



PRESS RELEASE

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Arcona Property Fund N.V. increases dividend

Arcona Property Fund N.V., the exchange-listed fund that invests in commercial property in Central Europe, realized an operational profit in 2018 of € 2.28 million, up from 2.13 million in 2017. EPRA earnings per share grew from € 0.37 in 2017 to € 0.42. Arcona Property Fund proposes to pay a final dividend of € 0.25 per share, bringing the dividend for 2018 to € 0.35, against € 0.24 a year earlier. For 2019, the fund expects an operating result of € 2.4 million.

Occupancy rates of the real estate portfolio of Arcona Property Fund improved during the year 2018 from 84.0% to 86.9% and the loan to value ratio fell from 52.7% to 50.5%. Lower valuations of the real estate in Poland ultimately led to a net loss for the year of € 197,000 in 2018, against a profit of € 5.57 million in 2017.

Guy Barker, Director of the Fund's manager, Arcona Capital, said in a statement: "During 2018 the Fund's positive trends in operational performance continued. Despite the smaller portfolio, the operating result increased. The occupancy levels of the portfolio increased, key leases were extended and expanded and the loan-to-value-ratios improved"

"The strong value growth in our Czech and Slovak portfolios in 2018 was partly offset by the lower valuation of the Polish real estate portfolio due to the administration process of the supermarket chain Piotr & Pawel. However, the value of the Polish portfolio is expected to recover in 2019 as new tenants have since been found for the majority of the stores concerned", says Barker.

"For 2019 the management expects a further increase in operational profit from the existing portfolio and substantial growth in both net asset value and income generation from our pipeline of acquisitions. The final dividend of 25 cents per share, making 35 cents overall for 2018, places the Fund well on its way towards its 2022 dividend target of 8% on the prevailing share price."

Operational developments

The occupancy rate of the Arcona Property Fund portfolio improved in 2018 from 84% to 86.9%. On a like for like basis, the portfolio's annual net rental income grew from €4.7 million (December 2017) to € 4.82 million (December 2018). Operational profits increased to € 2.28 million.

Of particular importance to the medium-term stability of the income flow were the extensions to two major leases, Intive in Szczecin in Poland and AT&T in Kosice in Slovakia. With this the income for 8,500 m² (approximately 19% of the total office space of the fund) has now been secured until 2023.

Financial developments

The direct result before tax, adjusted for sales results, of Arcona Property Fund was € 1.48 million in 2018, compared to € 1.28 million in 2017. The indirect result before tax in 2018 was - / - € 1.34 million, compared to € 3.25 million in 2017.

The 2017 figures were strongly influenced by the sale of the Drahobejlova property in Prague, which realised a book profit of EUR 2.2 million. The lower valuation of the portfolio in Poland was also influenced by the administration process of the supermarket chain Piotr & Pawel in 2018. The Loan-to-Value ratio of Arcona Property Fund improved from 52.7% to 50.5% in 2018.

EPRA NNAV (Net asset value) decreased from € 44,459,000 to € 43,209,000. As at the end of 2018 the number of outstanding shares in the Fund was 3.17 million. The net asset value per share at year-end was EUR 13.65.

In 2018, the average monthly turnover in the Fund's shares was € 260,359, an increase of 12.6% over the previous year. The Arcona Property Fund received a second share listing on the Prague Stock Exchange in October 2018.

Dividend

In August 2018 an interim dividend of € 0,10 was paid out in cash. To maintain the trend of increasing dividends, and reflecting the current volume of shares in issue (3.17 million), the Managing Board is recommending a conditional final dividend of € 0.25 for 2018, payable in cash.

Based on the share price as at end 2018 (€ 7.10), the dividend yield for 2018 will be 4.9%.

Profit forecast 2019

For 2019 the Managing Board expects the Fund to achieve an operational result of EUR 2.4 million from the existing portfolio.

Strategic outlook

The announced acquisition in 2019 of the majority of the real estate assets of Secure Property Development & Investment PLC (SPDI) is an important step in the Fund's growth strategy. With the acquisition, the size of the fund grows to around € 161 million without dilution for existing shareholders.

The due diligence for the acquisition is currently in progress. The management expects to be able to complete the first phase of the acquisition in the second quarter

of 2019, subject to approval by regulators and banks. Shareholders will be formally consulted during this process.

The Arcona Property Fund maintains its long-term target to grow to € 500 million by 2022, with an annual dividend yield of 8% on the prevailing stock price.

Over the next 12 months the Arcona Property Fund will need to refinance a number of expiring loans totalling € 7.78 million. Management plans to effect this by the issuance of new loan instruments at Fund level. Furthermore, a bank loan on a building in Poland at the current level of € 6.30 million is due to expire at the end of the year.

Annual Report and Annual General Meeting of Shareholders 2018

The Annual Report 2018 of Arcona Property Fund is available on the website www.arconapropertyfund.com. The Annual General Meeting of Shareholders will take place on 21 May 2019 in Amsterdam. The agenda and supporting documentation will be available on the website in the short term.

A motion for the liquidation of the fund will be included on the agenda for the General Meeting of Shareholders. The inclusion of this agenda item reflects the commitment made to shareholders in 2016 to put this item on the agenda if requested. However, the Management Board and the Supervisory Board are of the opinion that liquidation can have very negative consequences for the interests of all shareholders at the present time and are unanimously opposed to the proposed motion.

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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