PHOENIX SPREE

Living Berlin

Interim Report 2018

PMM.

Introduction

Phoenix Spree Deutschland is an investment company founded in 2007 and listed on the London Stock Exchange. It is a long term investor in Berlin rental property, committed to improving the quality of accommodation to its customers.

Over the past 11 years, the Company has assembled an attractive portfolio of real estate assets which the Directors believe offers investors the potential for both reliable income as well as capital growth.

PMM Partners has acted as the Property Advisor since the Company's inception. It has an experienced team of property professionals with long-standing experience of the German residential property market.

www.phoenixspree.com

At a Glance

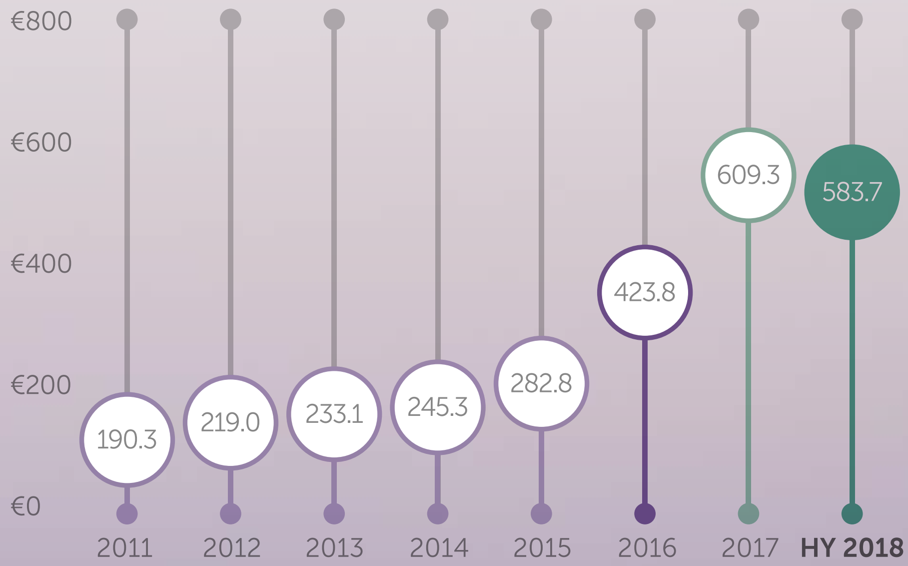
Phoenix Spree is a long term investor in Berlin residential rental property, committed to improving the quality of accommodation to our customers. The Company acquires and manages Berlin residential property and, since 2008, the aggregate value of the Portfolio (including the assets of sister fund PSPF) has risen from €167.8 million to €583.7 million as at 30 June 2018.

Since listing on the Main Market of the London Stock Exchange in June 2015, the Company has increased the Berlin focus of the Portfolio through a combination of carefully selected Berlin acquisitions and non-core disposals. Following the sale of our Central & Northern German portfolio, which completed in the first half of 2018, Phoenix Spree is now effectively a pure-play Berlin fund. The Portfolio mainly consists of classic 'Altbau' properties which were built before 1914. Typically, these five-storey buildings contain between 20 and 40 units, consisting of one to three-bedroom apartments, often with shops on the ground floor. PMM Partners has acted as property advisor and has an experienced team of property and investment professionals with an established record in the German residential property market.

Reported like-for-like property portfolio valuation increase

+5.4%

six months to 30 June 2018



Properties	Usable space (sqm)	Commercial units	Residential units
93	178k	152	2,322

Highlights of the Year

Financial highlights

- Annualised like-for-like rental income up 11.4% to €14.5 million (six months to 30 June 2017: €13.1 million).
- Following the sale of Nuremberg & Fürth and Northern German portfolios, reported gross rental income of €9.1 million (six months to 30 June 2017: €9.5 million).
- Strong like-for-like rent per sqm growth of 9.9% (six months to 30 June 2017 5.0%).
- EPRA NAV per share up 2.9% in H1 2018 to €4.23 per share (31 December 2017: €4.11).
- EPRA NAV per share total return in H1 2018 of 4.1% (six months to 30 June 2017: 23.7%). Adjusting for the one-off movement in tax relating to the North German disposal from deferred to current, and the separately identified non-recurring costs, underlying total shareholder return was 5.2%.
- Profit before tax down 69.3% year-on-year to €19.4 million (six months to 30 June 2017 €63.1 million), due to lower net valuation gains after exceptionally strong prior year.
- Net loan to value of 25.8% at 30 June 2018 (31 December 2017: 31.6%). Average debt maturity now exceeds 8.1 years, with average interest rate of 2.1%.
- Increased first half dividend of €2.35 cents (GBP 2.1 pence), up 3.1% year-on-year (30 June 2017: €2.28 cents (GBP 2.0 pence)).

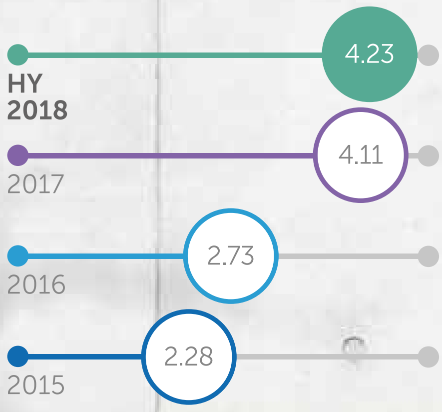
Operational highlights

- Like-for-like Portfolio value, adjusting for impact of acquisitions net of disposals, increased by 5.4% in H1 2018. Berlin like-for-like increase of 5.3% in H1 2018.
- Aggregate reported Portfolio value decreased by 4.2% to €583.7 million (31 December 2017: €609.3 million), reflecting impact of previously announced North German asset disposals.
- EPRA vacancy declined to 2.8% (30 June 2017: 3.7%).
- Condominium sale completions up 9.2% to €5.7 million (six months to 30 June 2017: €5.2 million). Average achieved value per sqm of €4,477 on sold units, a 34.9% premium to Berlin average value per sqm at 30 June 2018, based on Jones Lang LaSalle valuation.
- Investment of €3.4 million in Berlin renovations and modernisations during H1 2018, a new six-month high.
- Significant embedded value remains within the Portfolio: new leases in Berlin signed at an average 40.6% premium to passing rents.

EPRA NAV/share

€4.23

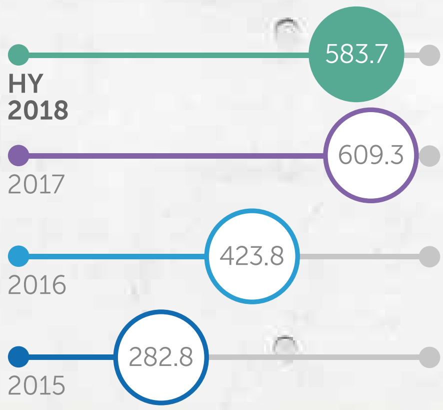
+2.9% six months to June 30 2018



Portfolio value

€583.7m

-4.2% six months to 30 June 2018



Dividend

2.35c

+3.1% year-on-year

Transition to pure-play Berlin portfolio now complete

- Targeted acquisition and disposal strategy has created a focused Berlin portfolio, offering potential for greater economies of scale.
- Disposal of Central and Northern Germany portfolio completed in April 2018 for €73.0 million, a 26% premium to the Jones Lang LaSalle valuation as at 30 June 2017.
- Contracts to acquire 173 units notarised in H1 2018 for an aggregate value of €27.6 million, representing an average price per sqm of €2,423.
- As at 25 September, contracts to acquire a further 37 units notarised for an aggregate value of €6.5 million, representing an average price per sqm of €2,230.

Outlook

- Berlin demographic trends remain favourable with continuing population growth and job creation, a supply-demand imbalance of available rental stock and a high cost of new-build.
- Yield compression in the Berlin market is expected to moderate, after a multi-year period of declining property yields.
- Significant potential remains in the Portfolio to create value through reversionary letting and condominium sales.
- Potential for further value enhancing acquisitions, helped by strong balance sheet with long-term fixed rate debt and low interest rates.

Profit before tax
€19.4m
-69.3% year-on-year

Rent on new lettings (per sqm)
€11.7
+18.6% year-on-year

EPRA vacancy
2.8%

Rent per sqm
€8.4
+9.9% like-for-like six months to 30 June 2018

Invested in modernisations
€3.4m
+13% year-on-year

Condominium sales notarised
€6.1m
+56% year-on-year

Chairman's Statement

Following an exceptionally strong performance in 2017, I am pleased to report that the Company has made further progress during the first half of the current financial year.

Phoenix Spree has continued to deliver best in class rental growth versus its listed peers. The Berlin Portfolio, which has also grown through the acquisition of selective properties, registered additional underlying valuation gains and further progress was made with our condominium programme. During the first six months of the year, the value of the Portfolio increased by 5.4% on a like-for-like basis and the EPRA NAV total return per share was 4.1%.

The Company has repositioned its geographic focus through a combination of disposals of properties outside Berlin, all at a premium to trailing book value, and a Berlin-focused acquisition programme. Following completion of the disposal of the Northern German portfolio in April 2018, Phoenix Spree is now fully focused on the Berlin residential market, offering scope for greater economies of scale, such as the consolidation of service contracts. The balance sheet remains strong and, notwithstanding significant competition for properties which fit the Company's strict acquisition criteria, there is scope for further Berlin acquisitions during the remainder of the year.

