Consolidated semi-annual financial statements of Peach Property Group (Deutschland) AG as of 30 June 2014 in line with IAS 34

Content

Consolidated income statement

(in TEUR)	Note	1st half-year ended June 30 2014 unaudited	2013 unaudited
Income from lease of investment property		1'725	1'708
Change in fair value of investment property	**5**	1'641	4'010
Income from development and realtor services	**6**	1'006	736
Other operating income		168	128
Operating income		**4'540**	**6'582**
Expense from investment property		-444	-379
Change in fair value of investment property	**5**	0	-21
Personnel expenses		-803	-811
Sales and marketing expenses	**7**	-402	-240
Other operating expenses	**8**	-1'156	-961
Depreciation and amortisation		-19	-18
Operating expenses		**-2'824**	**-2'430**
Operating result		**1'716**	**4'152**
Financial income		547	315
Financial expenses		-1'782	-1'702
Result before tax		**481**	**2'765**
Income tax	**9**	-131	-929
Result after tax		**350**	**1'836**
Result after tax attributable to			
- Owners of the parent		355	1'802
- Non-controlling interests		-5	34

The notes are an integral part of these consolidated semi-annual financial statements.

Consolidated statement of comprehensive income

(in TEUR)	Note	1st half-year ended June 30 2014 unaudited	 2013 unaudited
Result for the year		**350**	**1'836**
Transactions charged to other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Hedge Accounting		-261	269
Income Tax		80	-82
Other comprehensive income for the year, net of tax		***-181***	***187***
Total comprehensive income for the year		**169**	**2'023**
Comprehensive income attributable to:			
- Owners of the parent		183	1'979
- Non-controlling interests		-14	44

The notes are an integral part of these consolidated semi-annual financial statements.

Consolidated balance sheet

(in TEUR)	Note	30.06.2014 unaudited	31.12.2013 audited
Assets			
Current Assets			
Cash and cash equivalents		6'617	4'688
Trade receivables	**10**	2'975	2'408
Financing receivables	**11**	18'861	16'960
Other receivables		448	244
Prepaid expenses		22	141
Development property	**12**	15'829	11'425
Total current Assets		**44'752**	**35'866**
Non-current Assets			
Investment property	**5**	52'728	51'001
Equipment		23	32
Intangible assets		0	1
Deferred tax assets	**9**	2'130	1'180
Total non-current Assets		**54'881**	**52'214**
Total Assets		**99'633**	**88'080**

The notes are an integral part of these consolidated semi-annual financial statements.

Consolidated balance sheet (continued)

(in TEUR)	Note	30.06.2014 unaudited	31.12.2013 audited
Liabilities and Shareholder's Equity			
Current Liabilities			
Accounts payable		1'121	975
Advance payments	**13**	6'665	2'866
Other payables	**14**	2'214	1'702
Accrued expenses	**15**	355	995
Current income tax liabilities		196	200
Current mortgages	**16**	16'204	13'814
Current financing liabilities	**16**	12'132	12'859
Current provisions		0	190
Total current Liabilities		**38'887**	**33'601**
Non-current Liabilities			
Non-current mortgages	**16**	19'331	19'599
Non-current financing liabilities	**16**	26'567	21'206
Deferred tax liabilities	**9**	5'359	4'354
Total non-current Liabilities		**51'257**	**45'159**
Total Liabilities		**90'144**	**78'760**
Equity			
Share capital		5'000	5'000
Share premium		1'572	1'572
Other reserves		-454	-282
Retained earnings		2'973	2'618
Non-controlling interests		398	412
Total Equity		**9'489**	**9'320**
Total Liabilities and Shareholder's Equity		**99'633**	**88'080**

The notes are an integral part of these consolidated semi-annual financial statements.

