PHOENIX SPREE

Better Futures

Phoenix Spree Interim Report 2021

QSIX

Formerly PMM Group

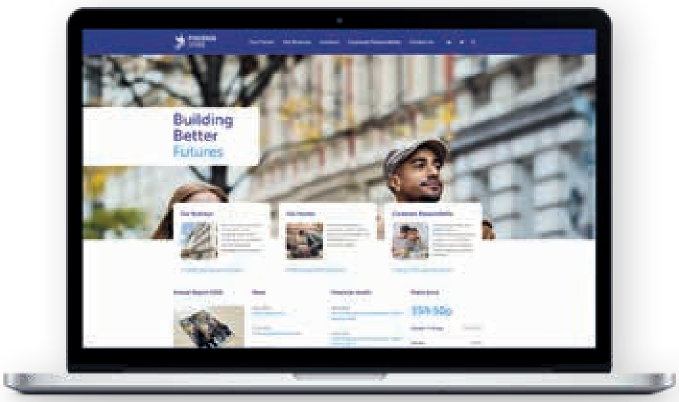
Phoenix Spree Deutschland Limited is an investment company founded in 2007 and listed on the London Stock Exchange. It is a long-term investor in Berlin rental property, committed to improving the quality of accommodation for its customers.

Over the past 15 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.

QSix 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.

Business Review

Financial Statements



Half-Year Financial Summary

Portfolio valuation
(Six months to June 2021)

€777.7m

LFL growth 2.5%

HY 2021	777.7
FY 2020	768.3

Gross rental income[1]
(Six months to June 2021)

€12.9m

Growth 7.3%

HY 2021	12.9
HY 2020	12.0

EPRA NTA per share
(Six months to June 2021)

€5.42

Growth 2.7%

HY 2021	5.42
FY 2020	5.28

Portfolio valuation per sqm
(Six months to June 2021)

€4,075

HY 2021	4,075
FY 2020	3,977

Net LTV[2]
(Six months to June 2021)

33.7%

HY 2021	33.7
FY 2020	33.1

EPRA NTA per share total return
(Six months to June 2021)

3.6%

HY 2021	3.6
FY 2020	3.9

Condominium sales notarised
(Six months to June 2021)

€4.3m

25.4% premium to portfolio value

HY 2021	4.3
HY 2020	3.0

Annual like-for-like rent per sqm growth
(Six months to June 2021)

4.6%

HY 2021	4.6
FY 2020	4.1

Dividend
(Six months to June 2021)

2.35c (2.02p)

HY 2021	2.35
HY 2020	2.35

1 Rental income is disclosed under IAS 18, therefore rent recovered from tenants after the removal of the Mietendeckel is included in the 2021 figures.
2 GBP:EUR FX rate 1:1.163 as at 30 June 2021.
3 Net LTV uses nominal loan balances as per note 16 rather than the loan balance on the Consolidated Statement of Financial Position which consider Capitalised Finance Arrangement Fees in the balance.

Financial and operational highlights

- EPRA NTA per share up 2.7 per cent in H1 2021 to €5.42; EPRA NTA per share total return of 3.6 per cent.
- Like-for-like Portfolio value, adjusted for acquisitions and disposals, increased by 2.5 per cent in H1 2021.
- Like-for-like rental income per sqm increased by 4.6 per cent versus prior year, reflecting the reversionary potential within the portfolio.
  - New Leases in Berlin signed at an average 35.8 per cent premium to passing rents.
- Condominium sales notarised during H1 2021 of €4.3 million, a 45.1 per cent increase versus H1 2020.
  - Average achieved value per sqm of €4,821 for residential units, a 25.4 per cent premium to book value and 18.3 per cent to the Portfolio average value per sqm as at 30 June 2020.
  - 74 per cent of Portfolio assets legally split into condominiums, up from 70 per cent as at 31 December 2020. Applications representing a further 11 per cent of the Portfolio are underway, over half of which are in the final stages of the process.
  - A further €3.9 million of condominium sales notarised in Q3 at an average sales price of €5,655 per sqm.
- New construction project representing seven new residential units underway, with completion expected in early 2022.
- Recognition of commitment to sustainability reporting at EPRA Sustainability Best Practice Recommendations (sBPR) Awards 2021: EPRA sBPR Silver Medal and EPRA sBPR Most Improved Award.

Share buy-backs and dividend

- Following positive Mietendeckel ruling, the Company has adopted a more proactive buyback strategy in order to take advantage of the valuation discount.
- Since proactive share buyback programme announced on 2 June 2021, a further 3.2 per cent of shares in issue have been repurchased to 23 September 2021 at an average discount to trailing EPRA NTA of 12 per cent.
- Discount to EPRA NTA has narrowed from 30 per cent to 12 per cent during the first half of the financial year.
- Unchanged interim dividend of 2.35 cents. Dividend increased or maintained since listing in June 2015.

Update on COVID-19 and Mietendeckel

- Collection of backdated Mietendeckel rents progressing well; as at 23 September 2021 over 91 per cent past due rents collected.
- EPRA vacancy of 1.3 per cent at a record low; reduction in supply of available rental accommodation created by Mietendeckel has yet to be reversed.
- Continued limited impact on rent collection from COVID-19. Over 97 per cent of rents collected during H1 2021, with the collection rate remaining consistent in H2 2021 to date.

