

PRESS RELEASE

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Arcona Property Fund N.V. expects recovery in second half of 2020

Arcona Property Fund N.V., a listed fund investing in commercial real estate in Central Europe, has published its results for the first half of 2020. Despite the COVID-19 pandemic and the effects of three-month government-imposed lockdowns, net rental income declined by less than 10% in the first half of the year and net asset value declined only slightly. With the COVID-19 restrictions now largely lifted, the Fund expects a significant recovery in performance in the second half of the year.

First half year results

The Arcona Property Fund portfolio contains mainly regional offices, supermarkets and student housing. In the first half of 2020, net rental income (€ 2.17 million) decreased by 9.8% compared to the same period last year (€ 2.41 million). The post-tax result amounted to -/- € 1.22 million in the first half of 2020 (H1 2019: € 195,000), impacted by one-off items related to the COVID-19 pandemic.

The occupancy rate was 82.4% at the end of the second quarter (end 2019: 86.9%). The loan-to-value ratio was 48.7% at the end of June 2020, against 50.0% at the end of 2019.

The net asset value per share based on NNNAV was € 12.74 per share as of June 30, 2020 (2019: € 13.14). The adjusted earnings per share amounted to -/- € 0.10 (H1 2019: € 0.16).

Operating costs increased by € 320,000 in the first half year, mainly due to acquisition costs. Financial costs increased by € 426,000 due to a decrease in the fair value of interest rate derivatives (€ 346,000, non-cash item) and higher interest expenses (€ 80,000). The tax for the first half of 2020 increased by € 183,000 due to a virtual higher tax charge due to a weaker Polish Zloty (non-cash item).

The Czech Koruna and Polish Zloty declined substantially in value in the first half of 2020, negatively impacting the results and net asset value of the Arcona Property Fund. These currencies are now recovering, which is expected to have a positive effect on the results and net asset value of the Fund in the second half of the year.

Expectations for the second half of the year

The Central European countries in which Arcona Property Fund holds most of its portfolio have weathered the pandemic well. Government restrictions to prevent infection have largely been lifted. As a result, a recovery was already visible in June / July.

The management of the Fund expects the occupancy rate to recover in the second half of 2020 as the student accommodation in Košice, Slovakia, is re-occupied. The budgeted rental income from these properties (€ 159,000) was lost in the second quarter, when the city's university closed its doors.

Arcona Property Fund expects to complete the purchase of five assets from SPDI in the second half of 2020. This concerns three development plots in Ukraine and two fully let office buildings in Romania.

The planned sale of up to five of the Fund's buildings in Košice is progressing. Sale contracts for two of the assets are expected to be signed in the short term. The proceeds will be used to repay loans.

In Poland, Arcona Property Fund is in detailed talks with a bank about the refinancing of a maturing loan in combination with a broader refinancing of its Polish real estate.

Based on the developments in June and July, the board of the Fund expects a significant recovery in performance in the second half of the year. However, in view of the prevailing volatile economic circumstances, the management considers it too early to give a concrete forecast for the full year.

The 2020 semi-annual report of Arcona Property Fund can be found on the website www.arconapropertyfund.nl.

PRESS RELEASE ENDS

Arcona Property Fund N.V. is a closed-ended investment fund that invests in commercial property in Central Europe. Shares in the Fund (ISIN-code NL0006311706) can be traded daily via Euronext Amsterdam and the Prague Stock Exchange as a closed-end investment fund.

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