Consolidated semi-annual financial statements of Peach Property Group (Deutschland) GmbH 2012 in line with IAS 34

Content

Consolidated income statement

in TEUR	Note	1st half-year ended June 30	
		2012	**2011**
Income from lease of investment property	**6**	1'481	0
Net change in fair value of investment properties	**6**	5'224	0
Income from development and construction management services		1'017	1'077
Other operating income		131	263
Operating income		**7'853**	**1'340**
Expenses from lease of investment property		-198	0
Personnel expenses		-548	-715
Sales and marketing expenses		-246	-331
Other operating expenses		-780	-337
Depreciation and amortisation		-14	-14
Operating expenses		**-1'786**	**-1'397**
Operating profit / (loss)		**6'067**	**-57**
Financial income	**7**	209	28
Financial expenses	**7**	-1'527	-44
Profit / (loss) before income taxes		**4'749**	**-73**
Income taxes	**8**	-1'370	27
Profit / (loss) for the year		**3'379**	**-46**
Profit / (loss) attributable to:			
- Owners of the parent		3'379	-46

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

Consolidated statement of comprehensive income

TEUR	1st half-year ended June 30 2012	2011
Profit / (loss) for the year	**3'379**	**-46**
Total comprehensive income for the year	**3'379**	**-46**
Total comprehensive income attributable to:		
- Owners of the parent	**3'379**	**-46**

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

Consolidated balance sheet

in TEUR	Note	30.06.2012	31.12.2011
Assets			
Current Assets			
Cash and cash equivalents		6'847	4'411
Trade receivables		383	851
Other receivables		5'358	3'714
Prepaid Expenses		163	57
Total current assets		**12'751**	**9'033**
Non-current assets			
Investment properties	6	41'127	11'467
Advances for investment properties		0	2'049
Equipment		52	64
Intangible assets		5	7
Other financial assets		19	0
Deferred tax assets	8	722	411
Total non-current assets		**41'925**	**13'998**
Total Assets		**54'676**	**23'031**

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

Consolidated balance sheet

in TEUR	Note	30.06.2012	31.12.2011
Liabilities			
Current liabilities			
Accounts payable		490	407
Other payables		8'308	8'564
Accrued expenses		190	254
Current income tax liabilities		194	122
Current mortgages	9	649	166
Current provisions		43	35
Total current liabilities		**9'874**	**9'548**
Non-current Liabilities			
Non-current mortgages	9	28'830	8'106
Non-current loans	10	7'930	2'669
Other financial liabilities	7	375	0
Deferred tax liabilities	8	2'550	970
Total non-current liabilities		**39'685**	**11'745**
Equity			
Share capital		25	25
Share premium		430	430
Retained earnings		4'662	1'283
Total shareholders' equity		**5'117**	**1'738**
Total liabilities and shareholders' equity		**54'676**	**23'031**

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

Consolidated statement of cash flows

		1st half-year ended June 30	
in TEUR	**Note**	**2012**	**2011**
Profit before income taxes		4'749	-73
Adjustments for:			
Revaluation investment property	**6**	-5'224	0
Depreciation and amortisation		14	14
Interest income	**7**	-190	-28
Interest expenses	**7**	1'152	44
Other non-cash effective items		-125	0
Changes in provisions		8	29
Fair value adjustment derivatives	**7**	356	0
Changes in working capital			
Trade receivables		468	22
Other receivables		2'059	-142
Prepaid expenses		-99	21
Accounts payables		84	83
Other payables		-968	-165
Accrued expenses		-564	-122
Interest paid		-498	0
Taxes paid		-29	0
Net cash generated from operating activities		**1'193**	**-317**
Purchase of investment property	**6**	-24'436	0
Purchases of equipment		0	-16
Purchases of intangible assets		0	-7
Short term loan granted to related party		-1'642	-1'509
Interest received		143	0
Cash flow from investment activities		**-25'935**	**-1'532**