Outlook

- Outcome of German election on 26 September remains uncertain, with several coalition permutations possible.
- Long-term Berlin demographic trends expected to remain positive:
  - Decreased availability of rental stock, exacerbated by the recently removed Mietendeckel, continues to support market rents;
  - Net inward migration expected to strengthen when restrictions associated with COVID-19 are permanently removed.
- Potential for further valuation creation through condominium projects and sales – condominium pricing expected to remain strong, particularly for centrally located Berlin apartments.
- Significant reversionary potential underpins future rental growth – increased capex anticipated to drive acceleration in reversionary rental income growth.
- Robust business model, a strong balance sheet and good levels of liquidity mean PSD remains well positioned to reinvest in its Portfolio.
  - The Company continues to monitor the best use of funds to generate shareholder value including, amongst other options, share buy-backs versus potential acquisitions.

"Berlin market dynamics remain positive and affordability comparisons with other German cities are still favourable. Despite the uncertainty ahead of the outcome the German Federal Election, it is expected that Berlin demographic trends, particularly net inward migration, will further strengthen when restrictions associated with COVID-19 are permanently removed. This will provide further support for PSD's reversionary strategies and allow us to continue to deliver value to shareholders."

Robert Hingley
Chairman

Chairman's Statement

"I am pleased to report, that during the first half of the financial year, PSD has delivered further increases in property values and rental revenues."

Robert Hingley
Chairman

As at 30 June 2021, the Portfolio was valued at €777.7 million by Jones Lang LaSalle GmbH, a like-for-like increase of 2.5 per cent since 31 December 2020.

The first six months of the financial year were characterised by significant market disruption caused by the combined effects of COVID-19, the Mietendeckel and its subsequent reversal. Notwithstanding this, the Company was able to deliver a total return per share of 3.6 per cent.

Although the Mietendeckel did not cause transaction values in the Berlin residential property market to fall during the period in which it was in place, equity markets attached a significant risk premium to the valuation of listed Berlin residential property businesses. The removal of the Mietendeckel and the uncertainty it created, combined with our proactive share buyback programme (at an average discount to 2020 yearend NAV of 19.0 per cent over first sixth months of the year) and the notarisation of condominiums for sale (at an average premium to book value of 25.4 per cent over the first six months of the year), has underpinned a positive performance for the Company. Against this backdrop, PSD's share price outperformed the FTSE All-Share index by 16 per cent and the FTSE 350 Real Estate Investment Services Sector by 17 per cent during the first half of the financial year.

The Berlin Mietendeckel

PSD and its legal advisors were always firmly of the opinion that the Mietendeckel was unconstitutional. The Company therefore welcomed the ruling by the German Federal Court on 15 April 2021, that the Mietendeckel was unlawful and should be struck out in its entirety. A more detailed update on the impact of the Mietendeckel is contained within the report of the Property Advisor.

Share buy-backs

Notwithstanding the removal of the Mietendeckel, PSD's shares continued to trade at a material discount to Net Asset Value in the weeks after the court ruling. The Board believed that this discount did not reflect the record and performance of the underlying Portfolio and the positive outlook following the removal of the Mietendeckel. For this reason, on 2 June 2021, the Company announced its intention to adopt a more proactive buyback strategy to take advantage of the valuation discount and to seek to ensure that the share price better reflected the underlying Net Asset Value. A material allocation of capital has been made available to fund the buy-back programme through a combination of existing cash balances, refinancing, condominium sale proceeds and the disposal of non-core assets.

COVID-19

The Company's overriding priority is the health and wellbeing of its tenants, work colleagues and wider stakeholders during what has been a period of significant disruption. Where appropriate, the Company continues to support its tenants, both residential and commercial, through agreeing, on a case-by-case basis, the payment of monthly rents or deferring rental payments.

I am nevertheless pleased to report that the impact of COVID-19 on PSD's rent collection has been very limited, with the level of rent arrears in line with pre-COVID levels. I am confident that, as the current restrictions and disruptions created by COVID-19 recede, PSD will be well placed to continue to deliver its investment objectives. The Company will continue to closely monitor any future potential impacts of COVID-19 on both the Berlin economy and PSD.

Our Environmental, Social and Corporate Governance (ESG) progress

The Board believes that taking a sustainable and socially responsible approach to our business delivers long-term success and benefits for all of our stakeholders. As a member of EPRA, we want to contribute to greater transparency in reporting. Therefore, in 2020, we strengthened our commitment to delivering against our environmental and

social impacts by introducing EPRA's Sustainability Best Practices Recommendations and capturing our ESG measurements within their framework.

I am delighted to report that this commitment has been recognised at the EPRA Sustainability Awards 2021, with PSD receiving both a Silver and Most Improved award in recognition of the Company's commitment to best practice in its reporting. This recognition further encourages us to continue to approach the future in a consistent, ethical, safe and environmentally friendly way.

