

Consolidated Half-Year Financial Statements Peach Property Group (Deutschland) AG as per 30 June 2015

In line with International
Financial Reporting
Standards (IFRS)

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Consolidated Income Statement

in TEUR	Notes	1 st half-year ended 30 June	
		2015 Unaudited	2014 Unaudited
Income from development property	6	32'915	0
Income from lease of investment property	5	2'334	1'725
Positive change in fair value of investment property	5	5'374	1'662
Income from development and construction management services		687	736
Other operating income		442	438
Operating income		41'752	4'561
Expense from development property	6	-26'267	0
Expense from lease of investment property	5	-797	-444
Negative change in fair value of investment property	5	-125	-21
Personnel expense		-816	-803
Sales and marketing expenses	6	-146	-402
Other operating expenses		-1'591	-1'156
Depreciation and amortisation		-8	-19
Operating expenses		-29'750	-2'845
Operating result		12'002	1'716
Financial income	7	705	547
Financial expense	7	-6'127	-1'782
Result before tax		6'580	481
Income tax	10	846	-131
Result after tax		7'426	350
- Owners of the parent		7'215	355
- Non-controlling interests		211	-5

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

Consolidated Statement of Comprehensive Income

in TEUR	Notes	1 st half-year ended 30 June	
		2015	2014
		Unaudited	Unaudited
Result after tax		7'426	350
Transactions charged to other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Hedge Accounting		107	-261
Translation differences		2	0
Tax impact		-20	80
Total other comprehensive income that may be reclassified to profit or loss, net of tax		89	-181
Comprehensive income attributable to		7'515	169
- Owners of the parent		7'299	183
- Non-controlling interests		216	-14

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

Consolidated Balance Sheet

in TEUR	Notes	30.06.2015 Unaudited	31.12.2014 Audited
Assets			
Current Assets			
Cash and cash equivalents		3'946	4'927
Trade receivables	6	4'856	2'623
Current financing receivables	8	20'107	27'220
Other receivables		290	278
Prepaid expenses		15	19
Development property	6	2'241	24'730
Total current Assets		31'455	59'797
Non-current Assets			
Investment property	5	87'642	66'751
Advances for investment property		314	0
Equipment		16	17
Non-current financing receivables		10	0
Investments		173	171
Deferred tax assets	10	2'975	3'169
Total non-current Assets		91'130	70'108
Total Assets		122'585	129'905

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

Consolidated Balance Sheet (continued)

in TEUR	Notes	30.06.2015 Unaudited	31.12.2014 Audited
Liabilities			
Current Liabilities			
Trade payables	6	1'556	2'128
Advance payments	6	87	20'705
Other payables		1'471	1'527
Accrued expenses		842	622
Current income tax liabilities		128	145
Current mortgages and building loans	9	1'069	3'731
Current financing liabilities	9	60'961	17'469
Current provisions		434	250
Total current Liabilities		66'548	46'577
Non-current Liabilities			
Non-current mortgages	9	34'785	35'391
Non-current financing liabilities	9	744	34'089
Non-current provisions		125	0
Deferred tax liabilities	10	4'920	6'046
Total non-current Liabilities		40'574	75'526
Total Liabilities		107'122	122'103
Equity			
Share capital		5'000	5'000
Share premium		1'572	1'572
Other reserves		-276	-379
Retained earnings		8'212	1'175
Non-controlling interests		955	434
Total Equity		15'463	7'802
Total Liabilities and Shareholder's Equity		122'585	129'905