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

Consolidated statement of cash flows

		1st half-year ended June 30	
in TEUR	**Note**	**2012**	**2011**
Proceeds from issuance of bond	**10**	5'400	0
Cost related to the issuance of the bond	**10**	-403	0
Sale of own bonds	**10**	263	0
Proceeds from mortages	**9**	21'299	0
Proceeds from short term loans from related parties		711	1'649
Repayment of loans		-92	0
Cash flow from financing activities		**27'178**	**1'649**
Increase / (decrease) in cash		**2'435**	**-200**
Cash at the beginning of the year		4'411	311
Cash at the end of the year		**6'847**	**111**

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

Consolidated statement of changes in shareholders' equity

in TEUR	attributable to equity holders of the company Share capital	Share premium	Retained earnings	Total
Balance at 1 January 2011	**25**	**405**	**-294**	**136**
Comprehensive income for the period				
Loss for the period			-46	-46
Total comprehensive income for the period	**0**	**0**	**-46**	**-46**
Total transactions with owners	**0**	**0**	**0**	**0**
Balance at 30 June 2011	**25**	**405**	**-340**	**90**

in TEUR	attributable to equity holders of the company Share capital	Share premium	Retained earnings	Total
Balance at 1 January 2012	**25**	**430**	**1'283**	**1'738**
Comprehensive income for the period				
Profit for the period			3'379	3'379
Total comprehensive income for the period	**0**	**0**	**3'379**	**3'379**
Total transactions with owners	**0**	**0**	**0**	**0**
Balance at 30 June 2012	**25**	**430**	**4'662**	**5'117**

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) GmbH and its subsidiaries (the Group) are a provider of development and construction management services in the luxury segment. Business operations cover the entire cycle from acquisition to sale of properties. These services are rendered mostly to related Group companies outside the Group's consolidation scope. Going forward the Group will also develop its own projects. The Group further holds high-yielding investment properties, which are managed actively.

With respect to the development properties, the Group is involved in the development of premium locations in Berlin and Hamburg.

The parent company is Peach Property Group (Deutschland) GmbH (formerly Johanna Beteiligungsverwaltungs GmbH 118), Im Zollhafen 24, 50578 Cologne. Peach Property Group (Deutschland) GmbH was founded in September 2008, is registered since September 2009 under its current name under the register number HRB 67091.

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

2. Basis of preparation

This condensed consolidated interim financial information for the half-year ended 30 June 2012 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 2011, which have been prepared in accordance with IFRSs.

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 2011, except as described under changes in accounting policies in the first half-year 2012.

Changes in accounting policies in the first half-year 2012

Peach has adopted the following new and amended IFRS standards and interpretations for the first half-year 2012:

- IFRS 7 (amendment) – Financial instuments: Disclosures: transfer of financial instruments
- Amendments to IAS 12 – deferred tax: recovery of underlying assets

The adoption of the new and amended standards and interpretations had no significant impact on these consolidated financial statements.

3. Changes in 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 applied to the consolidated financial statements for the year ended 31 December 2011.

4. Financial risk management

4.1 Financial risk factors

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

The principles and compliance of risk management is monitored by the Audit and Risk Committee as well as the Board of Directors of Peach. Risk management focuses on the identification, description, management, monitoring and control of risks of defaults, interest rates, foreign currencies and liquidity.

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 2011.

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

Market risks

a) Foreign exchange risk

The Group is not exposed to foreign exchange risk as most of its activities are based in Germany. Loans received from and payables to related parties (group companies outside the consolidation scope) are denominated in EUR. The current set up led to no foreign exchange gains or losses in the current and prior reporting period.

b) Interest rate risk

The Group’s interest rate risk is deemed to be low. Fixed interest rates in the amount of 3% are received on short term loans granted to related parties, short term loans from related parties bear an equal interest rate. Mortgages on investment properties bear different terms. The Group entered into fixed-rate mortgages (Munster) as well as variable-rate mortgages (Erkrath Retail/Erkrath Wohnen), whereas the interest rate for the latter is hedged by using derivative financial instruments (Cap/Swap – no hedge accounting in line with IAS 39 is applied). The interest rate payable on the bond amounts to 6.6%.

in TEUR	**30.06.2012**	**31.12.2011**
Financial assets, interest rate up to 3%	2'435	2'852
Financial assets, interest rate up to 6%	766	676
Total interest bearing financial assets	**3'201**	**3'528**
Financial liabilities, interest rate up to 3.00%	29'005	6'993
Financial liabilities, interest rate up to 4.00%	8'180	8'272
Financial liabilities, interest rate up to 7.00%	9'109	3'536
Total interest bearing financial liabilities	**46'294**	**18'801**

Interest rate sensitivity of financial instruments with fixed rates

Peach does not record any fixed-rate financial instruments at fair value. Consequently, a change in interest rates would have no impact on the statement of comprehensive income.