Our charitable initiatives

PSD takes a strategic approach to its charitable giving which is guided by our Community Investment Policy and focuses on supporting charities where there is a connection with either 'homelessness' or 'families.' Since February 2019, we have provided support to a women's refuge (The Intercultural Initiative) that helps women affected by domestic violence, providing emergency shelter, advice and counselling to the women and their children. I am pleased to report that, during the first half of 2021, PSD has committed to supporting an additional Berlin charity, Laughing Hearts. This charity supports children living in children's homes and social care.

Dividend

The Board is pleased to declare an unchanged interim dividend of 2.35 cents per share (2.02 pence per share) for the first half of the year (six months to 30 June 2020: 2.35 cents, 2.1 pence). The dividend is expected to be paid on or around 29 October 2021 to shareholders on the register at the close of business on 8 October 2021, with an ex-dividend date of 7 October 2021.

Since listing on the London Stock Exchange in June 2015 and including the announced dividend for 2021 and bought-back shares held in treasury up to 23 September 2021, €75.9 million has been returned to shareholders of which €41.8 million relates to dividends and €34.1 million to share buybacks. The Board is committed to continuing to provide shareholders with a secure dividend over the medium term.

Robert Hingley
Chairman
22 September 2021

EPRA Sustainability Awards 2021

Report of the Property Advisor

Federal Court rules against the legality of the Berlin Mietendeckel

On 15 April 2021 the German Federal Constitutional Court, the highest court in Germany, ruled that the Mietendeckel was unlawful and thus void.

The uncertainty created during the period in which the Mietendeckel was in place significantly disrupted the Berlin residential market. One consequence was to reduce significantly the supply of available rental accommodation, as rental stock was withdrawn from the market, causing record-low vacancy rates. This trend has been reflected across PSD's portfolio and has persisted in the months since the Mietendeckel was removed.

Another consequence was to reduce significantly the investment in the stock of Berlin housing. PSD's reversionary rental strategy which, before the introduction of the Mietendeckel, had delivered consistently strong rental growth since listing in 2015, was partly reliant on high levels of capital expenditure which could not be justified under the Mietendeckel rules. The removal of rent controls will allow the Company to restore the level of investment into the Portfolio to pre-Mietendeckel levels.

The Portfolio has continued to demonstrate significant reversionary potential, as evidenced by the fact that, during the first half of the current financial year, new lettings in Berlin were signed at an average premium of 35.8 per cent to passing rents. This reversionary gap should underpin rental growth in the medium term, irrespective of market rental growth. The Company will also continue with its strategy of crystallising condominium reversionary value within the Portfolio through the selective sale of individual units as condominiums at a premium to book value.

Prior to the Mietendeckel ruling, all rental agreements had been structured to revert to pre-Mietendeckel rent levels and to allow for the back-payment of higher rents now legally due for the period during which the Mietendeckel was in place. The Company had previously estimated that the amount of back-dated rent which could be claimed from tenants for the period in which the Mietendeckel was in place to be approximately €2.1 million, of which €0.8 million related to backdated rents from 2020.

As at 30 June, 86 per cent of rents (€1.8 million) had been collected, and; as at 23 September 2021, 92 per cent of rents (€2.0 million) had been collected. Tenants had been advised by the Berlin government to set aside appropriate reserves, and the Company will continue to work on a case-by-case basis with any tenants suffering hardship as it collects the remainder of back-dated rents due.

Financial results

Revenue for the six-month period was €12.9 million (six months to 30 June 2020: €12.0 million). Profit before taxation was €20.4 million (six months to 30 June 2020: €15.3 million) which was positively affected by a revaluation gain of €16.0 million (30 June 2020: €17.0 million), an increase in revenue collected after the removal of the Mietendeckel, a reduction in property and administrative costs and a positive movement in our interest rate swaps. Reported earnings per share for the period were 17 cents (six months to 30 June 2020: 12 cents).

Reported EPRA NTA per share rose by 2.7 per cent in the first half of 2021 to €5.42 (£4.66) (31 December 2020: €5.28 (£4.76)). After taking into account the 2020 final dividend of 5.15 cents (4.65 pence), which was paid in June 2021, the € EPRA NTA total return in the first half of 2021 was 3.6 per cent (H1 2020:

Financial highlights for the six-month period to 30 June 2021

€ million (unless otherwise stated)	**6 months to 30 June 2021**	6 months to 30 June 2020	Year to 31 December 2020	Year to 31 December 2019
Gross rental income	**12.9**	12.0	23.9	22.6
Investment property fair value gain	**16.0**	17.0	41.5	41.5
Profit before tax (PBT)	**20.4**	15.3	37.9	28.6
EPS (€)	**0.17**	0.12	0.31	0.22
Investment property value	**777.7**	746.7	768.3	730.2
Net debt[1]	**261.8**	246.3	254.4	237.8
Net LTV (per cent)[1]	**33.7**	33.0	33.1	32.6
IFRS NAV per share (€)	**4.54**	4.29	4.48	4.23
IFRS NAV per share (£)[2]	**3.90**	3.90	4.04	3.58
EPRA NTA per share (€)	**5.42**	5.06	5.28	4.92
EPRA NTA per share (£)[2]	**4.66**	4.60	4.76	4.16
Dividend per share (€ cents)	**2.35**	2.35	7.5	7.5
Dividend per share (£ pence)[2]	**2.02**	2.1	6.75	6.3
EPRA NTA per share total return for period (€ per cent)	**3.6**	3.9	8.8	9.1
EPRA NTA per share total return for period (£ per cent)	**(1.1)**	11.5	16.0	2.9

1 Net LTV and net debt uses nominal loan balances as per note 16 rather than the loan balances on the Consolidated Statement of Financial Position which consider Capitalised Finance Arrangement Fees in the balance as per IAS 23.