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

Consolidated Statement of Cash Flows

in TEUR	Notes	1 st half-year ended 30 June	
		2015 Unaudited	2014 Unaudited
Profit before tax		6'580	481
Adjustments for:			
- Depreciation and amortisation		8	19
- Revaluation of investment property	5	-5'250	-1'641
- Valuation adjustment loans and financial receivables	8	3'277	0
- Financial income	7	-705	-547
- Financial expenses (without valuation adjustment loans)	7	2'850	1'782
- Share based payment		21	0
- Changes in provisions		249	-190
- Other non-cash effective items		-51	-129
Changes in working capital:			
- Trade receivables	6	-2'194	-589
- Other receivables		-13	-205
- Prepaid expenses		4	119
- Development property	6	22'489	-3'772
- Trade payables	6	-1'184	146
- Advance payments	6	-20'618	3'799
- Other payables		-158	517
- Accrued expenses		36	-640
Interest paid and other financial expenses		-883	-851
Taxes paid		-11	0
Net cash generated from operating activities		4'447	-1'701
Purchase of investments	11	-3'580	0
Purchases of equipment		-7	-9
Investments in investment property	5	-410	-65
Loans and financing receivables granted	8	0	-1'475
Repayment of loans and financing receivables	8	4'449	0
Interest received		86	120
Cash flow from investment activities		538	-1'429
Proceeds from current financing liabilities	9	3'310	6'437
Repayment of current financing liabilities	9	-9'276	-6'193
Proceeds from non-current financing liabilities	9	0	4'815
Cash flow from financing activities		-5'966	5'059
Change in cash		-981	1'929
Cash at the beginning of the year		4'927	4'688
Cash at period end		3'946	6'617

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

Consolidated Statement of changes in Shareholder's Equity

1 st half-year 2014 in TEUR	Notes	Share capital	Share premium	Other reserves	Retained earnings	Total	Non- controlling interests	Total
Opening Balance		5'000	1'572	-282	2'618	8'908	412	9'320
Comprehensive income								
Result				0	355	355	-5	350
Other comprehensive income								
Hedging Reserve				-248	0	-248	-13	-261
Tax				76		76	4	80
Total comprehensive income		0	0	-172	0	-172	-9	-181
Total comprehensive		0	0	-172	355	183	-14	169
Transactions with owners								
Total transactions with owners		0	0	0	0	0	0	0
Closing Balance		5'000	1'572	-454	2'973	9'091	398	9'489

1 st half-year 2015 in TEUR	Notes	Share capital	Share premium	Other reserves	Retained earnings	Total	Non- controlling interests	Total
Opening Balance		5'000	1'572	-379	1'175	7'368	434	7'802
Comprehensive income								
Result				0	7'215	7'215	211	7'426
Other comprehensive income								
Hedging Reserve		0	0	101	0	101	6	107
Fair value adjustment investments		0	0	0	2	2	0	2
Tax		0	0	-19	0	-19	-1	-20
Total comprehensive income		0	0	82	2	84	5	89
Total comprehensive income		0	0	82	7'217	7'299	216	7'515
Transactions with owners								
Increase scope of consolidation	11	0	0	0	-180	-180	303	123
Capital Increase	11	0	0	0	0	0	2	2
Share based payments		0	0	21	0	21	0	21
Total transactions with owners		0	0	21	-180	-159	305	146
Closing Balance		5'000	1'572	-276	8'212	14'508	955	15'463

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

Notes to the consolidated half-year 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 leading property investor and developer. Its core market is Germany. The Group stands for long time experience, competence and quality. Innovative solutions for modern housing needs, strong partnerships and a wide value chain complete the profile of the Group. The portfolio of the Group consists of high yield investment properties, typically in B-cities in close reach to metropolitan areas. In addition, the Group develops properties for its own portfolio or for the sale as condominiums and provides development and construction management services. Developments for sale focus on A-locations and encompass attractive architecture and high level furnishing for an international clientele. The business activities of the Group cover the entire value chain, from property acquisition and site selection to active asset management and finally to the sale or lease of properties.

The parent company is Peach Property Group (Deutschland) AG, Im Zollhafen 24, 50578 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. The ultimate parent of the Group is Peach Property Group AG., holding indirectly 100% of the Company's shares. Peach Property Group AG has its registered seat in Zurich, Switzerland. Its shares are traded since 12 November 2010 at the SIX Swiss Exchange (PEAN, ISIN CH 0118530366).

These condensed interim financial statements have been approved for issue on 19 August 2015.

2. Basis of preparation

This condensed consolidated interim financial information for the half-year ended 30 June 2015 has been prepared in accordance with IAS 34, 'Interim financial reporting'. This condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with IFRSs.

