the significant assumptions used (such as capitalisation rate, market rental income, market-derived discount rate) against relevant market data. We have involved our internal real estate valuation experts in these assessments;
- we assessed and challenged the judgements made by the external appraiser in light of the valuation uncertainties they highlight in their report in respect of the limited transactional evidence that can be

used to form their opinion of fair value in certain classes of assets. We have involved our internal real estate valuation experts in these assessments;

- we assessed the sensitivity analysis on the key input data and assumptions (a.o. gross rental income and net yield) to understand the impact of reasonable changes in assumptions on the valuation and other key performance indicators (i.e. loan covenants);
- we have assessed the appropriateness of the disclosures notes 13.10 and 15.2/15.3 to the consolidated financial statements, relating to the assumptions used in the valuations and sensitivity analysis in the notes to the consolidated financial statements.
- we evaluated management's assessment of what impact the Ukraine-Russia situation has on the valuation of the owned land plots.
- we assessed the adequacy of the disclosures included in notes 13.2, 13.9.3, 15.2.5, 15.24 and 19.19 to the financial statements regarding the Ukrainian land plots based on the applicable financial reporting standards.

Observation:

We found that, with the (significant) assumptions used in the valuation reports, the valuation of the investment property is valued within a reasonable range in the light of the valuation uncertainty for level 3 valuations.

Report on the other information included in the annual accounts

In addition to the financial statements and our auditor's report thereon, the annual accounts contain other information.

The other information consists of:

- Report of the Managing Board.
- Other Information as required by Part 9 of Book 2 of the Dutch Civil Code.
- Foreword from the Managing Board.
- Arcona Property Fund in brief.
- Pre-advice of the Supervisory Board.
- The real estate portfolio.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements.
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the Management Board's Report in accordance with Part 9 of Book 2 of the Dutch Civil Code, and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements and ESEF

Engagement

We were engaged by the supervisory board as auditor of Arcona Property Fund N.V. on May 18, 2017, as of the audit for the year 2017 and have operated as statutory auditor ever since that financial year.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

European Single Electronic reporting Format (ESEF)

Arcona Property Fund N.V. has prepared its annual report in ESEF. The requirements for this are set out in the Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (hereinafter: the RTS on ESEF).

In our opinion, the annual report, prepared in XHTML format, including the (partly) marked-up consolidated financial statements, as included in the reporting package of Arcona Property Fund N.V. complies in all material respects with the RTS on ESEF.

Management is responsible for preparing the annual report including the financial statements in accordance with the RTS on ESEF, whereby management combines the various components into one single reporting package.

Our responsibility is to obtain reasonable assurance for our opinion whether the annual report in this reporting package complies with the RTS on ESEF.

We performed our examination in accordance with Dutch law, including Dutch Standard 3950N 'Assurance-opdrachten inzake het voldoen aan de criteria voor het opstellen van een digitaal verantwoordingsdocument' (assurance engagements relating to compliance with criteria for digital reporting).

Our examination included amongst others:

- Obtaining an understanding of entity's financial reporting process, including the preparation of the reporting package.
- Identifying and assessing the risks that the annual report does not comply in all material respects with the RTS on ESEF and designing and performing further assurance procedures responsive to those risks to provide a basis for our opinion, including.
    - obtaining the reporting package and performing validations to determine whether the reporting package containing the Inline XBRL instance and the XBRL extension taxonomy files has been prepared in accordance with the technical specifications as included in the RTS on ESEF;
    - examining the information related to the consolidated financial statements in the reporting package to determine whether all required mark-ups have been applied and whether these are in accordance with the RTS on ESEF.

Description of responsibilities regarding the financial statements

Responsibilities of management and the Supervisory Board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company’s ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.

- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Rotterdam, April 30, 2024

Deloitte Accountants B.V.

Signed on the original: J. van den Akker