2 GBP:EUR FX rate 1:1.163 as at 30 June 2021.

3.9 per cent). The £ EPRA NTA total return for the same period was -1.1 per cent, reflecting the strengthening of the £ against the € in the first six months of the year.

The Board is pleased to declare an unchanged interim dividend of 2.35 cents per share (2.02 pence per share) for the first half of the year (six months to 30 June 2020: 2.35 cents, 2.1 pence). The dividend is expected to be paid on or around 28 October 2021 to shareholders on the register at the close of business on 8 October 2021, with an ex-dividend date of 7 October 2021.

Like-for-like portfolio value increase of 2.5 per cent

As at 30 June 2021, the Portfolio was valued at €777.7 million (31 December 2020: €768.3 million). This represents a 1.2 per cent increase over the six-month period. On a like-for-like basis, excluding the impact of disposals, the Portfolio value increased by 2.5 per cent. This reflects a reversion to market rents following the removal of the Mietendeckel, further progress in condominium splitting and improvements in the micro locations of certain assets.

Following the ruling of the Federal court, the interim Portfolio valuation undertaken by Jones Lang LaSalle GmbH (JLL) for the half-year ended 30 June 2021, now assumes market (as opposed to Mietendeckel) rents for the full Discounted Cashflow (DCF) period after the Mietendeckel was declared unconstitutional.

The Berlin residential property market has remained stable in the first half of the financial year and, although transaction volumes remained below peak levels, investment demand observed by JLL continues to support increased pricing, reflecting the fact that market participants placed a high probability on the Mietendeckel being struck out. JLL has conducted a RICS Red Book property-by-property analysis and has provided a Portfolio valuation, tied back to comparable market transaction values.

The valuation as at 30 June 2021 represents an average value per square metre of €4,075 (31 December 2020: €3,977), at a gross fully-occupied yield of 2.9 per cent (31 December 2020: 2.4 per cent). Included within the Portfolio are eight properties valued as condominiums, with an aggregate value of €43.4 million (31 December 2020: nine properties, aggregate value €52.4 million).

Portfolio valuation and breakdown

	30 June 2021	30 June 2020	31 December 2020	31 December 2019
Total sqm ('000)	**190.8**	194.5	193.2	195.2
Valuation (€m)	**777.7**	746.7	768.3	730.2
Like-for-like valuation growth (%)	**2.5**	2.6	6.3	7.1
Value per sqm (€)	**4,075**	3,839	3,977	3,741
Fully occupied gross yield (%)	**2.9**	2.8	2.4	2.9
Number of buildings	**97**	98	98	98
Residential units	**2,586**	2,634	2,618	2,537
Commercial units	**139**	141	139	142
Total units	**2,725**	2,775	2,757	2,679

1 Net LTV and net debt uses nominal loan balances as per note 16 rather than the loan balances on the Consolidated Statement of Financial Position which consider Capitalised Finance Arrangement Fees in the balance as per IAS 23.
2 GBP:EUR FX rate 1:1.163.

Rental income and vacancy rate

	30 June 2021	30 June 2020	31 December 2020	31 December 2019
Total sqm ('000)	**190.8**	194.5	193.2	195.2
Gross in place rent per sqm (€)	**9.5**	9.1	9.3	9.0
Like-for-like rent per sqm growth	**4.6**	4.1	4.1	5.6
Vacancy (%)	**7.7**	8.0	6.8	6.7
EPRA Vacancy per cent (%)	**1.3**	4.3	2.1	2.8

Report of the Property Advisor continued

The previous Portfolio valuation for the financial year ended 31 December 2020 had assumed that the Mietendeckel would be fully implemented for its entire five-year lifespan and therefore incorporated the negative impact on rental income caused by the Mietendeckel.

Like-for-like rental income per square metre growth of 4.6 per cent

After considering the impact of acquisitions and disposals, like-for-like rental income per square metre grew 4.6 per cent compared with 30 June 2020. Like-for-like rental income grew 4.3 per cent over the same period.

Gross in-place rent was €9.5 per sqm as at 30 June 2021, an increase of 4.3 per cent compared with 30 June 2020 and an increase of 2.0 per cent on 31 December 2020.

EPRA vacancy at record low

Reported vacancy at 30 June 2021 was 7.7 per cent (30 June 2020: 8.0 per cent). On an EPRA basis, which adjusts for units undergoing development and made available for sale, the vacancy rate was 1.3 per cent (30 June 2020: 4.3 per cent). Although the Mietendeckel has been removed, the decline in the availability of rental property it caused has yet to be reversed.