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 2014, except as described below:

- > Amendment to IAS 19 – "Employee benefits" regarding employee or third party contributions to defined benefit plans"
- > Annual Improvements 2012 (Improvements Project 2010 – 2012) on IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16/38 and IAS 24
- > Annual Improvements (Improvements Project 2011 – 2013) on IFRS 1, IFRS 3, IFRS 12 and IAS 40
- > The introduction of the amended standard 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 2015. With the exception of IFRS 15 "Revenue Recognition" (applicable starting financial year 2018), 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 2014.

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 management 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 2014. There have been no changes in the risk management process since year end or in any risk management policies.

3.1 Fair value estimation

Financial instruments carried at fair value

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

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).

in TEUR	Level 1	Level 2	Level 3	Total
30.06.2015				
Assets				
- Derivatives held for trading	0	59	0	59
Liabilities				
- Derivatives as hedging instruments	0	632	0	632
31.12.2014				
Liabilities				
- Derivatives as hedging instruments	0	739	0	739

The derivative hedging instrument represents the interest rate swap for "Erkrath Wohnen", the derivatives held for trading include the cap for "Erkrath Retail". The market value of the derivative financial instruments is based on the bank valuation as per 30 June 2015.

There were no transfers between the levels during the reporting period.

For the disclosures with regard to investment property at fair value please refer to note 5.

As per 30 June 2015 as well as in the prior period no netting agreements in line with IFRS 7 existed.

Financial instruments carried at amortised cost

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 current receivables and payables are assumed to approximate their fair values. The fair value of non-current 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 bonds issued as per 30 June 2015 amounted to TEUR 44'148 (31 December 2014: TEUR 35'115) compared to the book value (without capitalised transaction cost) of TEUR 43'711 (31 December 2014: TEUR 34'511). The fair values of the non-current liabilities represent approximately the book values as per period end.

The following table shows the fair values as well as carrying amounts of the financial instruments carried at amortised cost:

in TEUR	30.06.2015		31.12.2014	
	Market value	Book value	Market value	Book value
Receivables and loans				
Cash and cash equivalents	3'946	3'946	4'927	4'927
Trade receivables	4'856	4'856	2'623	2'623
Current financing receivables	20'058	20'058	27'220	27'220
Other receivables	290	290	278	278
	29'150	29'150	35'048	35'048
Financial liabilities recorded at amortised cost				
Trade payables	1'556	1'556	2'128	2'128
Other payables	1'471	1'471	1'527	1'527
Current mortgages and building loans	1'069	1'069	3'731	3'731
Current financing liabilities	61'398	60'961	17'469	17'469
Non-current mortgages	34'785	34'785	35'391	35'391
Non-current financing liabilities	112	112	33'954	33'350
	100'391	99'954	94'200	93'566

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

4. Segment reporting

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 management of investment and development property. It includes the acquisition of land and properties, the development, maintenance as well as the rental and sale of property. Main operations include evaluation of property, project planning, financing and sales as well as tenancy and customer management.

No income > 10% was derived from a single customer or lessee.

5. Investment property

Investment property in TEUR	Book value	Book value	Apartments		Business
	30.06.2015	31.12.2014	No.	m ²	m ²
Fair Value Hierarchy	3	3			
Munster, D-Munster	14'787	13'402	376	25'759	0
Erkrath Retail, D-Erkrath-Hochdahl	15'050	15'050	1	56	6'644
Erkrath Wohnen, D-Erkrath-Hochdahl	18'560	18'350	142	10'375	2'680
Dortmund RS 167, D-Dortmund	1'422	1'405	0	0	2'564
Dortmund RS 173, D-Dortmund ¹	7'099	5'337	n.a.	n.a.	11'408
Bad Reichenhall, D-Bad Reichenhall ¹	2'000	2'069	0	0	6'787
Portfolio Nordhessen, D-Witzenhausen, Hessisch Lichtenau, Bad Hersfeld	11'096	11'138	336	22'830	0
Hochhaus, D-Neukirchen-Vluyn ²	100	0	71	6'760	0
Neukirchen L, D-Neukirchen-Vluyn	15'917	0	513	34'378	0
Neukirchen S, D-Neukirchen-Vluyn	1'611	0	54	3'130	0
Total investment property	87'642	66'751	1'493	103'288	30'083