Interest rate sensitivity of financial instruments with variable rates

An increase/decrease of the interest rate by 0.5% for the mortgages on investment properties (see note 9) would have a negative/positive impact on the interest expenses of TEUR 76/TEUR -76. The calculation is based on carrying values of the financial instruments at the balance sheet date taking into consideration the Group tax rate of 28.5%.

Credit risk

Default risk is the risk that a client or a counterparty of a financial instrument is not able to pay their contractual obligations which would result in financial loss for the Group. Default risks are mainly related to trade receivables and cash and cash equivalents.

To minimise default risks related to cash and cash equivalents, the company has invested its short-term bank accounts with top rated, high quality financial institutions (at least Rating BBB+).

The maximum default risk corresponds to the carrying amounts of the individual financial assets amounting to TEUR 12’587 at 30 June 2012 (31 December 2011: 8’976), of which TEUR 4’403 (31 December 2011: TEUR 2’852) represent short term receivables from group companies outside the consolidation scope. The default risk on those amounts is considered to be remote. A detailed overview of financial instruments is provided in Note 3.4.

Liquidity risk

The liquidity risk is the risk that Peach cannot settle its financial obligations when they fall due. The future liquidity development is analysed by means of rolling cash flow forecasts which are continuously updated.

The following table shows the contractual due dates of the Group’s financial liabilities. The table does not include the short term liabilities (current accounts) towards group companies of Peach not included in the consolidation scope (TEUR 7’706, 31 December 2011 TEUR 6’993) since these amounts are considered to be equity under a total Group (PEACH) consideration:

in TEUR	**0 - 3 months**	**4 - 6 months**	**7 - 12 months**	**1 - 2 Years**	**3 - 7 years**	**Total**
30 June 2012						
Accounts payables	102	48	-57	0	0	**93**
Other payables	315	59	229	0	0	**602**
Current mortgages	359	359	713	0	0	**1'431**
Non-current mortgages	0	0	0	2'555	29'379	**31'934**
Bond	0	601	0	1'202	10'011	**11'814**
31 December 2011						
Accounts payables	296	111	0	0	0	**407**
Other payables	1'291	34	246	0	0	**1'571**
Current mortgages	0		166	0	0	**166**
Non-current mortgages	0	0	301	461	9'260	**10'022**
Bond	0	0	233	233	4'119	**4'585**

4.2 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 trade receivables and accounts payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes 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.

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).

The following table presents the Group’s assets and liabilities that are measured at fair value at 30 June 2012:

in TEUR	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets at fair value trought profit or loss				
- Derivative instruments		19		19
Liabilities				
Financial assets at fair value trought profit or loss				
- Derivative instruments		375		375

No assets and liabilities that are measured at fair value were held in the financial year 2011.

4.3 Categories of financial instruments

The following table shows the carrying amounts of all financial instruments for each category:

in TEUR	**30.06.2012**	**31.12.2011**
Loans and receivables		
Cash and cash equivalents	6'847	4'411
Trade receivables	383	851
Other receivables	5'358	3'714
	12'587	**8'976**
Financial liabilities recorded at amortised cost		
Accounts payables	490	407
Other payables	8'308	8'564
Current mortgages	649	166
Non-current mortgages	28'830	8'106
Non-current loans	7'930	2'669
	46'207	**19'912**
Financial instruments at fair value though profit and loss		
Other financial assets	19	0
Other financial liabilities	375	0

5. 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 in the Company and the total Pach Group.

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. Property development 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 (group companies outside the Group’s consolidation scope) that acquire the services of the Group for the development or construction of their objects.