Following a number of years of rapid property price inflation, yield compression in the Berlin market is expected to moderate, although the strong demographic trends that have fuelled the growth of Berlin's residential market remain in place. Demand for available rental property continues to outstrip supply and acquisition prices for existing residential property remain below the cost of construction.

This undersupply, combined with an ongoing reinvestment programme to improve the overall quality of our living accommodation, has created significant future embedded value within the Berlin Portfolio. This was evidenced in the first half of the year by new leases which continue to be signed at a premium to in-place rents and condominium sales completed at a premium to our average rental property valuations.

The City of Berlin continues to afford rental tenants protections among the highest in the Western world and, following the creation of the new Grand Coalition, additional proposals aimed at bolstering tenant protection are being proposed. Phoenix Spree has always operated, and is committed always to operate, within the regulatory framework and the Company's strategy will evolve to ensure compliance at all times.

The Company also recognises that its environmental and social responsibilities are intrinsically linked to the success and sustainability of the business. To this end, a Corporate Responsibility Committee has been established to oversee the implementation of our "Better Futures" plan, reporting to the Board and advising on Corporate Responsibility-related issues. We look forward to communicating our plans and progress to shareholders during the second half of the year.

The Board continues to view the prospects for the Berlin property market with optimism and remains confident that the Company's active asset management strategy will deliver further capital growth and dividend income to its investors. As previously disclosed, following the disposal of the North German portfolio the Company's portfolio is almost entirely focused on Berlin, where rental yields have historically been lower than in other parts of Germany. The dividend is paid from the operating cash flows including the disposal proceeds from condominium projects, but these are necessarily less predictable than cash flows from rentals. Bearing all these factors in mind, the Board is pleased to declare a dividend of €2.35 cents (£2.1 pence) per share for the first half of the year, an increase of 3.1 % over the comparable period in 2017, which is expected to be paid on or around 19 October 2018 to shareholders on the register on 5 October 2018.

Robert Hingley
Chairman
26 September 2018

Operational & Financial Review

On a like-for-like basis, excluding the impact of acquisitions net of disposals, the portfolio value increased by 5.4% during the six months to 30 June 2018. This increase primarily reflects market growth in rental values, assisted by the Company's active asset management strategy.

Financial highlights

€ million (unless otherwise stated)	6 months to 30 June 2018	6 months to 30 June 2017	Year to 31 December 2017
Gross rental income	9.1	9.5	18.1
Investment property fair value gain	21.7	70.1	157.4
Profit before tax (PBT)	19.4	63.1	138.5
Reported EPS (€)	0.16	0.55	1.21
Investment property value	583.7	519.7	609.3
Net debt	150.5	164.3	195.1
Net LTV	25.8%	31.6%	32.0%
IFRS NAV per share (€)	3.74	3.16	3.96
IFRS NAV per share (£)	3.31	2.78	3.52
EPRA NAV per share (€)	4.23	3.34	4.11
EPRA NAV per share (£)	3.74	2.94	3.65
Dividend per share (€ cents)	2.35	2.28	7.3
Dividend per share (£ pence)	2.1	2.0	6.4
EPRA NAV per share total return for period (€)	**4.1%**	**23.7%**	**53.0%**
EPRA NAV per share total return for period (£)	**3.8%**	**26.9%**	**57.1%**

Financial results

Reported revenue for the six-month period was €9.1 million (six months to 30 June 2017: €9.5 million). This decrease reflects the sale of both the Northern German Portfolio in April 2018, and the Nuremberg & Fürth portfolio in June 2017, partially offset by strong like-for-like rent per sqm growth of 9.9%.

The Company has reported a profit before taxation for the period to 30 June 2018 of €19.4 million (six months to 30 June 2017: €63.1 million) which was positively affected by a revaluation gain of €21.7 million (30 June 2017: €70.1 million). Reported earnings per share for the period were €16 cents (six months to 30 June 2017: €55 cents).

The Board is pleased to declare an interim dividend €2.35 cents per share (£2.1 pence per share) for the first half of the year (six months to 30 June 2017: €2.28 cents, £2.0 pence). The dividend is expected to be paid on or around 19 October 2018 to shareholders on the register at close of business on 5 October 2018, with an ex-dividend date of 4 October 2018.

As at 30 June 2018, the Portfolio was valued at €583.7 million (31 December 2017: €609.3 million) by Jones Lang LaSalle GmbH, the Company's external property valuer. This represents a 4.2% decline over the six-month period, following the disposal of assets in Central & Northern Germany.

On a like-for like basis, excluding the impact of acquisitions net of disposals, the portfolio value increased by 5.4%. This increase primarily reflects market growth in rental values, assisted by the Company's active asset management strategy.

Like-for-like portfolio value increase of 5.4%

Market	Berlin (inc. Greater Area)		Baden-Wurttemberg		Total	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017	**30 June 2018**	**30 June 2017**
% of fund by value	99.3	97.7	0.7	2.3	**100.0**	**100.0**
Buildings	92	74	1	2	**93**	**76**
Residential units	2,304	1,890	18	18	**2,322**	**1,908**
Commercial units	141	128	11	24	**152**	**152**
Total units	2,445	2,018	29	42	**2,474**	**2,060**
Total sqm (000)	174.6	147.0	3.6	8.0	**178.2**	**155.0**
Annualised Gross rent (€m)	16.6	12.8	0.4	0.8	**17.0**	**13.6**
Valuation (€m)	579.5	406.3	4.2	9.8	**583.7**	**416.0**
Value per sqm (€)	3,319.1	2,758.0	1,150.5	1,160.0	**3,275.1**	**2,683.9**
Gross rent per sqm (€)	8.3	7.8	11.1	8.6	**8.4**	**7.9**
Fully occupied gross yield %	3.1	3.5	11.0	8.9	**3.1**	**3.6**
Vacancy %	5.4	8.2	13.3	4.4	**5.6**	**8.0**
EPRA Vacancy %	2.9	4.0	0.0	2.0	**2.8**	**3.8**

The valuation as at 30 June 2018 represents an average value per square metre of €3,275 (31 December 2017: €2,853), a gross fully occupied yield of 3.1% (31 December 2017: 3.4%) and a net yield, using EPRA methodology, of 2.6% (31 December 2017 2.8%). Included within the Portfolio as Assets Held for Sale are condominium properties with an aggregate value of €25.7 million (31 December 2017: €29.8 million).

EPRA NAV total return of 4.1% in H1 2018

Reported EPRA NAV per share rose by 2.9% in the first half of 2018 to €4.23 (£3.74) (31 December 2017: €4.11 (£3.65)). After taking into account the 2017 final dividend of €5.0 cents (GBP: 4.4p), which was paid in June 2018, the EPRA NAV total return in the first half of 2018 was 4.1% (H1 2017: 23.7%).

Adjusted for the one-off movement in tax relating to the North German disposal from deferred to current, and the separately identified non-recurring costs, underlying total shareholder return was 5.2%.

Against a backdrop characterised by undersupply of available rental property and population growth in Berlin, the Company's portfolio has continued to deliver strong underlying rental growth. Including the impact of acquisitions and disposals, annualised rental income for the period to 30 June 2018 was €17.0 million. This represents a like-for-like increase of 11.4% compared with the period to 30 June 2017.

Average in place rent was €8.4 per sqm as at 30 June 2018, an increase of 8.8% compared with 30 June 2017. On a like-for-like basis, the increase was 9.9% (year to 30 June 2017: 5.0%).

Accelerating rental growth, falling vacancy

Market	Berlin (inc. Greater Area)		Baden-Wurttemberg		**Total**	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017	**30 June 2018**	**30 June 2017**
Total sqm (000)	174.6	147.0	3.6	8.0	**178.2**	**155.0**
Annualised Gross rent (€m)	16.6	12.8	0.4	0.8	**17.0**	**13.6**
Gross rent per sqm (€)	8.3	7.8	11.1	8.6	**8.4**	**7.9**
Vacancy %	5.4	8.2	13.3	4.4	**5.6**	**8.0**
EPRA Vacancy %	2.9	4.0	0.0	2.0	**2.8**	**3.8**

Berlin reported average rent per sqm was €8.3, an increase of 6.0% compared with 30 June 2017, reflecting underlying like-for-like rental growth, partially offset by the impact of recent acquisitions which typically have lower rental values upon takeover. On a like-for-like basis, the increase in Berlin rent per sqm was 9.3%.

Reported vacancy at 30 June 2018 was 5.6% (30 June 2017: 11.1%). On an EPRA basis, which adjusts for units undergoing development and made available for sale, the vacancy rate was 2.8% (30 June 2017 3.7%). The Berlin EPRA vacancy rate stood at 2.9% in the first half of 2018 (H1 2017: 4.0%).

Berlin new lettings premium over 40%

During the period, 134 new leases were signed, representing a first half letting rate of 5.9% of units. The average rent achieved on new lettings was €11.7 per sqm, an 18.6% increase on the same period in 2017.

The Company continues to re-let units at a substantial premium to in-place rents. During the first six months of 2018, new leases were signed at an average premium of 40.6% to passing rents. The Company believes this uplift illustrates the significant embedded opportunity for continued future rental growth within the Portfolio, particularly on recently acquired buildings which frequently have a historical investment backlog.