Berlin reversionary re-letting premium of 35.8 per cent

During the year to 30 June 2021, 102 new leases were signed, representing a letting rate of approximately 4.3 per cent of occupied units. The average rent achieved on all new lettings was €11.7 per sqm, a 7.6 per cent increase on the prior year, and an average premium of 23.5 per cent to passing rents. This compares to an 18.7 per cent premium in the period to 30 June 2020.

The reversionary premium is negatively impacted by the inclusion of re-lettings from the acquisition in Brandenburg in 2020, where rents are lower than those achieved in central Berlin. Looking solely at the Berlin portfolio, which represents 91.5 per cent of total residential lettable space, the reversionary premium achieved was 35.8 per cent, down from 37.0 per cent in the prior period.

Limited impact from COVID-19 on rent collection

The prolonged duration of the COVID-19 outbreak and the restrictions and uncertainty it has caused have had a limited impact on rent collection levels. Excluding collection of back-dated rents, over 97 per cent of rents due had been collected during the first six months of the financial year.

Where appropriate, PSD continues to support its tenants, both residential and commercial, by agreeing, on a case-by-case basis, the payment of monthly rents or deferring rental payments. In addition, PSD has in place a Vulnerable Tenant Policy which it will continue to monitor and apply to relevant tenants.

Portfolio investment

During the first half of 2021, a total of €2.7 million was invested across the Portfolio (H1 2020: €2.2 million). These items are recorded as capital expenditure in the Financial Statements. A further €0.6 million was spent on maintaining the assets and is expensed through the profit and loss account. Following the legal ruling against the Mietendeckel, it is anticipated that capital expenditure will rise significantly in the second half of the financial year as projects which had been postponed or cancelled pending a final ruling on the legality of the Mietendeckel are reinstated.

Condominium sales at a premium to book value

PSD's condominium strategy involves the division and resale of selected properties as single apartments. 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.

During the first half of 2021, 13 condominium units were notarised for sale for an aggregate value of €4.3 million (H1 2020: €3.0 million). The average achieved notarised value per sqm for the residential units was €4,821, representing a 25.4 per cent premium to book value and a 18.3 per cent premium to the average residential portfolio value as at 30 June 2021.

Since the reporting date, the Company has notarised for sale a further 11 condominium units with total value €3.9 million and at a price per square metre of €5,655. This represents a 25.3 per cent premium to book value and a 38.8 per cent premium to the average residential portfolio value as at 30 June 2021.

As at 23 September 2021, 74 per cent of the Portfolio had been registered as condominiums, providing opportunities for the implementation of further sales projects where appropriate. A further 11 per cent are in application, over half of which are in the final stages of the process. We believe this gives PSD greater strategic flexibility to respond to changes in market conditions than its peer group.

Condominium notarisations during the second quarter of 2021 were impacted by COVID-19 and the legacy impact of the Mietendeckel. The 'second wave' of COVID made the viewing of occupied apartments more difficult. Additionally, record low vacancy rates caused by the Mietendeckel have continued, reducing the number of vacant apartments which can be made available for sale. As the Mietendeckel is no longer in place and the COVID vaccination programme in Germany is now progressing well, it is anticipated that the slowdown in condominium sales will be temporary.

Condominium construction

Prior to the removal of the Mietendeckel, the Property Advisor had completed an exercise to examine the financial viability of the creation of new condominium units within the footprint of the existing Portfolio.

The first project involves building out the attic and renovating existing commercial units to create seven new residential units in an existing asset bought in 2007. Construction on this project is underway and the first units are projected to be available for sale or rental in the first half of 2022. The total construction budget for this project is €3.9 million.

The second project is for the construction of a new 23-unit apartment block located in the footprint of a property acquired in 2018. Alongside this, the undeveloped attic of the same property will be built out with the creation of four new units for sale as condominiums, or for rental.

The Company also has building permits to renovate attics in 20 existing assets to create a further 49 units for sale as condominiums or as rental stock.

Report of the Property Advisor continued

Debt and gearing[1]

As at 30 June 2021, PSD had gross borrowings of €290.2 million (31 December 2020: €291.4 million) and cash balances of €28.4 million (31 December 2020: €37.3 million), resulting in net debt of €261.8 million (31 December 2020: €254.4 million) and a net loan to value on the Portfolio of 33.7 per cent (31 December 2020: 33.1 per cent). The increase in net debt in the period is a result of the cash used in the share buyback programme, offset slightly by debt repayments made upon sale of condominiums.

Nearly all PSD's debt interest rates have been fixed through hedging and, as at 30 June 2021, the blended interest rate of PSD's loan book was 2.0 per cent (31 December 2020: 2.0 per cent). The average remaining duration of the loan book at 30 June 2021 had decreased to 5.3 years (31 December 2020: 6.0 years).

The Company is actively continuing to review its balance sheet and is looking for additional opportunities to add liquidity to further the Company's investment objectives.

1 Section uses nominal loan balances as per note 16 rather than the loan balances on the Consolidated Statement of Financial Position which consider Capitalised Finance Arrangement Fees in the balance.