6. Investment properties

Investment property	Book value 30.06.2012	Book value 31.12.2012	Number of flats	Net rental income HY ended 30.06.2012	Gross margin *
Munster, D-Munster	11'467	11'467	376	588	10.30%
Erkrath Wohnen, D-Erkrath-Hochdahl	12'370	0	142	423	7.50%
Erkrath Retail, D-Erkrath-Hochdahl	17'290	0	1	470	8.40%
Total	**41'127**	**11'467**	**519**	**1'481**	

* Actual rental income (net excl. utilities/incidental costs) as a proportion of the average value of the property

(in TEUR)	**30.06.2012**	**31.12.2011**
Fair value at 1 January	**11'467**	**0**
Costs		
Amount at 1 January	8'926	0
Additions from purchases	24'436	8'926
Accumulated costs at 30 June / 31 December	**33'362**	**8'926**
Fair value adjustments		
Total at 1 January	2'541	0
Increase in fair value	5'224	2'541
Accumulated changes in fair value at 30 June / 31 December	**7'765**	**2'541**
Fair value at 30 June / 31 December	**41'127**	**11'467**

Portfolio Erkrath Wohnen GmbH, a fully owned subsidiary of Peach Property Group (Deutschland) GmbH, acquired a residential and commercial property in Erkrath-Hochdahl with a publicly notarized sale agreement. The acquisition price amounted to TEUR 12’072. The project is funded from Stadtsparkasse Düsseldorf in the amount of TEUR 11’500 (see note 9). Under the same purchase agreement, Portfolio Erkrath Retail GmbH, also a fully owned subsidiary of Peach Property Group (Deutschland) GmbH, acquired a commercial property in Erkrath. The acquisition price amounted to TEUR 11’028. The project is also funded through Stadtsparkasse Düsseldorf with a volume of TEUR 10’000 (see note 9). The sales areas are rented until 31 August 2018. For both properties risks and rewards were transferred to the buyer on 3 February 2012. In the amount of EUR 1.3m direct acquisition cost were capitalized.

Fair value gains in the amount of TEUR 593 for Portfolio Erkrath Retail and TEUR 4'631 for the Portfolio Erkrath Wohnen were realized based on the independent real estate expert's valuation per half year ended June 2012. The sales price for the property was below its market value, as the vendor had strategic reasons to exit the real estate business and was looking for an immediate sale.

The income and expenses from the lease of investment property were as follows:

(in TEUR)	1st half-year ended June 30	
	2012	**2011**
Target income from lease of investment property	1'564	0
Reduction (vacancy, write offs)	-83	0
Income from lease of investment property	1'481	0
Expenses from lease of insvestment property	-198	0

7. Financial income and expenses

	1st half-year ended June 30	
in TEUR	**2012**	**2011**
Financial expenses		
Interest expenses	-1'035	-44
Valuation loss derivative instruments	-375	0
Other financial expenses	-117	0
Total	**-1'527**	**-44**
Financial income		
Interest income	190	28
Valuation profit derivative instruments	19	0
Total	**209**	**28**

Interest expenses relate mostly to interest paid for the bond (TEUR 296) as well as the mortgages for the investment portfolios Munster (TEUR 132), Erkrath Wohnen (TEUR 244) and Erkrath Retail (TEUR 250). Interest expenses in the amount of TEUR 113 (prior period TEUR 44) were paid to related parties.

Derivative instruments were used to eliminate the volatility of the variable rated mortages for the Erkrath Retail (Cap) and Erkrath Wohnen (Swap) portfolios.

Other finance expenses mostly relate to transaction costs that are expensed to the income statement over contract period of the bond.

Interest income is mostly related to accrued interest on the bond (TEUR 141) as well as interest from related parties (TEUR 29).

8. Income and deferred taxes

	1st half-year ended June 30	
in TEUR	**2012**	**2011**
Current income taxes	-101	-38
Deferred income taxes	-1'269	65
Income taxes	**-1'370**	**27**

(in TEUR)	**30.06.2012**	**31.12.2011**
Deferred tax assets:		
- Deferred tax assets to be recovered > 12 months	722	411
Total	**722**	**411**
Deferred tax liabilities:		
- Deferred tax liabilities to be recovered > 12 months	2'550	970
Total	**2'550**	**970**

The increase in deferred income taxes was mostly triggered by the fair value adjustment of the investment portfolios in Erkrath and the transaction cost that have been deducted in the course of the issuance of the bond that lead to deferred tax liabilities in the amount of TEUR 1’443 and TEUR 114. The increase of the deferred tax assets is related to the capitalization of losses carried forward.

