

PRESS RELEASE

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Arcona Property Fund N.V. provides update on Covid -19 impact

Arcona Property Fund N.V is a listed fund that invests in commercial real estate in Central Europe. As the Covid-19 crisis continues to develop, the governments of the countries in which the Fund is invested have introduced a raft of measures to delay the spread of the disease and to mitigate its impact on the health of their populations. These specific measures will cause severe economic disruption across the region. This disruption will likely combine with the loss of confidence and consequent negative pricing and liquidity adjustments in the global financial markets to create a challenging operating environment generally for investment funds. This update is intended to inform the Fund's stakeholders about the potential exposure of the Fund to these negative developments and the current and planned actions of Fund Management to mitigate their effects.

The Fund has a current occupancy rate of 84.3%. The largest occupancy segment is offices (57%), of which the biggest tenant, comprising some 8.5% of total rental income, is the US-based telecoms multinational AT&T. The second-biggest tenant, with some 6.1% of income, is the fintech specialist Kros and the third-biggest tenant, with 5.2% of income, the multinational software company Intive. The remaining office tenancy base is largely comprised of small and medium sized companies with no concentration in any particular sector. There is no significant exposure to the travel, tourism, hospitality, sporting or event sectors. The second-largest occupancy sector is retail (25%), all located in regional Polish cities. The majority of the retail tenants are in the food retailing, pharmacy and drug store sectors and are currently open and trading with Polish Government approval. There is no significant exposure to the restaurant or comparison retailing sectors. The Fund has exposure (10,7%) to the student accommodation/workers hostel sector in Kosice, Slovakia and this sector we anticipate will experience lower occupancy rates and revenues for the Q2 period.

The net rental income of the Fund in 2018 was € 4.8 million. The unaudited 2019 figures show an increase of 8.2% on 2018, to € 5.2 million. Against this positive cash-generative trading background, Fund Management is actively engaging with the Fund's major tenants to anticipate future trading difficulties and liquidity problems, whilst reviewing non-essential capital expenditure programmes to identify potential for short term cost reductions.

The Fund has a current Loan- to- Value ratio of 50%. Due to refinancing measures undertaken over the last 18 months the average maturity of the Fund's debt is 3.1 years, increased from 1.7 years in 2018. Two loans secured on Polish assets for a total of ca. € 10 million expire during 2020 and management is currently in detailed discussions on extension and/or refinancing of these secured loans. Central banks are sharply reducing interest rates and providing commercial banks with additional liquidity but it is by no means certain that this will result in easier credit conditions for real-estate borrowers, even those with modest loan-to-value ratios. We anticipate the banks will look through the status and structure of the borrower to the quality of the income flows at individual asset level. The private debt market has effectively ceased to operate so bond issuances and unsecured loans are not currently a realistic refinancing alternative.

The current sale programme for non-core properties of the Fund in Slovakia and Poland is continuing and will potentially provide substantial additional liquidity, but Management considers the timing and outcome of any such transactions to be unpredictable in the current environment. The updated operational planning of the Fund does not anticipate completion of any substantial sales before Q4 2020.

The overall situation is changing and developing very quickly. The Fund's Management will continue carefully to monitor these developments and undertakes to provide further updates on a regular basis.

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.

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