Consolidated statement of cash flows

(in TEUR)	Note	1st half-year ended June 30 2014 unaudited	 2013 unaudited
Profit before tax		481	2'765
Adjustments for:			
- Revaluation of investment property	**5**	-1'641	-3'989
- Depreciation and amortisation		19	18
- Finance income		-547	-315
- Finance expense		1'782	1'702
- Changes in provisions		-190	25
- Other non-cash effective items		-129	-194
Changes in working capital:			
- Trade receivables	**10**	-589	-1'003
- Other receivables		-205	-154
- Prepaid expenses		119	72
- Development property	**12**	-3'772	-6'492
- Accounts payable		146	-1'269
- Advance payments	**13**	3'799	0
- Other payables	**14**	517	397
- Accrued expenses	**15**	-640	-1'294
Interest and other financial expenses paid		-851	-493
Taxes paid		0	-2
Net cash generated from operating activities		**-1'701**	**-10'226**
Purchase of equipment		-9	-10
Investments in investment property	**5**	-65	0
Short term loans granted to related parties		-1'475	-5'434
Interst received		120	86
Cash flow from investment activities		**-1'429**	**-5'358**
Proceeds from short term financing liabilities	**16**	6'437	6'586
Repayment of short term financing liabilities	**16**	-6'193	0
Proceeds from long term financing liabilities	**16**	4'815	6'470
Repayment of long term financing liabilities	**16**	0	-324
Cash flow from financing activieties		**5'059**	**12'732**
Movement in cash		**1'929**	**-2'852**
Cash at the beginning of the period		4'688	5'788
Cash as at 30 June		**6'617**	**2'936**

The notes are an integral part of these consolidated semi-annual financial statements.

Consolidated statement of changes in shareholders' equity

(in TEUR)	Share Capital	Share Premium	Other Reserves	Retained Earnings	Total	Non-controlling interests	Total
	attributable to the equity holders of the company						
Balance at 1 January 2013	**5'000**	**1'572**	**-476**	**797**	**6'893**	**313**	**7'206**
Result for the year				1'802	**1'802**	34	**1'836**
Comprehensive income							
Hedging Reserve			255		**255**	14	**269**
Income Tax			-78		**-78**	-4	**-82**
Other comprehensive income	0	0	177	0	**177**	10	**187**
Total comprehensive income	**0**	**0**	**177**	**1'802**	**1'979**	**44**	**2'023**
Transactions with owners							
Total transactions with owners	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Balance at 30 June 2013	**5'000**	**1'572**	**-299**	**2'599**	**8'872**	**357**	**9'229**

(in TEUR)	Share Capital	Share Premium	Other Reserves	Retained Earnings	Total	Non-controlling interests	Total
	attributable to the equity holders of the company						
Balance at 1 January 2014	**5'000**	**1'572**	**-282**	**2'618**	**8'908**	**412**	**9'320**
Result for the year				355	**355**	-5	**350**
Comprehensive income							
Hedging Reserve			-248	0	**-248**	-13	**-261**
Income Tax			76	0	**76**	4	**80**
Other comprehensive income	0	0	-172	0	**-172**	-9	**-181**
Total comprehensive income	**0**	**0**	**-172**	**355**	**183**	**-14**	**169**
Transactions with owners							
Total transactions with owners	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Balance at 30 June 2014	**5'000**	**1'572**	**-454**	**2'973**	**9'091**	**398**	**9'489**

The notes are an integral part of these consolidated semi-annual financial statements.

Notes to the consolidated semi-annual financial statements

1. Business activities

Peach Property Group (Deutschland) AG (the „Company“) and its subsidiaries (the „Group“) belong to the Peach Property Group („Peach“). The Group is a real estate investor and developer with a dual investment forcus. The portfolio encompasses investment properties to steady the annual revenue streams as well as attractive development projects with a focus on residential properties.

The parent company is Peach Property Group (Deutschland) AG, Im Zollhafen 24, 50678 Cologne. Peach Property Group (Deutschland) AG was founded in September 2008 and is registered since October 2012 under its current name under the register number HRB 76638.

Peach Property Group (Deutschland) AG is a 100% subsidiary of Peach German Properties AG (Peach Germany), Stansstad, Switzerland. Peach German Properties AG is a 100% subsidiary of Peach Property Group AG, the ultimate parent of the Group. Peach has its registered office in Zurich and its shares are listed on the SIX Swiss Exchange.

The activities of the Group encompass the entire value chain; from the evaluation of new locations to development, construction management as well as sales and marketing. In the investment sector the Group focusses on high-yielding properties at B locations in short range of urban centers. With respect to the development properties, the Group is involved in the development of premium locations in Berlin and Hamburg where it provides development and project management services to related Peach companies and is developing projects in Berlin and Dortmund on its own accounts.