Acquisitions & Disposals

Since listing on the Main Market of the London Stock Exchange in June 2015, the Company has been progressively transitioning its geographic focus with the aim of creating a larger, Berlin-focused portfolio offering greater economies of scale. This has involved the disposal of non-Berlin assets, all at a premium to trailing book value, combined with an ongoing programme of carefully selected Berlin-located acquisitions.

This transition was effectively completed following the sale of the Company's Northern Germany assets in April 2018. This portfolio, initially acquired in 2006/2007 for an aggregate purchase price of €38.7 million, consisted of 34 properties located in Bremen, Hannover, Hildesheim, Verden, Delmenhorst, Kiel, Oldenburg, Lüneburg and Lübeck. The portfolio was sold for a cash consideration of €73.0 million, representing a 26% premium to the Jones Lang LaSalle valuation as at 30 June 2017.

The Company continues to focus on growing its portfolio of Berlin assets and, during the first six months of the financial year, 8 buildings with an aggregate valuation of €27.6 million

"The Company has been progressively transitioning its geographic focus with the aim of creating a larger, Berlin-focused portfolio."

were notarised for acquisition. In total, these buildings represent 173 units (163 residential and 10 commercial), at an average price per sqm of €2,423, and annual fully occupied rent of €1.0 million. The acquired properties offer significant scope for improvement through active asset management and will complement the Group's existing portfolio, adding an initial 5.6% to rental income. As at 25 September, 2018, contracts to acquire a further 37 units in Berlin had been notarised for an aggregate value of €6.5 million, representing an average price per sqm of €2,230.

Acquisitions have been financed using a combination of debt and equity, with a target loan-to-value ratio of approximately 50%. Following completion of all acquisitions and disposals notarised to date, Berlin represents over 99% of the Company's portfolio value on a pro-forma basis.

Portfolio enhancements

The Company takes its responsibilities towards its tenants very seriously and has continued to invest in the Portfolio in order to improve the overall standard of accommodation. During the first half of 2018, a total of €3.4 million was invested across the Portfolio (H1 2017 €3.0 million). These items are recorded as capital expenditure in the Financial Statements and a further €0.9 million incurred on repairs and maintenance has been expensed through the profit and loss account.

Rental apartment upgrades include a carefully planned process of modernisation and renovation. Depending on the level of historical underinvestment by previous owners, apartment improvements can involve redecoration, heating system and boiler renewal, new insulation, double glazing, plumbing and flooring, as well as kitchen and bathroom renewal. Communal areas, both indoor and outdoor, are also reviewed for potential improvement where investment has historically been lacking.

Condominium sales remain high

The Company's condominium strategy involves the division and resale of a small number of selected apartment blocks as private units. This is subject to full regulatory approval and involves the legal splitting of the freeholds in properties that have been identified as being suitable for condominium conversion. The process aims to utilise the valuation differential that exists between the market value of a rental unit within a rental block and its resale value as a private apartment. The sales proceeds can be redeployed into improvements in the existing portfolio of rental buildings, further acquisitions, repaying debt and supporting the dividend.

During the first half of 2018, 15 apartments were notarised for sale, with an aggregate value of €6.1 million (30 June 2017 €3.9 million). The average notarised value per sqm achieved was €4,597, representing a 38.5% premium to the 30 June 2018 Berlin Portfolio average of €3,319 per sqm.
Since June, two additional apartments have been notarised for sale for an aggregate value of €0.7 million. Further condominium sales are expected in the second half of the year from programmes that are currently underway and the Company will continue to identify and implement new condominium projects from its existing portfolio of properties. As at 30 June 2018, 42% of properties within the Berlin portfolio had been legally split, providing opportunities for the implementation of further projects where appropriate.

Debt and gearing

As at 30 June 2018, the Company had gross borrowings of €191.4 million (31 December 2017: €222.3 million) and cash balances of €40.9 million (31 December 2017: €27.2 million), resulting in net debt of €150.5 million (31 Dec 2017: €195.1m) and a net loan to value on the portfolio of 25.8% (31 December 2017: 32.0%).
The decrease in gross debt in the period partly results from debt repayments of €43.9 million associated with the sale of properties from the Company's Central and Northern Germany portfolio, and €5.5 million from debt repayments associated with the sale of condominiums.
This was offset by the disbursement of €12.0 million of debt secured against new acquisitions and €7.8 million

equity release against the existing portfolio. The increase in cash balances, and resulting fall in net loan to value, reflects the cash received from the sale of the Northern Germany portfolio in Q2 2018, net of relevant loan repayments and loan disbursements.

All of the Group's debt has been refinanced within the past two years, providing stable, long-term, low-cost funding. Nearly all loans have fixed interest rates and, as at 30 June 2018, the blended interest rate of the Company's loan book was 2.1% (30 June 2017: 1.9%). The average remaining duration of the loan book at 30 June 2018 had increased to 8.1 years (30 June 2017: 6.3 years).

Since 30 June 2018, the Group has disbursed €1.2 million debt secured against a new acquisition and is currently in the process of arranging new debt to be secured against recent and currently notarised acquisitions.

Funds that have been made available to the Group by way of equity release or through disposals are used to invest in the existing portfolio and to fund new acquisitions. Although currently well funded, the Group will continue to assess its financing options for growth, including debt, equity and joint ventures.

Outlook

The recent trend towards trade protectionism has begun to affect global growth forecasts and the German economy has not been immune. In May 2018, the European Commission had predicted that the German economy would expand by 2.3 per cent this year, but this has since been moderated to 1.9 per cent, with a similar rate of growth predicted for 2019. However, Berlin's economic growth prospects are relatively insulated from the impact of global protectionism. The City of Berlin is less reliant on the manufacturing sector, which is likely to bear the brunt of any escalation in trade protectionism. The Berlin economy is largely dominated by the service sector, representing over 80% of all employment, with a strong emphasis on education, research, business services, telecommunications, cultural and creative industries and health services. Although downsized since reunification, the public sector still accounts for the majority of jobs.

Whilst the wider economic outlook has become less certain, demographic trends within Berlin remain supportive. The population continues to grow, although net immigration has fallen below the peak levels seen in the years since 2011, which averaged c.47,000 new arrivals each year, compared to an estimated 40,000 in 2017. This growth continues to increase demand for rental apartments, whilst supply is set to remain constrained by lack of available land, a shortage of new build permits and high new-build construction costs. Therefore, significant reversionary potential within the portfolio should remain, offering the potential for further growth in rental values and protection against any deceleration in the Berlin market rent levels.

With 84% of all Berlin residents renting, tenants have always enjoyed a high level of protection. Berlin's regional government authority is continuing to explore ways of controlling market rental growth. More recently, this has included additional measures to restrict the partitioning and resale of rental blocks as condominiums and a small number of instances where Berlin districts have implemented a first right of refusal to purchase rental blocks when they become available for sale on the open market. Phoenix Spree has always operated, and is committed always to operate, within the regulatory framework and the Company's strategy will evolve to ensure compliance at all times with all applicable property laws.

The Company also recognises its wider responsibility to demonstrate to shareholders that it is operating responsibly, managing its social and environmental impacts for the benefit of all stakeholders. Following a thorough review of how sustainability is managed within our business our "Better Futures" Corporate Responsibility Plan has been developed. This will provide a framework to measure existing activities better while adding new initiatives to improve our overall sustainability.

From a governance perspective, a CR Committee has been established to oversee the implementation of the Better Futures plan reporting on progress to the Board and advising on CR related material issues. It is anticipated that our CR strategy will be fully implemented throughout our business operations by the fourth quarter of the year and the Company looks forward to communicating this strategy in more detail to our stakeholders in its 2018 Annual Report.

The Board remains confident that the Company's active asset management strategy should continue to generate growth in rental income and property values during the second half of the year, supported by selected additions to the portfolio and further condominium projects.

Key Performance Indicators

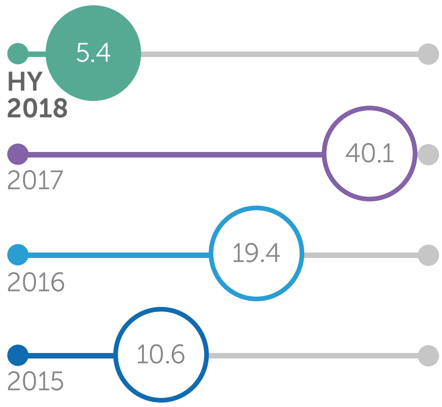
The Company has chosen a number of Key Performance Indicators (KPIs), which the Board believes may help investors understand the performance of the Company and the underlying property portfolio.

In the six months to 30 June 2018:

- The value of the property portfolio grew by 5.4% on a like-for-like for basis. This increase was driven by modest yield compression and an increase in like-for-like average rent per let sqm of 9.9% (H1 2017: 5.0%).
- The EPRA vacancy of the Portfolio at 30 June 2018 stood at 2.8% (30 June 2017: 3.7%).
- The Group continued with its targeted condominium programme, agreeing sales of €6.1 million in the half year to 30 June 2018 (H1 2017: €3.9 million).
- EPRA NAV per share increased by 2.9 % to €4.23 as at 30 June 2018 (30 December 2017 €4.11).
- The declared dividend for the half year 2018 was €2.35 cents (2.1 pence) per share, an increase of 3.1% in Euro terms (H1 2017 €2.28 cents (2.0 pence) per share).