1: Development

2: Vacancy

In TEUR	30.06.2015	31.12.2014
Fair Value at 1 January	66'751	51'001
Cost		
Opening Balance	47'501	35'394
Increase in scope of consolidation	15'231	9'995
Additions from investments	411	1'888
Reclassification	0	224
Accumulated cost at period end	63'143	47'501
Fair value adjustments		
Fair value adjustments at 1 January	19'250	15'607
Positive fair value adjustment	5'374	3'978
Negative fair value adjustment	-125	-111
Reclassification	0	-224
Accumulated fair value adjustments at period end	24'499	19'250
Fair value at period end	87'642	66'751

Acquisitions

During the reporting period the two companies Portfolio Neukirchen L GmbH and Portfolio Neukirchen S GmbH were acquired. For details refer to note 11.

Valuation adjustments

As per 30 June 2014 all investment property was revalued by the external valuation specialist Wüest & Partner. Material valuation increases resulted for Dortmund "RS 173" (TEUR 1'659), Munster (TEUR 1'385) as well as the newly acquired portfolio "Neukirchen L" (TEUR 2'199).

The valuation increase for Dortmund "RS 173" was due to the further planning progress. Decreasing vacancy rates as well as rent increases led to appreciation gains for the Munster portfolio. The portfolio "Neukirchen L" was acquired at favourable conditions. In combination with advanced maintenance and renovation work and resulting rent increases this resulted in a higher valuation as per period end.

The smaller valuation adjustments of the other portfolios are mostly the result of changes in rent income and/or vacancy rates.

All the investment property held at fair value through profit or loss were allocated to the hierarchy level 3, as various components of the DCF valuation are not observable in the market.

The following material input data were used for the market valuation as per 30 June 2015:

Half-year 2015	Market value	Valuation method	Non-observable input factors	Band
Residential and mixed use	62'071	DCF	Discount rate	5.0% - 7.0%
			Achievable rent pro m ²	EUR 44 - EUR 62
			Vacancy rate	4.5% - 25.9%
Commercial use	25'571	DCF	Discount rate	5.6% - bis 7.0%
			Achievable rent pro m ²	EUR 78 - EUR 197
			Vacancy rate	0.8% - 30.5%

Income and expense from lease of investment property

The increase in income from lease of investment property of TEUR 609 compared to the prior period resulted mainly from the newly acquired portfolios "Nordhessen" as well as "Neukirchen L" and "Neukirchen S". The increase of expense from lease amounted to TEUR 353. The disproportionate increase represents the effect of high vacancy rates and not capitalized maintenance expenses during the reporting period.

6. Development property

The development project "Living 108" was finalized during the reporting period and 123 of the 131 housing and retail units were handed over to their new owners. This resulted in a decrease of development property in the amount of TEUR 22'489 compared to December 2014. The related income and expense charged to the income statement amounted to TEUR 32'915 and TEUR 26'267, respectively.

The finalization of the construction work and the handing over of most of the condominiums and retail spaces led to a decrease of advance payments in the amount of TEUR 20'618 and accounts payable of TEUR 262 as well as an increase of accounts receivable of TEUR 1'379. Sales and marketing expenses decreased by TEUR 198.

7. Financial result

The increase of the financial expenses of TEUR 4'345 is mostly due to the bad debt allowance of a financing receivable in the amount of TEUR 3'277 towards Yoo Berlin GmbH & Co.KG, to higher interest expenses for newly issued bonds mainly related to the purchase of the portfolios in Neukirchen in the amount of TEUR 679 and higher interest expenses for the portfolio "Nordhessen" acquired in the second half of 2014 of TEUR 120.

8. Financing receivables

The decrease of financing receivables of TEUR 7'113 is mainly due to the repayment of the loans from "Am Zirkus 1" in the amount of TEUR 2'848 as well as a further bad debt allowance in the amount of TEUR 3'277 related to the financing receivable towards Yoo Berlin GmbH & Co.KG. The remaining decrease represents the net repayment of financing receivables towards Peach Group companies outside the consolidation scope.