2. Basis of preparation

This condensed consolidated interim financial information for the half-year ended 30 June 2014 has been prepared in accordance with IAS 34, ‘Interim financial reporting’. This condensed consolidated interim financial information does not contain all information and disclosures, which are required for year-end reporting, and should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with IFRSs.

These condensed interim financial statements have been approed for issue on 21 August 2014.

Changes in accounting policies

The accounting policies applied in these consolidated semi-annual financial statements are consistent with those of the annual financial statements for the year ended 31 December 2013, except as described below:

- Amendments to IAS 32 – "Presentation – Offsetting of financial assets and liabilities"
  The amendments clarify some of the requirements for offsetting financial assets and financial liabilities in the balance sheet.

- Amendments to IFRS 10, 11, 12 and IAS 27 on consolidation for investment entities
  These amendments mean that many investment entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss.

- Amendment to IAS 36, "Impairment of assets" – on recoverable amount disclosure
  The amendment addresses the disclosure of information about the recoverable amount if impaired assets in that amount are based on fair value less cost of disposal.

- Financial instruments - Recognition and measurement amendment to IAS 39 "Novation of derivatives"
  The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria.

- IFRIC 21, "Levies" (early adopted)
  The interpretation of IAS 37 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

The introduction of these new and amended standards and interpretations did not have a material impact on these condensed and consolidated interim financial statements.

The Group is currently assessing the possible impact of new and amended standards that will become applicable after 31 December 2014. With the exception of IFRS 15 "Revenue Recognition" (applicable starting financial year 2017), the Group does not believe that they will have a material impact on the financial statements of the Group. The impact of IFRS 15 has not yet been finally assessed.

Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements for the year ended 31 December 2013.

3. Financial risk management

Due to its business activities, the Group is exposed to various financial risks: market risk, credit risk and liquidity risk.

The interim condensed consolidated financial statements do not include all financial risk mangement information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statement as at 31 December 2013. There have been no changes in the risk management department since year end or in any risk management policies.

3.1 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.

The fair value of financial instruments that are not traded in an active market is determined by using appropriate valuation techniques. These may, for example, include methods such as current transaction prices for similar instruments, quoted market prices or dealer quotes for similar instruments or discounted cash flow calculations to estimate the present value of the estimated future cash flows of a financial instrument or other methods.

The carrying amounts less impairment provisions of shortterm receivables and payables are assumed to approximate their fair values. The fair value of longterm financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The fair value of the bond issued as per 30 June 2014 (level 1) amounted to TEUR 27'112 compared to the book value (without capitalized transaction cost) of TEUR 27'207. The fair values of the other long term liabilities represent approximately the book values as per period end.

Financial instruments that are measured in the balance sheet at fair value are reported according to the following hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2);
- Inputs for the asset or liability that are not based on observable market data (level 3).

30.06.2014	**Level 1**	**Level 2**	**Level 3**	**Total**
(in TEUR)				
Liabilities				
Derivatives as hedging instruments	0	688	0	**688**

31.12.2013	**Level 1**	**Level 2**	**Level 3**	**Total**
(in TEUR)				
Liabilities				
Derivatives as hedging instruments	0	427	0	**427**

The derivative hedging instrument represents the interest rate swap for “Erkrath Wohnen”. The market value of the derivative financial instrument is based on the bank valuation as per 30 June 2014.

3.2 Categories of financial instruments

The following table shows the fair values as well as carrying amounts of all financial instruments for each category:

(in TEUR)	**30.06.2014** Fair Value	**30.06.2014** Book Value	**31.12.2013** Fair Value	**31.12.2013** Book Value
Loans and receivables				
Cash and cash equivalents	6'617	6'617	4'688	4'688
Trade receivables	2'975	2'975	2'408	2'408
Financial assets	18'861	18'861	16'960	16'960
Other receivables	448	448	244	244
	28'901	**28'901**	**24'300**	**24'300**
Financial liabilities recorded at amortised cost				
Accounts payable	1'121	1'121	975	975
Other payables	2'214	2'214	1'702	1'702
Current mortgages	16'204	16'204	13'814	13'814
Current fianancial liabilities	12'132	12'132	12'859	12'859
Non-current mortgages	19'331	19'331	19'599	19'599
Non-current financial liabilities	25'784	25'879	20'559	20'779
	76'786	**76'881**	**69'508**	**69'728**
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	**688**	**688**	**427**	**427**

With the exception of the bond (Level 1, non-current financial liabilities) all financial instruments are level 2 financial instruments.