Outlook

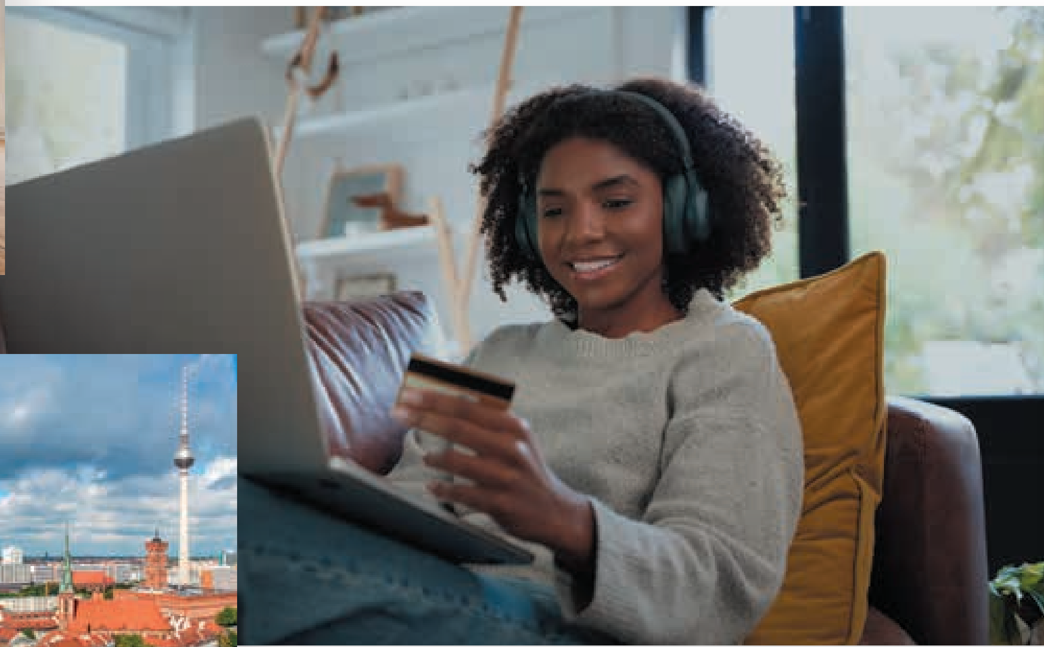
Predictably, the uncertainty created by the Mietendeckel has significantly disrupted the Berlin residential market. This has been reflected by a reduction in Berlin transaction activity (but not values) from prior peak levels, a significant reduction in the availability of rental accommodation for tenants, record low vacancy, and a decline in new investment in the Berlin housing market. Although it will take some time for these effects to be reversed, the removal of the Mietendeckel should alleviate these negative market consequences.

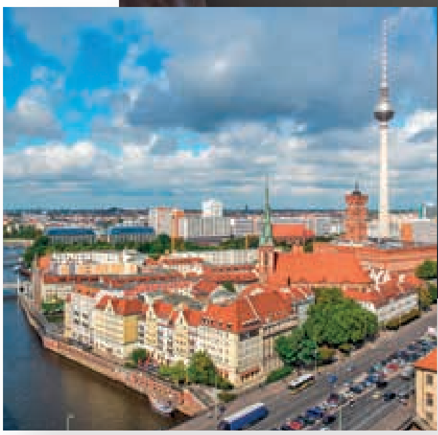
The Company is well placed to resume its reversionary rental strategy and the removal of the Mietendeckel will allow the Company to restore the level of investment into the Portfolio to pre-Mietendeckel levels. The fact that new lettings in Berlin for the first six months of 2021 were signed at an average premium of 35.8 per cent to passing rents should underpin rental growth in the medium term, irrespective of market rental growth.

PSD will also continue with its strategy of crystallising condominium reversionary value within the Portfolio through the selective sale of individual units as condominiums at a premium to book value. Exceptionally among its listed peers, over 74 per cent of the Company's Berlin portfolio has already been legally split into condominiums, with a further 11 per cent in application. The Property Advisor is confident that, as and when the current restrictions and disruptions created by COVID-19 recede, it will be well placed to continue to deliver on its condominium strategy.

The German Federal Elections are due to be held on 26 September 2021. Prior to these elections there was a 'Grand Coalition' led by Angela Merkel between the CDU and the SPD which had been in power since the previous Federal Elections in 2017. Ahead of the elections, there remains a degree of uncertainty as to the outcome, with a number of coalition permutations possible after polling day. It may take some time before any coalition agreement is struck and any new policy initiatives relating to German residential real estate are agreed.

The Company notes that the Federal Government has previously discussed the introduction of legislation that may limit the ability of landlords to split their properties into condominiums. The implementation of any such measures would be likely to reduce





the stock of apartments available on the market. Given the high proportion of the Portfolio already split into condominiums, any valuation impact on the Company's Portfolio would be expected to be positive.

During its 15 years of operation, the Company has adapted its business model many times to the changing regulatory environment while continuing to deliver positive returns to shareholders. The Property Advisor believes that the Company has a flexible enough business model to adapt to new regulations caused by a change in Government.

The monetary policy pursued by the European Central Bank in the wake of the COVID-19 pandemic has been extremely accommodating. While interest rates remain at low levels, relatively higher yields from residential real estate will remain attractive to institutional investors, such as insurance companies, pension funds and wealth managers, who are increasingly looking favourably on multi-family housing as an alternative to government bonds and other long-dated fixed income instruments.