9. Mortgages

(in TEUR)	**30.06.2012**	**31.12.2011**
Portfolio Munster, Munster	8'180	8'272
Portfolio Erkrath Retail, Erkrath-Hochdahl	9'875	0
Portfolio Erkrath Wohnen, Erkrath-Hochdahl	11'424	0
Total mortgages	**29'479**	**8'272**
thereof		
current	649	166
non-current	28'830	8'106

The Group entered in a mortgage agreement with a contract period of 3 years in the amount of EUR 10m for the Portfolio Erkrath Retail, bearing interest rates of EURIBOR + 1.75%. At the same time the Group entered into a Cap agreement limiting the variable total interest charge to 3.4%.
Related to the acquisition of the Portfolio Erkrath Wohnen a further mortgage agreement in the amount of EUR 11.5 with a contract period of 7 years and interest rates of EURIBOR + 1.5% was concluded together with Swap contract fixing the interst rates at 3.39%.

10. Loans

On 18 July 2011 Peach Property Group (Deutschland) GmbH, Cologne issued a bond with a 5-year period with a volume up to to TEUR 50’000 carrying an interest rate of 6.6% p.a. due at each 31 December and with final payment as at 30 June 2016. As per the end of the subscription period an amount of EUR 10.3m was received.

(in TEUR)	**30.06.2012**	**31.12.2011**
Bonds issued	7'930	2'669
Total	**7'930**	**2'669**

Bonds issued	9'338	4'028
thereof bonds held by the Group	-229	-492
Total	9'109	3'536
Total deducted transaction cost	-1'375	-973
Total amortised transaction cost	196	106
Net amount bonds issued	**7'930**	**2'669**

11. Assets pledged as collateral for own commitments

(in TEUR)	**30.06.2012**	**31.12.2011**
Investment properties	41'127	11'467

The investment properties were effectively pledged for a liability in the amount of TEUR 29’479 (note 6 and 9).

In connection with the the mortgages all rental income from the related investment property portfolios as well as the balance from the bank giro accounts set up for future investments grant aside with the asset pledged for the borrowed amounts.

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

On 21 August 2012 Peach Property Group (Deutschland) GmbH has acquired a portfolio of mainly commercially used properties with a publicly notarized sale agreement. Risk and reward is expected to pass by the end of September 2012 subject to all contract conditions being fulfilled by this date. The purchase price for the portfolio amounted to TEUR 1'500 and was fully funded by the Company. The portfolio consists of 1 small office building with approximately 2'700 sqm rentable space and with rental income amounting to approximately TEUR 140 p.a.. Additionally a landmarked building with approximately 15'000 sqm rentable space was acquired that is currently vacant. The Group envisages refurbishing this building over the next months in a mostly residential property with selected commercial spaces. It is the intention of the Group to keep the acquired buildings in its investment property portfolio for the foreseeable future. The market value of the portfolio amounts to TEUR 3'358, based on a preliminary assessment of a third party valuation expert. The purchase price for the property is below its current market value, as the vendor had strategic reasons to exit the real estate business and was looking for an immediate sale.

On 4 September 2012 Peach Property Projekt III GmBH, a 100% subsidiary of Peach Property Group (Deutschland) GmBH has acquired 2'659 sqm of prime building land in Berlin Mitte by means of notarized sales and purchase agreement. The Group intends to develop roughly 100 new residential condominiums with an approximate sales area of around 7'600 sqm on the plot. The purchase price for the land amounts to TEUR 5'200 of which TEUR 350 have been paid as non-recoverable down-payment to secure the land. The remainder of the purchase price is due at 15 November 2012 at the latest. The market value of the land amounts to TEUR 6'446, based on a preliminary assessment of a third party valuation expert. The Group intends to finance the acquisition and following development by means of own funds coupled with additional bank financing. For the latter, a firm term-sheet of a renowned financial institute is available, providing for an acquisition and planning facility of up to TEUR 3'500. The maximum own funds required until start of the construction under this agreement is TEUR 3'000.