4. Segment information

Management has determined the operating segment on the basis of the internal reporting to the CEO of the ultimate parent, Peach Property Group AG (Group CEO), the key decision-maker of the Group and Peach.

The Group CEO defines business operations and oversees the internal reporting to assess the performance and resource allocation. The Group has only one operational segment, the development and management of properties. This includes the acquisition of land, the development, construction and sale of property. Main operations include evaluation of property, project planning, financing and sales and customer management.

The objects developed by the Group are located in city centres or their close proximity in Germany. The Group’s customers are either the acquirers of residential property, lessors of residential or retail property or related parties (Peach Group Companies) that acquire the services of the Group for the development or construction of their objects.

Income from lease of investment property of approximately TEUR 470 is derived from a single external customer.

5. Investment property

Investment property	**Book Value**	**Book Value**
(in TEUR)	**30.06.2014**	**31.12.2013**
Munster, D-Munster	13'402	13'402
Erkrath Retail, D-Erkrath-Hochdahl	15'050	15'050
Erkrath Wohnen, D-Erkrath-Hochdahl	18'350	18'350
Dortmund RS 167, D-Dortmund	1'495	1'495
Dortmund RS 173, D-Dortmund *	4'431	2'704
Total	**52'728**	**51'001**

* Refurbishment

(in TEUR)	**30.06.2014**	**31.12.2013**
Fair value at 1 January	**51'001**	**45'971**
Cost		
Amount at 1 January	35'394	35'004
Additions from investments	65	390
Accumulated cost at period end	**35'459**	**35'394**
Fair value adjustments		
Amount at 1 January	15'607	10'967
Increase in fair value	1'662	4'662
Decrease in fair value	0	-22
Accumulated changes in fair value at period end	**17'269**	**15'607**
Fair value at period end	**52'728**	**51'001**

Revaluation
The revaluation performed by the independent real estate expert Wüest & Partner AG as per 30 June 2014 resulted in a valuation increase for the project “Dortmund RS 173”. This increase is largely based on the development progress achieved in the past half year.

In the prior year’s reporting period valuation increases were accounted for “Erkrath Retail” (TEUR 2’830 – first year application of IFRS 13) as well as for “Dortmund RS 173” (TEUR 381) and “Erkrath Wohnen” (TEUR 790) due to development and operational progress.

6. Income from development and realtor services

	1st half-year ended 30 June	
(in TEUR)	**2014**	**2013**
Sales provisions	271	282
Property development and construction management for related parties	735	454
Total	**1'006**	**736**

In the reporting period development services in the amount of TEUR 403 (prior period TEUR 274) respectively TEUR 333 (prior period TEUR 180) were provided to the related parties “yoo berlin” and “H36” in Hamburg.

7. Sales and marketing expenses

The increase of sales and marketing expenses from TEUR 240 to TEUR 402 is mostly due to the sales expenses related to the development project “Living 108” in the amount of TEUR 249.

8. Other operating expenses

	1st half-year ended 30 June	
(in TEUR)	**2014**	**2013**
Fees and legal expenses	59	143
Rent	73	72
Travel and representation expenses	65	44
IT expenses	9	9
Other operating expenses third parties	122	190
Other operating expenses related parties	828	503
Total	**1'156**	**961**

Starting in 2014, audit fees are centrally paid by the ultimate parent Peach Property Group AG explaining most of the decrease in fees and legal expenses. The increase of other operating expenses is due to higher management fees charged from the ultimate parent based on transaction support services provided in the first half of 2014, as well as the audit fees.

9. Income and deferred taxes

	1st half-year ended June 30	
(in TEUR)	**2014**	**2013**
Income taxes		
Profit before tax	481	2'765
Income taxes	-131	-929
Tax rate	27.23%	28.59%

(in TEUR)	**30.06.2014**	**31.12.2013**
Deferred taxes		
Deferred tax assets	2'130	1'180
Deferred tax liabilities	5'359	4'354

The increase in deferred income taxes was mostly triggered by the fair value adjustment of the investment portfolios. The increase of the deferred tax assets is related to the capitalization of losses carried forward.