Low interest rates will continue to benefit the Condominium market as well. Favourable mortgage rates, coupled with a lack of available rental properties, and favourable mortgage versus market rent dynamics, will continue to provide a tailwind for Condominium pricing.

The Property Advisor remains confident in the long-term outlook for PSD. Berlin market dynamics remain attractive and affordability comparisons with other German cities are still favourable. It is expected that Berlin demographic trends, particularly net inward migration, will further strengthen when restrictions associated with COVID-19 are permanently removed, providing further support to the reversionary rental strategy which has historically served investors and other key stakeholders in our business well.

Collected rents

Residential

97.5%

Commercial

95.8%

Key Performance Indicators

PSD has chosen a number of Key Performance Indicators (KPIs), which the Board believes will help investors understand the performance of PSD and the underlying property Portfolio.

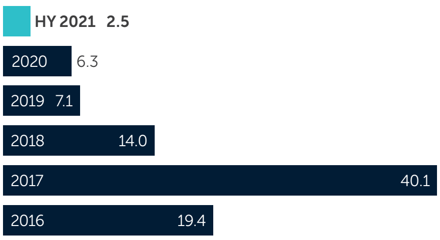
- The value of the Portfolio grew by 2.5 per cent on a like-for-like for basis for the first half of the year (H1 2020: 2.6 per cent). This increase was driven by a like-for-like average annual rent per sqm increase of 4.6 per cent (H1 2020: 4.1 per cent).

- The EPRA vacancy of the Portfolio stood at 1.3 per cent (31 December 2020: 2.1 per cent).
- The Group continued with its targeted condominium programme, notarising sales of €4.3 million in the half year to 30 June 2021 (H1 2020: €3.0 million).

- EPRA NTA per share increased by 2.7 per cent to €5.42 as at 30 June 2021 (31 December 2020: €5.28).
- The declared dividend for the half year 2021 was €2.35 cents (£2.02 pence) per share.

Like-for-like property Portfolio value growth 2016-2021

2.5%



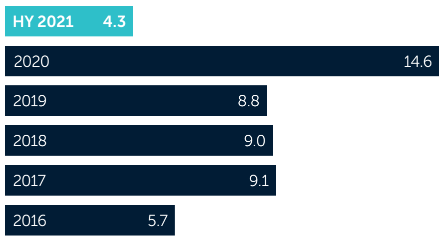
Like-for-like Portfolio rent per sqm 2016-2021

+4.6%

y-o-y

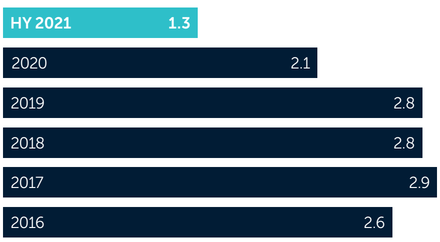
Condominium sales notarised 2016-2021

€4.3m



EPRA vacancy 2016-2021

1.3%

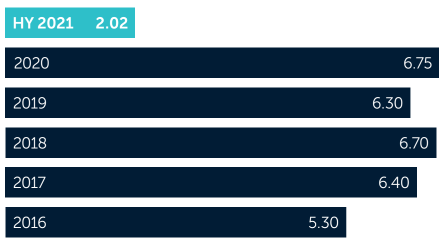


EPRA NTA per share 2016-2021

€5.42

Dividend per share 2016-2021

2.02p (2.35c)



Statement of Directors' Responsibilities

The important events that have occurred during the period under review, the key factors influencing the condensed consolidated financial statements and the principal factors that could impact the remaining six months of the financial year are set out in the Chairman's statement and the Property Advisor Report.

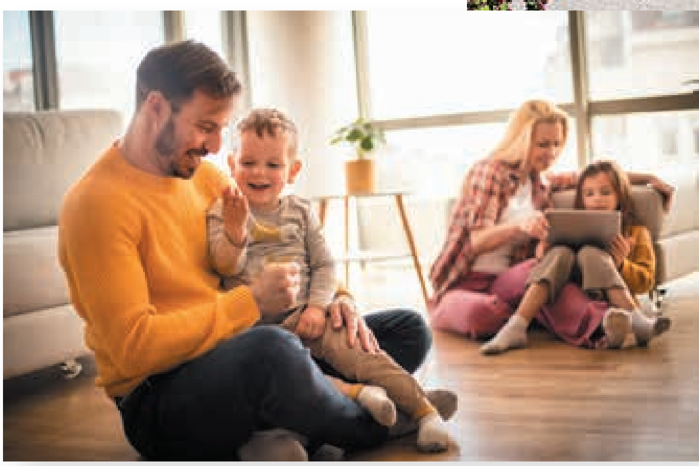
With the exception of the continuing uncertainty around coronavirus (COVID-19) and the upcoming German elections as set out in the outlook section of the Property Advisor's Report, the Directors consider that the principal risks and uncertainties facing PSD are substantially unchanged since the date of the annual report for the year ended 31 December 2020 and continue to be as set out in that report.