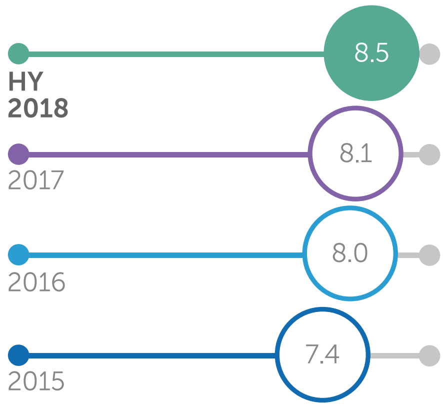
Like-for-like property portfolio value growth

5.4%



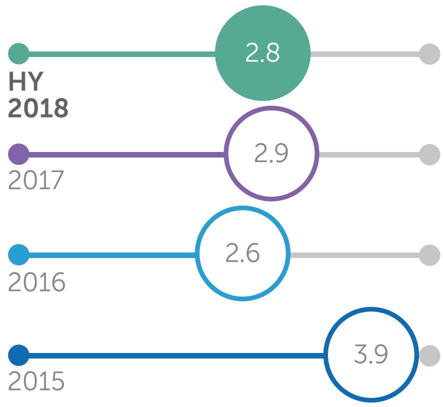
Like-for-like portfolio rent per sqm

€8.5



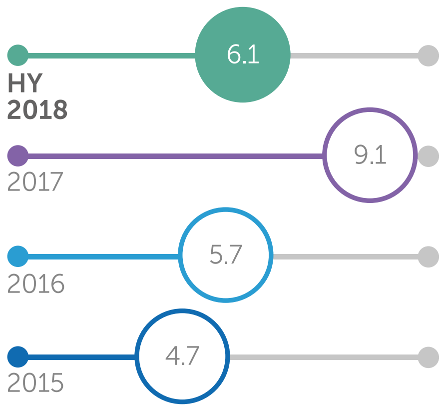
EPRA vacancy

2.8%



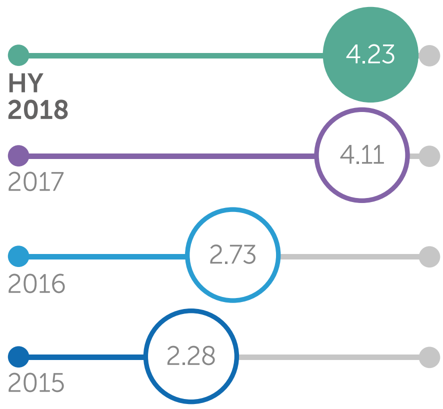
Condominium sales

€6.1m



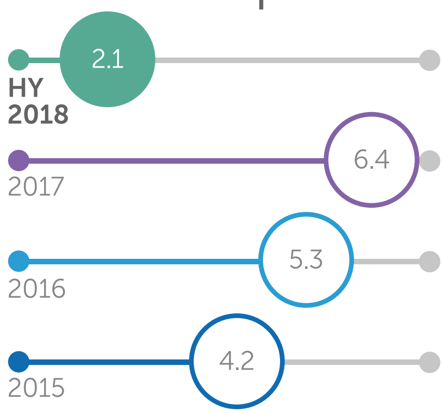
EPRA NAV per share

€4.23



Dividend per share

2.1p



Forward Looking & Responsibility Statements

Forward looking statements

The interim management report contains certain forward-looking statements in respect of Phoenix Spree Deutschland Limited and the operation of its subsidiaries. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that may or may not occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. Nothing in this announcement should be construed as a profit forecast.

Responsibility statement

We confirm that to the best of our knowledge;

(a) the condensed set of financial statements, which has been prepared in accordance with the applicable set of accounting standards, gives a true and fair view of the assets, liabilities, financial position and profit and loss of the Group, included in the consolidation as a whole as required by DTR 4.2.4R;

(b) the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';

(c) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and their impact on the condensed set of financial statements and description of principal risks and uncertainties for the remaining six months of the year); and

(d) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board of Directors

Robert Hingley
Non-executive Director and Chairman
26 September 2018

Condensed Consolidated Statement of Comprehensive Income

For the period from 1 January 2018 to 30 June 2018

Continuing operations	Notes	**Six months ended 30 June 2018 (unaudited) €'000**	Six months ended 30 June 2017 (restated) (unaudited) €'000	Year ended 31 December 2017 (audited) €'000
Revenue		**9,128**	9,489	18,080
Property expenses (restated – see note 2.1)	5	**(4,522)**	(3,786)	(7,000)
Gross profit		**4,606**	**5,703**	**11,080**
Administrative expenses	6	**(1,315)**	(1,397)	(2,967)
Gain on disposal of investment property (including investment property held for sale)	8	**592**	767	5,319
Investment property fair value gain	13	**21,677**	70,084	157,374
Performance fee due to property advisor	21	**(103)**	(10,653)	(26,339)
Non-recurring costs	7	**(785)**	–	–
Operating profit		**24,672**	**64,504**	**144,467**
Net finance charge	9	**(5,314)**	(1,406)	(5,995)
Profit before taxation		**19,358**	**63,098**	**138,472**
Income tax expense	10	**(3,861)**	(11,833)	(26,150)
Profit after taxation		**15,497**	**51,265**	**112,322**
Other comprehensive income		**–**	–	–
Total comprehensive income for the period		**15,497**	**51,265**	**112,322**
Total comprehensive income attributable to:				
Owners of the parent		**15,352**	50,998	111,538
Non-controlling interests		**145**	267	784
		15,497	**51,265**	**112,322**
Earnings per share attributable to the owners of the parent:				
From continuing operations				
Basic (€)	23	**0.16**	0.55	1.21
Diluted (€)	23	**0.16**	0.52	1.11

Condensed Consolidated Statement of Financial Position

At 30 June 2018

	Notes	As at 30 June 2018 (unaudited) €'000	As at 30 June 2017 (unaudited) €'000	As at 31 December 2017 (audited) €'000
ASSETS				
Non-current assets				
Investment properties	13	557,930	436,226	502,360
Property, plant and equipment		96	55	92
Deferred tax asset	10	708	370	527
Loans and receivables	15	2,380	2,282	2,323
		561,114	438,933	505,302
Current Assets				
Investment properties – held for sale	14	25,740	83,504	106,897
Trade and other receivables	16	6,122	12,893	10,001
Cash and cash equivalents		40,872	32,876	27,182
		72,734	129,273	144,080
Total assets		**633,848**	**568,206**	**649,382**
EQUITY AND LIABILITIES				
Current liabilities				
Borrowings	17	3,115	2,793	2,646
Trade and other payables	18	938	37,108	2,119
Current tax	10	2,874	19	2,914
		6,927	39,920	7,679
Non-current liabilities				
Borrowings	17	188,247	194,404	219,648
Derivative financial instruments	19	4,474	2,336	3,333
Other financial liabilities	20	6,509	4,696	5,663
Non-current tax	10	3,721	–	–
Deferred tax liability	10	45,472	33,572	45,117
		248,423	235,008	273,761
Total liabilities		**255,350**	**274,928**	**281,440**
Equity				
Stated capital	22	196,578	162,630	162,630
Share based payment reserve	21	103	18,267	33,953
Retained earnings		179,947	111,173	169,634
Equity attributable to owners of the parent		376,628	292,070	366,217
Non-controlling interest		1,870	1,208	1,725
Total equity		**378,498**	**293,278**	**367,942**
Total equity and liabilities		**633,848**	**568,206**	**649,382**

Condensed Consolidated Statement of Changes in Equity

For the period from 1 January 2018 to 30 June 2018

	Attributable to the owners of the parent					
	Stated capital €'000	Share based payment reserve €'000	Retained earnings €'000	Total €'000	Non-controlling interest €'000	Total equity €'000
Balance at 1 January 2017	**162,630**	**7,614**	**64,074**	**234,318**	**941**	**235,259**
Comprehensive income:						
Profit for the period	–	–	50,998	**50,998**	267	**51,265**
Other comprehensive income	–	–	–	**–**	–	**–**
Total comprehensive income for the period	**–**	**–**	**50,998**	**50,998**	**267**	**51,265**
Transactions with owners – recognised directly in equity:						
Dividends paid	–	–	(3,899)	**(3,899)**	–	**(3,899)**
Performance fee	–	10,653	–	**10,653**	–	**10,653**
Balance at 30 June 2017 (unaudited)	**162,630**	**18,267**	**111,173**	**292,070**	**1,208**	**293,278**
Comprehensive income:						
Profit for the period	–	–	60,540	**60,540**	517	**61,057**
Other comprehensive income	–	–	–	**–**	–	**–**
Total comprehensive income for the period	**–**	**–**	**60,540**	**60,540**	**517**	**61,057**
Transactions with owners – recognised directly in equity:						
Dividends paid	–	–	(2,079)	**(2,079)**	–	**(2,079)**
Performance fee	–	15,686	–	**15,686**	–	**15,686**
Balance at 31 December 2017 (audited)	**162,630**	**33,953**	**169,634**	**366,217**	**1,725**	**367,942**
Comprehensive income:						
Profit for the period	–	–	15,352	**15,352**	145	**15,497**
Other comprehensive income	–	–	–	**–**	–	**–**
Total comprehensive income for the period	**–**	**–**	**15,352**	**15,352**	**145**	**15,497**
Transactions with owners – recognised directly in equity:						
Issue of shares	33,948	(33,948)	–	**–**	–	**–**
Dividends paid	–	–	(5,039)	**(5,039)**	–	**(5,039)**
Performance fee	–	103	–	**103**	–	**103**
Adjustment to performance fee	–	(5)	–	**(5)**	–	**(5)**
Balance at 30 June 2018 (unaudited)	**196,578**	**103**	**179,947**	**376,628**	**1,870**	**378,498**

The share based payment reserve had been established in relation to the issue of shares for the payment of the performance fee of the property advisor. Settlement was made on 4 May 2018.