10. Trade receivables

(in TEUR)	**30.06.2014**	**31.12.2013**
Trade receivables from third parties	774	1'124
Trade receivables from related parties	2'201	1'284
Total	**2'975**	**2'408**

The increase in trade receivables from related parties are mainly due to higher outstandings from “yoo Berlin” in the amount of TEUR 456 and “H36” in Hamburg in the amount of TEUR 396.

The decrease in receivables from third parties is due to lower outstanding sales provsions of TEUR 611 offset by higher outstandings from rents in the amount of TEUR 286.

11. Financing receivables

The increase of the financing receivables from TEUR 16’960 to TEUR 18’861 is mostly due to higher outstanding positions from Peach German Properties AG in the amount of TEUR 507 and “yoo berlin” in the amount of TEUR 1’226.

12. Development property

The increase of development property from TEUR 11’425 to TEUR 15’829 is due to the construction progress of “Living 108”.

13. Advance payments

The increase in the advance payments from TEUR 2’866 to TEUR 6’665 represents the advance payments received for the additional units sold of the development project “Living 108” in Berlin.

14. Other payables

(in TEUR)	**30.06.2014**	**31.12.2013**
VAT and other tax payables	317	514
Reservation fees	47	47
Placement bonds	438	0
Other payables to third parties	552	564
Other payables to related parties	860	577
Total	**2'214**	**1'702**

The increase in other payables is mostly due to costs related to the placement of additional bonds (see note 16) as well as an increase in management fees (see note 8).

15. Accrued expenses

(in TEUR)	**30.06.2014**	**31.12.2013**
Personnel expenses	248	248
Accrued development cost	0	608
Other accrued expenses	107	139
Total	**355**	**995**

16. Financing liabilities

(in TEUR)	**30.06.2014**	**31.12.2013**
Mortgages	35'535	33'413
Financing liabilities from third parties	4'474	5'848
Financing liabilities from related parties	7'658	7'011
Bond	25'879	20'779
Derivative financial instruments	688	427
Total	**74'234**	**67'478**
thereof current mortgages	16'204	13'814
thereof non-current mortgages	19'331	19'599
thereof current financing liabilities	12'132	12'859
thereof non-current financing liabilities	26'567	21'206
Total	**74'234**	**67'478**

The increase of the mortgages is related to the construction progress of "Living 108". The mezzanine loan for "Living 108" included in the financing liabilities from third parties was repaid by the end of June and renewed at a nominal amount of TEUR 3'400 and an interest rate of 12% (before 20%).

Bond

In preparation for further growth additional bonds have been placed in the first half-year 2014:

(in TEUR)	**30.06.2014**	**31.12.2013**
Bond	25'879	20'779
Total	**25'879**	**20'779**
thereof non-current	25'879	20'779
Reconciliation		
Bond	27'207	21'940
Capitalized cost related to the issuance	-2'569	-2'116
Amortized cost	1'241	955
Net amount	**25'879**	**20'779**

16. Assets pledged as collateral for own commitments

(in TEUR)	**30.06.2014**	**31.12.2013**
Cash and cash equivalents	1'150	1'193
Development properties	15'829	11'425
Investment properties	30'720	30'720
Investments	7	7
	47'706	**43'345**

The development and investment properties were effectively pledged for a liability in the amount of TEUR 39’111 (31 December 2013: TEUR 37’813).

17. Seasonality

Whereas the investment property provide an evenly spread revenue over the year, revenue from development and construction management generate no consistent income over the course of the year. Depending on the number, stage as well as volume of ongoing projects revenues can be higher in the first or the second half of the year.

18. Subsequent events

On 8 July 2014 the Group has aqcuired a vacant hotel at a unique location in the Berchtesgadener Alpen out of a forced sale. Risk and reward will pass to the Group on 8 October 2014, date that was defined to distribute the revenue from the auction. The investment commitment entered into amounts to TEUR 790. The Group intents to refurbish the builing into a holiday apartment complex.

There are no further subsequent events to be reported.