9. Financing liabilities

in TEUR	30.06.2015	31.12.2014
Mortgages and building loans	35'854	39'122
Financing liabilities - third parties	5'190	5'896
Financing liabilities - related parties	13'174	11'679
Bond	42'709	33'244
Derivative financial instruments	632	739
Total financing liabilities	97'559	90'680
thereof current mortgages and building loans	1'069	3'731
thereof non-current mortgages	34'785	35'391
thereof current financing liabilities	60'961	17'469
thereof non-current financing liabilities	744	34'089
Total financing liabilities	97'559	90'680

The decrease of mortgages and building loans of TEUR 3'268 is due to the repayment of the building loan of "Living 108" in the amount of TEUR 2'597 as well as the amortization of the mortgages of investment property in the amount of TEUR 671.

The increase of the bond in the amount of TEUR 9'465 is explained with additional placements mostly related to the financing of the purchase of the portfolios in Neukirchen (see note 11). The bond is due for repayment in June 2016; therefore it is presented within the current financing liabilities as per 30 June 2015.

10. Income and deferred taxes

in TEUR	1 st half-year ended 30 June	
	2015	2014
Income tax		
Profit before tax	6'580	481
Income tax	846	-131
Tax rate	-12.85%	27.24%
in TCHF	30.06.2015	31.12.2014
Deferred taxes		
Deferred tax assets	2'975	3'169
Deferred tax liabilities	4'920	6'046

In the reporting period the tax rate was influenced by permanent differences related to financing receivables in the amount of TEUR 1'793 as well as tax rate adjustments for companies holding investment properties for which the business tax risk could be mostly excluded in the amount of TEUR 2'184.

The decrease of the deferred tax liabilities is mostly due to the above mentioned adjustment of the tax rate for certain investment companies. The effect of the release was only partially offset by the effects of the valuation gains achieved in this reporting period.

11. Scope of consolidation

On 1st April 2015 Peach Property Group (Deutschland) AG has acquired 94.9% of the shares of Vluyn Immobilien UG (limited liability) and 94.9% of PAB UG (limited liability), both with its registered seat in Hagen in form of an asset deal. The companies have been converted to GmbHs according to the German law on 16 April 2015 and renamed to Portfolio Neukirchen L GmbH and Portfolio Neukirchen S GmbH, respectively. The registered capital of TEUR 15 and TEUR 1 has been increased to TEUR 25 each.

Portfolio Neukirchen L GmbH holds a portfolio of 56 properties with 584 apartments, Portfolio Neukirchen S GmbH a portfolio of 5 properties with 54 apartments, both in Neukirchen-Vluyn. As per 30 June 2015 one property with a total of 71 vacant units has been transferred to the shell company Peach Property Projekt IV GmbH without an impact on the income statement.

The purchase price for 94.9% of the shares amounted to TEUR 5'814 the one for the vendor loans to TEUR 8'981. It was/will be paid as follows:

in TEUR	Neukirchen L	Neukirchen S	Total
Cash and cash equivalents	713	135	848
Bonds of Peach Property Group (Deutschland) AG	8'818	1'182	10'000
Liabilities - payment per 30.06.2016	3'507	440	3'947
Total purchase price	13'038	1'757	14'795

The purchase does not qualify as an acquisition in line with IFRS 3 and has therefore been accounted for as an asset deal. With the purchase neither personnel nor processes have been transferred. The administration of the portfolio as well as the facility management had been outsourced by the former owner.

The price premium in the amount of TEUR 6'034 and transaction costs amounting to TEUR 638 for Portfolio Neukirchen L GmbH were allocated to the investment property. For Portfolio Neukirchen S GmbH transaction costs as well as a valuation adjustment in the total amount of TEUR 176 were charged to the income statement.

The following table presents the values acquired before and after the redemption of the liabilities:

in TEUR	Neukirchen L	Neukirchen S	Total acquired values per 31.03.2015
Assets			
Cash and cash equivalents	204	41	245
Receivables	286	2	288
Investment property	13'620	1'611	15'231
Deferred tax assets	86	27	113
Total assets	14'196	1'681	15'877
Liabilities			
Liabilities and accrued liabilities	798	99	897
Financing liabilities (vender loan)	7'265	1'716	8'981
Provisions	50	10	60
Total liabilities	8'113	1'825	9'938

12. 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.

13. Subsequent events

There are no further subsequent events to be reported.