Condensed Consolidated Statement of Cash Flows

For the period from 1 January 2018 to 30 June 2018

	Six months ended 30 June 2018 (unaudited) €'000	Six months ended 30 June 2017 (unaudited) €'000	Year ended 31 December 2017 (audited) €'000
Profit before taxation	**19,358**	63,098	138,472
Adjustments for:			
Net finance charge	**5,314**	1,406	5,995
Gain on disposal of investment property	**(592)**	(767)	(5,319)
Investment property revaluation gain	**(21,677)**	(70,084)	(157,374)
Depreciation	**8**	11	23
Performance fee charge	**103**	10,653	26,339
Operating cash flows before movements in working capital	**2,514**	4,317	8,136
Decrease/(increase) in receivables	**1,865**	(5,362)	(3,048)
(Decrease)/increase in payables	**(1,154)**	607	788
Cash generated from operating activities	**3,225**	(438)	5,876
Income tax paid	**(6)**	–	(50)
Net cash generated from operating activities	**3,219**	(438)	5,826
Cash flow from investing activities			
Proceeds on disposal received in advance	**–**	35,170	–
Proceeds on disposal of investment property	**84,263**	9,063	60,436
Interest received	**–**	106	103
Capital expenditure on investment property	**(3,403)**	(2,950)	(6,715)
Property additions	**(31,180)**	(31,037)	(76,486)
Additions to property, plant and equipment	**(12)**	(26)	(75)
Net cash generated from/(used in) investing activities	**49,668**	10,326	(22,737)
Cash flow from financing activities			
Interest paid on bank loans	**(3,221)**	(3,161)	(5,080)
Repayment of bank loans	**(50,723)**	(31,771)	(117,712)
Drawdown on bank loan facilities	**19,791**	43,365	154,414
Dividends paid	**(5,039)**	(3,899)	(5,978)
Net cash (used in)/generated from financing activities	**(39,192)**	4,534	25,644
Net increase in cash and cash equivalents	**13,695**	14,422	8,733
Cash and cash equivalents at beginning of period/year	**27,182**	18,450	18,450
Exchange (losses)/gains on cash and cash equivalents	**(5)**	4	(1)
Cash and cash equivalents at end of period/year	**40,872**	**32,876**	**27,182**

Reconciliation of Net Cash Flow to Movement in Debt

For the period from 1 January 2018 to 30 June 2018

	Six months ended 30 June 2018 €'000	Six months ended 30 June 2017 €'000	Year ended 31 December 2017 €'000
Cashflow from (decrease)/increase in debt financing	(30,932)	11,605	36,702
Change in net debt resulting from cash flows	(30,932)	11,605	36,702
Movement in debt in the period/year	(30,932)	11,605	36,702
Debt at the start of the period/year	222,294	185,592	185,592
Debt at the end of the period/year	191,362	197,197	222,294

Dividends paid during the six months to 30 June 2018 represent the final year dividend relating to the year end 2017.

Notes to the Condensed Consolidated Financial Statements

For the period from 1 January 2018 to 30 June 2018

1. General information

The Group consists of a Parent Company, Phoenix Spree Deutschland Limited ('the Company'), incorporated in Jersey, Channel Islands and all its subsidiaries ('the Group') which are incorporated and domiciled in and operate out of Jersey, Guernsey and Germany. Phoenix Spree Deutschland Limited is listed on the premium segment of the Main Market of the London Stock Exchange.

The Group invests in residential and commercial property in Germany.

The registered office is at 13-14 Esplanade, St Helier, Jersey, JE1 1EE, Channel Islands.

2. Basis of preparation

The interim set of condensed consolidated financial statements has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34 Interim Financial Reporting as adopted by the European Union.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2017.

As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, the financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 December 2017.

The comparative figures for the financial year ended 31 December 2017 are extracted from but do not comprise, the Group's annual financial statements for that financial year.

The interim condensed consolidated financial statements were authorised and approved for issue on 27 September 2018.

The interim condensed consolidated financial statements are neither reviewed nor audited, and do not constitute statutory accounts within the meaning of Section 105 of the Companies (Jersey) Law 1991.

2.1 Change of accounting policy

The performance fee payable to the property manager had previously been disclosed in property expenses. Due to this fee being linked to the fair value increase, it is now presented separately in the condensed consolidated statement of comprehensive income with a restatement of the prior year figures. This has resulted in a reduction of Property Expenses in June 2017 by €10.653 million. The change of policy has no effect on reported profit.

2.2 Going concern

The interim condensed consolidated financial statements have been prepared on a going concern basis which assumes the Group will be able to meet its liabilities as they fall due for the foreseeable future. The Directors have prepared cash flow forecasts which show that the cash generated from operating activities will provide sufficient cash headroom for the foreseeable future.

2.3 New standards and interpretations

No new standards, amendments or interpretations effective for annual periods beginning on or after 1 January 2018 had an impact on the Group. This includes the adoption of IFRS 15 – 'Revenue from contracts with customers' which became mandatory for accounting periods commencing on or after 1 January 2018.

The following relevant new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning on 1 January 2018, as adopted by the European Union, and have not been early adopted:

Title	As issued by the IASB, mandatory for accounting periods starting on or after
IFRS 16 Leases	Accounting periods beginning on or after 1 January 2019

The Directors have considered that the adoption of this standard in future periods will have no material impact on the financial statements of the Group. The impact of IFRS 16 removes the differentiation between financial and operational leases with regard to the Lessee party. As the Group is the lessor in their contractual arrangements IFRS 16's approach is substantially unchanged from its predecessor, IAS 17.

3. Critical accounting estimates and judgements

The preparation of condensed consolidated financial statements in conformity with IFRS requires the Group to make certain critical accounting estimates and judgements. In the process of applying the Group's accounting policies, management has decided the following estimates and assumptions have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial year;

i) Estimate of fair value of investment properties

The best evidence of fair value is current prices in an active market of investment properties with similar leases and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources, including:

a) Current prices in an active market, and its third party independent experts, for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences.

b) Recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

c) Discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

For further information with regards to the movement in the fair value of the Group's investment properties, refer to the management report on pages 4 to 9.

ii) Judgment in relation to the recognition of assets held for sale

Management has assumed the likelihood of investment properties – held for sale, in that they will be sold within 12 months, in accordance with the requirement of IFRS 5. Management considers that based on historical and current experience that the properties can be reasonably expected to sell within 12 months.

4. Segmental information

Information reported to the Board of Directors, which is the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance is focused on the different revenue streams that exist within the Group. The Group's principal reportable segments under IFRS 8 are therefore as follows:

– Residential
– Commercial

All revenues are earned in Germany with property and administrative expenses incurred in Jersey, Guernsey and Germany.

30 June 2018 (unaudited)	Residential €'000	Commercial €'000	Unallocated €'000	**Total €'000**
Investment properties	497,674	60,256	–	**557,930**
Loans and receivables	–	–	2,380	**2,380**
Investment properties – held for sale	22,960	2,780	–	**25,740**
Other assets	42,550	5,152	96	**47,798**
Liabilities	(234,220)	(11,747)	(9,383)	**(255,350)**
Net assets	**328,964**	**56,441**	**(6,907)**	**378,498**

	Residential €'000	Commercial €'000	Unallocated €'000	**Total €'000**
Revenue	8,142	986	–	**9,128**
Property expenses	(4,034)	(488)	–	**(4,522)**
Administrative expenses	–	–	(1,315)	**(1,315)**
Gain on disposal of investment property	592	–	–	**592**
Investment property fair value gain	19,336	2,341	–	**21,677**
Performance fee	–	–	(103)	**(103)**
Non-recurring costs	–	–	(785)	**(785)**
Operating profit	**24,036**	**2,839**	**(2,203)**	**24,672**
Net finance charge				**(5,314)**
Income tax expense				**(3,861)**
Profit for the period				**15,497**

31 December 2017 (audited)	Residential €'000	Commercial €'000	Unallocated €'000	**Total €'000**
Investment property	444,488	57,872	–	**502,360**
Loans and receivables	–	–	2,323	**2,323**
Investment properties – held for sale	94,582	12,315	–	**106,897**
Other assets	33,366	4,344	92	**37,802**
Liabilities	(265,020)	(7,843)	(8,577)	**(281,440)**
Net assets	**307,416**	**66,688**	**(6,162)**	**367,942**

	Residential €'000	Commercial €'000	Unallocated €'000	**Total €'000**
Revenue	15,997	2,083	–	**18,080**
Property expenses	(6,194)	(806)	–	**(7,000)**
Administrative expenses	–	–	(2,967)	**(2,967)**
Gain on disposal of investment property	5,319	–	–	**5,319**
Investment property fair value gain	139,245	18,129	–	**157,374**
Performance fee	–	–	(26,339)	**(26,339)**
Operating profit	**154,367**	**19,406**	**(29,306)**	**144,467**
Net finance charge				**(5,995)**
Income tax expense				**(26,150)**
Profit for the period				**112,322**

4. Segmental information continued

30 June 2017 (unaudited)	Residential €'000	Commercial €'000	Unallocated €'000	**Total €'000**
Investment properties	368,306	67,920	–	**436,226**
Loans and receivables	–	–	2,282	**2,282**
Investment properties – held for sale	70,502	13,002	–	**83,504**
Other assets	38,955	7,184	55	**46,194**
Liabilities	(228,141)	(42,072)	(4,715)	**(274,928)**
Net assets	**249,622**	**46,034**	**(2,378)**	**293,278**

	Residential €'000	Commercial €'000	Unallocated €'000	**Total €'000**
Revenue	8,012	1,477	–	**9,489**
Property expenses (restated – see note 2.1)	(1,538)	(2,248)	–	**(3,786)**
Administrative expenses	–	–	(1,397)	**(1,397)**
Gain on disposal of investment property	767	–	–	**767**
Investment property fair value gain	59,172	10,912	–	**70,084**
Performance fee (restated – see note 2.1)	–	–	(10,653)	**(10,653)**
Operating profit	**66,413**	**10,141**	**(12,050)**	**64,504**
Net finance charge				**(1,406)**
Income tax expense				**(11,833)**
Profit for the period				**51,265**

5. Property expenses

	30 June 2018 (unaudited) €'000	30 June 2017 (restated) (unaudited) €'000	31 December 2017 (audited) €'000
Property management expenses	517	572	1,079
Repairs and maintenance	897	599	1,433
Impairment charge – trade receivables	101	182	41
Other property expenses	278	406	238
Property advisors' fees and expenses	2,729	2,027	4,209
	4,522	**3,786**	**7,000**

6. Administrative expenses

	30 June 2018 (unaudited) €'000	30 June 2017 (unaudited) €'000	31 December 2017 (audited) €'000
Secretarial & administration fees	402	330	901
Legal & professional fees	658	754	1,045
Directors' fees	88	76	148
Audit and accountancy fees	231	246	894
Bank charges	10	11	56
Loss/(profit) on foreign exchange	1	(4)	20
Depreciation	8	11	23
Other income	(83)	(27)	(120)
	1,315	**1,397**	**2,967**

Legal and professional fees include €165,000 of costs related to value add activities such as splitting assets in the district land registry, and legal fees required to do this.

7. Non-recurring costs

Non-recurring costs relate to legal and professional fees incurred during a significant transaction which was considered by the Board but not pursued totalling €785,000 (December 2017: €nil, June 2017: €nil).

8. Gains on disposal of investment property (including investment property held for sale)

	30 June 2018 (unaudited) €'000	30 June 2017 (unaudited) €'000	31 December 2017 (audited) €'000
Net proceeds	82,707	9,063	61,652
Book value of disposals	(81,847)	(8,140)	(55,117)
Disposal costs	(268)	(156)	(1,216)
	592	**767**	**5,319**

Net proceeds include Condominium sales of €5,661,000, yielding a gross profit of €860,000 at previous balance sheet valuation before taking into consideration disposal costs.

Where there has been a partial disposal of a property, the net book value of the asset sold is calculated on a per square metre rate, based on the prior period or interim valuation.

9. Net finance charge

	30 June 2018 (unaudited) €'000	30 June 2017 (unaudited) €'000	31 December 2017 (audited) €'000
Interest income	(27)	(77)	(116)
Interest from partners' loans	(57)	(29)	(57)
Loss/(gain) on interest rate swap	1,141	(2,533)	(1,535)
Interest payable on bank borrowings	3,221	2,403	5,080
Finance arrangement fee amortisation	190	536	550
Finance charge on redemption liability	846	1,106	2,073
	5,314	**1,406**	**5,995**

10. Income tax expense

	30 June 2018 (unaudited) €'000	30 June 2017 (unaudited) €'000	31 December 2017 (audited) €'000
The tax charge for the period is as follows:			
Current tax charge	3,687	11	2,940
Adjustment in respect of prior year	–	–	–
Deferred tax charge – origination and reversal of temporary differences	174	11,822	23,210
	3,861	**11,833**	**26,150**

The tax charge for the year can be reconciled to the theoretical tax charge on the profit in the income statement as follows:

	30 June 2018 €'000	30 June 2017 €'000	31 December 2017 €'000
Profit before tax on continuing operations	19,358	63,098	138,472
Tax at German income tax rate of 15.8% (2017: 15.8%)	3,059	9,969	21,879
Income not taxable	(94)	(121)	(840)
Recognition of timing differences on acquisition	–	–	–
Tax effect of expenses that are not deductible in determining taxable profit	896	1,985	5,111
Total tax charge for the year	**3,861**	**11,833**	**26,150**

10. Income tax expense continued

Reconciliation of current tax liabilities

	30 June 2018 €'000	30 June 2017 €'000	31 December 2017 €'000
Balance at beginning of period/year	2,914	24	24
Tax paid during the period/year	(6)	(16)	(50)
Current tax charge	3,687	11	2,940
Balance at end of period/year	6,595	19	2,914

Reconciliation of deferred tax

	Capital gains on properties €'000 Asset	Interest rate swaps €'000 Asset	Total €'000 Net asset
Balance at 1 January 2017	(22,150)	770	(21,380)
Charged to the statement of comprehensive income	(11,422)	(400)	(11,822)
Deferred tax (liability)/asset at 30 June 2017	**(33,572)**	**370**	**(33,202)**
Charged to the statement of comprehensive income	(11,545)	157	(11,388)
Deferred tax (liability)/asset at 31 December 2017	**(45,117)**	**527**	**(44,590)**
Charged to the statement of comprehensive income	(355)	181	(174)
Deferred tax (liability)/asset at 30 June 2018	**(45,472)**	**708**	**(44,764)**

11. Investment property fair value gain

	30 June 2018 (unaudited) €'000	30 June 2017 (unaudited) €'000	31 December 2017 (audited) €'000
Investment property fair value gain	21,677	70,084	157,374

Further information on investment properties is shown in note 13.

12. Dividends

	30 June 2018 (unaudited) €'000	30 June 2017 (unaudited) €'000	31 December 2017 (audited) €'000
Dividends on participating shares proposed for approval (not recognised as a liability at 30 June 2018)			
Proposed interim dividend for the year ended 31 December 2018 of €2.35c (2.10p) (2017: €2.28c (2.00p)) per share	2,368	2,108	–
Proposed final dividend for the year ended 31 December 2017 of €5.00c (4.40p) (2017: €4.30c (3.70p)) per share	–	–	5,038
Amounts recognised as distributions to equity holders in the period:			
Interim dividend for the year ended 31 December 2017 of €2.28c (2.00p) (2016: €1.92c (1.6p)) per share	–	–	2,079
Final dividend for the year ended 31 December 2017 of €5.00c (4.4p) (2016: €4.30c (3.7p)) per share	5,039	3,899	–

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these condensed consolidated financial statements. The proposed dividend is payable to all shareholders on the Register of Members on 5 October 2018. The total estimated dividend to be paid is 2.1p per share. The payment of this dividend will not have any tax consequences for the Group.

13. Investment properties

	30 June 2018 (unaudited) €'000	30 June 2017 (unaudited) €'000	31 December 2017 (audited) €'000
Fair Value			
Balance at beginning of period/year	609,257	423,799	423,799
Capital expenditure	3,403	2,950	6,715
Property additions	31,180	31,037	76,486
Disposals	(81,847)	(8,140)	(55,117)
Fair value gain	21,677	70,084	157,374
Investment properties at fair value – as set out in the report by JLL	583,670	519,730	609,257
Assets considered as "Held for Sale" (Note 14)	(25,740)	(83,504)	(106,897)
Balance at end of period/year	**557,930**	**436,226**	**502,360**

The property portfolio was valued at 30 June 2018 by the Group's independent valuers, Jones Lang LaSalle GmbH ('JLL'), in accordance with the methodology described below. The valuations were performed in accordance with the current Appraisal and Valuation Standards, 8th edition (the 'Red Book') published by the Royal Institution of Chartered Surveyors (RICS).

The valuation is performed on a building-by-building basis and the source information on the properties including current rent levels, void rates and non-recoverable costs was provided to JLL by the Property Advisors PMM Partners (UK) Limited. Assumptions with respect to rental growth, adjustments to non-recoverable costs and the future valuation of these are those of JLL. Such estimates are inherently subjective and actual values can only be determined in a sales transaction.

Having reviewed the JLL report, the Directors are of the opinion that this represents a fair and reasonable valuation of the properties and have consequently adopted this valuation in the preparation of the condensed consolidated financial statements.

The valuations have been prepared by JLL on a consistent basis at each reporting date and the methodology is consistent and in accordance with IFRS which requires that the 'highest and best use' value is taken into account where that use is physically possible, legally permissible and financially feasible for the property concerned, and irrespective of the current or intended use.

All properties are valued as Level 3 measurements under the fair value hierarchy (see note 25) as the inputs to the discounted cash flow methodology which have a significant effect on the recorded fair value are not observable.

The unrealised fair value gain in respect of investment property is disclosed in the condensed consolidated statement of comprehensive income as 'Investment property fair value gain'.

Valuations are undertaken using the discounted cash flow valuation technique as described below and with the inputs set out below.

Discounted cash flow methodology (DCF)

The fair value of investment properties is determined using discounted cash flows.

Under the DCF method, a property's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. As an accepted method within the income approach to valuation the DCF method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish the present value of the income stream associated with the real property.

The duration of the cash flow and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related lease up periods, re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of real property.

13. Investment properties continued

Periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net operating incomes, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

The Group categorises all investment properties in the following three ways;

Rental Scenario
Where properties have been valued under the "Discounted Cashflow Methodology" and are intended to be held by the Group for the foreseeable future, they are considered valued under the "Rental Scenario" This will equal the "Investment Properties" line in the Non-Current Assets section of the condensed consolidated statement of financial position.

Condominium scenario
Where properties have the potential or the benefit of all relevant permissions required to sell apartments individually (condominiums) and have received Board approval then we refer to this as a 'condominium scenario' (these assets are considered held for sale under IFRS 5 and can be seen in note 14). The additional value is reflected by using a lower discount rate under the DCF Methodology. Properties which do not have the benefit of all relevant permissions and do not have Board approval for sale, are described as valued using a standard 'rental scenario'.

Disposal Scenario
Where properties have been notarised for sale prior to the condensed consolidated statement of financial position date, but have not completed; they are held at their notarised disposals value. These assets are considered held for sale under IFRS 5 and can be seen in note 14.

The table below sets out the assets valued using these 3 scenarios:

	30 June 2018 €'000	30 June 2017 €'000	31 December 2017 €'000
Rental scenario	557,930	448,622	502,360
Condominium scenario	25,740	25,463	29,847
Disposal scenario	–	45,645	77,050
Total	**583,670**	**519,730**	**609,257**

14. Investment properties – held for sale

	30 June 2018 (unaudited) €'000	30 June 2017 (unaudited) €'000	31 December 2017 (audited) €'000
Fair value – held for sale investment properties			
At beginning of period/year	106,897	27,970	27,970
Transferred from investment properties	–	59,440	88,990
Apartments sold	(81,846)	(8,140)	(11,650)
Valuation gain/(loss) on apartments held for sale	689	4,234	1,587
At end of period/year	**25,740**	**83,504**	**106,897**

Investment properties are re-classified as current assets and described as 'held for sale' in three different situations: Properties notarised for sale at the reporting date, Properties where at the reporting date the group has obtained and implemented all relevant permissions required to sell individual apartment units, and efforts are being made to dispose of the assets (condominium); and Properties which are being marketed for sale but have currently not been notarised.

Properties notarised for sale by the reporting date are valued at their disposal price (disposal scenario), and other properties are valued using the condominium or rental scenarios (see note 13) as appropriate. The table below sets out the respective categories:

	30 June 2018 €'000	30 June 2017 €'000	31 December 2017 €'000
Condominium scenario	25,740	25,463	29,847
Disposal scenario	–	45,645	77,050
	25,740	**83,504**	**106,897**

Investment properties held for sale are all expected to be sold within 12 months of the reporting date based on Management knowledge of current and historic market conditions.

15. Loans and receivables

	30 June 2018 (unaudited) €'000	30 June 2017 (unaudited) €'000	31 December 2017 (audited) €'000
Balance at beginning of period/year	2,323	2,253	2,253
Accrued interest	57	41	70
Loan repayments made in period/year	–	(12)	–
Balance at end of period/year	**2,380**	**2,282**	**2,323**

The Group entered into loan agreements with Mike Hilton and Paul Ruddle, Directors of PMM Partners (UK) Limited, in connection with the acquisition of PSPF in 2015. The loans bear interest at 4% per annum, and have a maturity of less than five years.

The Group also entered into a loan agreement with the minority interest of Accentero Real Estate AG (formerly Blitz B16 – 210 GmbH) in relation to the acquisition of the assets as share deals in 2016. This loan bears interest at 3% per annum.

16. Trade and other receivables

	30 June 2018 (unaudited) €'000	30 June 2017 (unaudited) €'000	31 December 2017 (audited) €'000
Current			
Trade receivables	464	1,135	691
Less: impairment provision	(241)	(565)	(342)
Net receivables	223	570	349
Prepayments and accrued income	4,130	7,203	6,521
Investment property disposal proceeds receivable	408	3,490	2,232
Sundry receivables	1,361	1,630	899
	6,122	**12,893**	**10,001**

Notes to the Condensed Consolidated Financial Statements continued

For the period from 1 January 2018 to 30 June 2018

17. Borrowings

	30 June 2018 (unaudited) €'000	30 June 2017 (unaudited) €'000	31 December 2017 (audited) €'000
Current liabilities			
Bank loans – Kreissparkasse Boblingen District Savings Bank	–	2,793	–
Bank loans – Deutsche Genossenschafts-Hypothekenbank AG	2,134	–	2,020
Bank loans – Berliner Sparkasse	981	–	626
	3,115	2,793	2,646
Non-current liabilities			
Bank loans – Deutsche Genossenschafts-Hypothekenbank AG	124,578	164,023	167,656
Bank loans – Berliner Sparkasse	63,669	30,381	51,992
	188,247	194,404	219,648
	191,362	**197,197**	**222,294**

For further information on borrowings, refer to the management report on page 8.

18. Trade and other payables

	30 June 2018 (unaudited) €'000	30 June 2017 (unaudited) €'000	31 December 2017 (audited) €'000
Trade payables	408	978	1,489
Accrued liabilities	530	363	622
Consideration received in advance on sale of Nurnberg Furth Portfolio	–	35,170	–
Other payables	–	596	–
Tenants deposits	–	1	–
Deferred income	–	–	8
	938	**37,108**	**2,119**

19. Derivative financial instruments

	30 June 2018 (unaudited) €'000	30 June 2017 (unaudited) €'000	31 December 2017 (audited) €'000
Interest rate swaps – carried at fair value through profit or loss			
At beginning of period/year	3,333	4,869	4,869
Loss/(gain) in movement in fair value through profit or loss	1,141	(2,533)	(1,536)
At end of period/year	**4,474**	**2,336**	**3,333**

The notional principal amounts of the outstanding interest rate swap contracts at 30 June 2018 were €200,165,000 (December 2017: €188,165,000, June 2017: €182,948,000). At 30 June 2018 the fixed interest rates vary from 0.402% to 1.07% (December 2017: 0.402% to 0.775%, June 2017: 0.27% to 1.85%) above the main factoring Euribor rate.

Maturity analysis of interest rate swaps	30 June 2018 €'000	30 June 2017 €'000	31 December 2017 €'000
Less than 1 year	–	–	–
Between 1 and 2 years	–	–	–
Between 2 and 5 years	–	1,161	–
More than 5 years	4,474	1,175	3,333
	4,474	**2,336**	**3,333**

20. Other financial liabilities

	30 June 2018 (unaudited) €'000	30 June 2017 (unaudited) €'000	31 December 2017 (audited) €'000
Balance at beginning of period/year	5,663	3,590	3,590
Finance cost on redemption liability	–	1,106	–
Profit share attributable to NCI in PSPF	846	–	2,073
Balance at end of period/year	**6,509**	**4,696**	**5,663**

The redemption liability relates to the put option held by the minority shareholders of PSPF for the purchase of the minority interest in PSPF. The option period starts on 6 June 2020. The amount of the purchase price will be based on the EPRA NAV on the balance sheet date as well as the movement in the EPRA NAV during the year and the proportion of EPRA NAV attributable to the non-controlling interest in PSPF.

A portion of the liability (€980k, December 2017: (€795k), June 2017: (€539k)) is recognised to cover the tax charge of the minority in PSPF on the proceeds received if the put option is exercised.

The recognition of the redemption liability has been accounted for as a reduction in the Non-Controlling Interest with the remainder of the recognition against the Group's retained earnings. Also see the condensed consolidated statement of changes in equity for the recognition accounting.

21. Share based payment reserve

	Performance fee €'000
Balance at 1 January 2017	7,614
Fee charge for the period	10,653
Balance at 30 June 2017	18,267
Fee charge for the period	15,686
Balance at 31 December 2017	33,953
Fee charge for the period	103
Transfer to stated capital – settled by issue of shares	(33,948)
Adjustment to performance fee	(5)
Balance at 30 June 2018	**103**

Property Advisor Fees

The Property Advisor is entitled to an asset and estate management performance fee, measured over consecutive three year periods, equal to 20% of the excess by which the annual EPRA NAV total return of the Group exceeds 8% per annum, compounding (the 'Performance Fee'). The Performance Fee is subject to a high watermark, being the higher of:

(i) the most recently published EPRA NAV on 4 March 2015; and
(ii) the highest previously recorded EPRA NAV total return at the end of a performance period.

The Company's EPRA NAV performance for the three year's ending 31 December 2017 had resulted in a performance fee due under the Property Advisory Agreement to the Property Advisor of €33.948 million. The parties agreed that this performance fee (but not any further performance fees that may become due) shall be settled through the issuance by the Company to the Property Advisor of 8,260,065 new shares in the Company at EPRA NAV per share. 50% of the shares issued in settlement of this fee are subject to a 12-month restriction on disposal. The shares were admitted to trading on the premium segment of the Official List and to trading on the Main Market of the London Stock Exchange on 4 May 2018.

21. Share based payment reserve continued

Under the Property Advisory Agreement for providing property advisory services, the Property Advisor is also entitled to a Portfolio and Asset Management Fee as follows:

(i) 1.50% of the EPRA NAV of the Group where the EPRA NAV of the Group is equal to or less than €250 million; and
(ii) 1.25% of the EPRA NAV of the Group between €250 million and €500 million; and
(iii) 1% of the EPRA NAV of the Group greater than €500 million.

The Property Advisor is entitled to a capex monitoring fee equal to 7% of any capital expenditure incurred by any Subsidiary which the Property Advisor is responsible for managing (the 'Capex Monitoring Fee').

The Property Advisor is entitled to receive a finance fee equal to:

(i) 0.1% of the value of any borrowing arrangement which the Property Advisor has negotiated and/or supervised; and
(ii) a fixed fee of £1,000 in respect of any borrowing arrangement which the Property Advisor has renegotiated or varied.

The Property Advisor is entitled to receive a transaction fee fixed at £1,000 in respect of any acquisition or disposal of property by any Subsidiary.

Details of the fees paid to the Property Advisor are set out in note 26.

22. Stated capital

	30 June 2018 (unaudited) €'000	30 June 2017 (unaudited) €'000	31 December 2017 (audited) €'000
Issued and fully paid:			
40,522,364 participating shares of no par value, issued at a consideration of GBP1 each	60,027	60,027	60,027
5,896,369 participating shares of no par value, issued at a consideration of GBP1.11 each	7,681	7,681	7,681
19,237,484 participating shares of no par value, issued at a consideration of GBP1.46 each	39,052	39,052	39,052
4,216,080 participating shares of no par value, issued at a consideration of GBP1.44 each	8,390	8,390	8,390
22,619,047 participating shares of no par value, issued at a consideration of GBP1.68 each on 4 March 2016, less costs of €1.6 million associated with placing.	47,480	47,480	47,480
8,260,065 participating shares of no par value, issued at a consideration of GBP3.63 each	33,948	–	–
	196,578	**162,630**	**162,630**

The number of shares in issue at 30 June 2018 was 100,751,409 (31 December 2017: 92,491,344, 30 June 2017: 92,491,344).

23. Earnings per share

	30 June 2018 (unaudited)	30 June 2017 (unaudited)	31 December 2017 (audited)
Earnings for the purposes of basic earnings per share being net profit attributable to owners of the parent (€'000)	15,352	50,998	111,538
Weighted average number of ordinary shares for the purposes of basic earnings per share (Number)	95,046,876	92,491,344	92,491,344
Effect of dilutive potential ordinary shares (Number)	26,421	5,471,487	7,677,250
Weighted average number of ordinary shares for the purposes of diluted earnings per share (Number)	95,073,297	97,962,831	100,168,594
Earnings per share (€)	0.16	0.55	1.21
Diluted earnings per share (€)	0.16	0.52	1.11

24. Net asset value per share and EPRA net asset value

	30 June 2018 (unaudited)	30 June 2017 (unaudited)	31 December 2017 (audited)
Net assets (€'000)	376,628	292,070	366,217
Number of participating ordinary shares	100,751,409	92,491,344	92,491,344
Net asset value per share (€)	3.74	3.16	3.96

EPRA net asset value	30 June 2018 (unaudited)	30 June 2017 (unaudited)	31 December 2017 (audited)
Net assets (€'000)	376,628	292,070	366,217
Add back deferred tax assets and liabilities, derivative financial instruments and share based payment reserves (€'000)	49,135	17,271	13,970
EPRA net asset value (€'000)	425,763	309,341	380,187
EPRA net asset value per share (€)	**4.23**	**3.34**	**4.11**

25. Financial instruments

The Group is exposed to the risks that arise from its use of financial instruments. This note describes the objectives, policies and processes of the Group for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout the condensed consolidated financial statements.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Financial assets
- Cash and cash equivalents
- Trade and other receivables
- Trade and other payables
- Borrowings
- Derivative financial instruments

The Group held the following financial assets at each reporting date:

	30 June 2018 €'000	30 June 2017 €'000	31 December 2017 €'000
Loans and receivables			
Trade and other receivables – current	1,992	5,690	3,480
Cash and cash equivalents	40,872	32,876	27,182
Loans and receivables	2,380	2,282	2,323
	45,244	**40,848**	**32,985**

The Group held the following financial liabilities at each reporting date:

	30 June 2018 €'000	30 June 2017 €'000	31 December 2017 €'000
Held at amortised cost			
Borrowings payable: current	3,115	2,793	2,646
Borrowings payable: non-current	188,247	194,404	219,648
Other financial liabilities	6,509	4,696	5,663
Trade and other payables	938	37,108	2,119
	198,809	**239,001**	**230,076**
Fair value through profit or loss			
Derivative financial liability – interest rate swaps	4,474	2,336	3,333
	4,474	**2,336**	**3,333**
	203,283	**241,337**	**233,409**

25. Financial instruments continued

Fair value of financial instruments

With the exception of the variable rate borrowings, the fair values of the financial assets and liabilities are not materially different to their carrying values due to the short term nature of the current assets and liabilities or due to the commercial variable rates applied to the long term liabilities.

The interest rate swap was valued externally by the respective counterparty banks by comparison with the market price for the relevant date.

The interest rate swaps are expected to mature between January 2022 and March 2028.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

During each of the reporting periods, there were no transfers between valuation levels.

Group Fair Values	30 June 2018 €'000	30 June 2017 €'000	31 December 2017 €'000
Financial liabilities			
Interest rate swaps – Level 2	(4,474)	(2,336)	(3,333)

The valuation basis for the investment properties is disclosed in note 13.

26. Related party transactions

Related party transactions not disclosed elsewhere are as follows:

R Prosser, who was a director of the Company until 17 April 2018, is a director of Estera Fund Administrators (Jersey) Limited and Estera Trust (Guernsey) Limited, both of which provide administration services to the Group.

A Weaver, who was a director of the Company until 17 April 2018, is a partner of the Jersey law firm, Appleby which provides legal services to the Group and a member of Appleby group.

During the six month period ended 30 June 2018, an amount of €402,150 (December 2017: €690,165, June 2017: €328,952) was payable to Estera Fund Administrators (Jersey) Limited and Estera Trust (Guernsey) Limited for accounting, administration and secretarial services. At 30 June 2018, €189,818 (December 2017: €215,625, June 2017: €182,222) Estera Fund Administrators (Jersey) Limited only) was outstanding.

During the six month period ended 30 June 2018, an amount of €28,132 (December 2017: €40,044, June 2017: €24,570) was payable to Appleby, law firm for legal and professional services. At 30 June 2018 €nil (December 2017: €nil, June 2017: €2,568) was outstanding.

M Northover was a Director during 2017 and shareholder of PMM Partners (UK) Limited, the Group's appointed Property Advisor. During the six month period ended 30 June 2018, an amount of €2,963,000 (€2,467,275 Management Fees and €495,725 Other expenses and fees) (December 2017: €4,209,000 (€4,110,000 Management fees and €99,000 Other expenses and fees), June 2017: €2,027,000 (€1,908,000 Management fees and €119,000 Other expenses and fees)) was payable to PMM Partners (UK) Limited. At 30 June 2018 €nil (December 2017: €nil, June 2017: €nil) was outstanding.

The Property Advisor is also entitled to an asset and estate management performance fee. The charge for the period in respect of the performance fee was €103,000 (December 2017: €26,339,000, June 2017: €10,653,000). Please refer to note 21 for more details.

The Property Advisor has a controlling stake in IWA Real Estate Gmbh & Co. KG who are contracted to dispose of condominiums in Berlin on behalf of the Company. IWA does not receive a fee from the Company in providing this service.

In March 2015 the Group entered into an option agreement to acquire the remaining 5.2% interest in Phoenix Spree Property Fund GmbH & Co.KG from the remaining partners being M Hilton and P Ruddle both Directors of PMM Partners (UK) Limited. The options are to be exercised on the fifth anniversary of the majority interest acquisition for a period of three months thereafter at the fair value of the remaining interest.

The Group entered into an unsecured loan agreement with M Hilton and P Ruddle in connection with the acquisition of PSPF. At the period end an amount of €770,119 (December 2017: €747,120, June 2017: €727,500) each was owed to the Group. The loans bear interest of 4% per annum.

Dividends paid to Quentin Spicer in his capacity as a shareholder amounted to €1,160.

27. Events after the reporting date

In July 2018, the Company exchanged contracts for the acquisition of an individual property in Berlin with consideration of €3.8 million. The Company also exchanged contracts to acquire a further property in Berlin in August 2018 with consideration of €2.7 million. These properties are due to complete at the end of September 2018.

In September 2018, the Company completed on an acquisition notarised prior to the reporting date with a consideration of €7.8 million.

The Company exchanged contracts for the sale of two condominiums in Berlin with an aggregate consideration of €0.7 million. These condominiums are expected to complete in Q3 2018.

In June 2018, the Company signed debt worth €1.6m secured against a new acquisition in Berlin. €1.2 million of this new facility was drawn in July 2018.

Notes

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