Risks faced by the Group include, but are not limited to:

- Legal risk.
- Tenant/Letting and Political risk.
- Market risk.
- Financial risk.
- Outsourcing risk.
- IT and Cyber Security risk.
- Lack of Investment Opportunity.

By order of the Board of Directors

Robert Hingley
Non-executive Director and Chairman
22 September 2021



Condensed Consolidated Statement of Comprehensive Income

For the period from 1 January 2021 to 30 June 2021

Continuing operations	Notes	**Six months ended 30 June 2021 (unaudited) €'000**	Six months ended 30 June 2020 (unaudited) €'000	Year ended 31 December 2020 (unaudited) €'000
Revenue		**12,925**	12,024	23,899
Property expenses	5	**(7,391)**	(8,053)	(16,437)
Gross profit		**5,534**	3,971	7,462
Administrative expenses	6	**(1,586)**	(1,915)	(3,263)
Gain on disposal of investment property (including investment property held for sale)	7	**577**	693	2,178
Investment property fair value gain	10	**15,987**	16,959	41,458
Performance fee due to Property Advisor	20	**–**	1,923	439
Operating profit		**20,512**	21,631	48,274
Net finance charge	8	**(78)**	(6,361)	(10,417)
Profit before taxation		**20,434**	15,270	37,857
Income tax expense	9	**(4,198)**	(2,949)	(7,550)
Profit after taxation		**16,236**	12,321	30,307
Other comprehensive income		**–**	–	–
Total comprehensive income for the period		**16,236**	12,321	30,307
Total comprehensive income attributable to:				
Owners of the parent		**16,208**	12,134	29,788
Non-controlling interests		**28**	187	519
		16,236	12,321	30,307
Earnings per share attributable to the owners of the parent:				
From continuing operations				
Basic (€)	22	**0.17**	0.12	0.31
Diluted (€)	22	**0.17**	0.12	0.30

Condensed Consolidated Statement of Financial Position

At 30 June 2021

	Notes	**As at 30 June 2021 (unaudited) €'000**	As at 30 June 2020 (unaudited) €'000	As at 31 December 2020 (unaudited) €'000
ASSETS				
Non-current assets				
Investment properties	12	**763,960**	736,745	749,008
Property, plant and equipment		**31**	51	42
Other financial assets at amortised cost	14	**919**	888	901
Deferred tax asset	9	**2,303**	2,891	2,880
		767,213	740,575	752,831
Current assets				
Investment properties – held for sale	13	**13,720**	9,975	19,302
Other financial assets at amortised cost	14	**–**	1,622	–
Trade and other receivables	15	**12,746**	10,878	8,414
Cash and cash equivalents		**28,393**	37,259	36,996
		54,859	59,734	64,712
Total assets		**822,072**	800,309	817,543
EQUITY AND LIABILITIES				
Current liabilities				
Borrowings	16	**1,085**	1,386	1,018
Trade and other payables	17	**10,548**	9,984	9,018
Other financial liabilities	19	**–**	7,520	–
Current tax	9	**513**	8	550
		12,146	18,898	10,586
Non-current liabilities				
Borrowings	16	**285,525**	278,298	286,531
Derivative financial instruments	18	**14,554**	18,269	18,197
Deferred tax liability	9	**71,897**	64,177	68,273
		371,976	360,744	373,001
Total liabilities		**384,122**	379,642	383,587
Equity				
Stated capital	21	**196,578**	196,578	196,578
Treasury shares		**(19,705)**	(13,087)	(17,206)
Share-based payment reserve	20	**–**	4,885	6,369
Retained earnings		**257,519**	229,093	244,685
Equity attributable to owners of the parent		**434,392**	417,469	430,426
Non-controlling interest		**3,558**	3,198	3,530
Total equity		**437,950**	420,667	433,956
Total equity and liabilities		**822,072**	800,309	817,543

Condensed Consolidated Statement of Changes in Equity

For the period from 1 January 2021 to 30 June 2021

	Attributable to the owners of the parent						
	Stated capital €'000	Treasury shares €'000	Share-based payment reserve €'000	Retained earnings €'000	Total €'000	Non-controlling interest €'000	Total equity €'000
Balance at 1 January 2020	**196,578**	**(11,354)**	**6,808**	**221,859**	**413,891**	**3,011**	**416,902**
Comprehensive income:							
Profit for the year	–	–	–	12,134	12,134	187	12,321
Other comprehensive income	–	–	–	–	–	–	–
Total comprehensive income for the period	**–**	**–**	**–**	**12,134**	**12,134**	**187**	**12,321**
Transactions with owners – recognised directly in equity:							
Issue of shares	–	–	–	–	–	–	–
Dividends paid	–	–	–	(4,900)	(4,900)	–	(4,900)
Performance fee	–	–	(1,923)	–	(1,923)	–	(1,923)
Acquisition of treasury shares	–	(1,733)	–	–	(1,733)	–	(1,733)
Balance at 30 June 2020 (unaudited)	**196,578**	**(13,087)**	**4,885**	**229,093**	**417,469**	**3,198**	**420,667**
Comprehensive income:							
Profit for the year	–	–	–	17,654	17,654	332	17,654
Other comprehensive income	–	–	–	–	–	–	–
Total comprehensive income for the year	**–**	**–**	**–**	**17,654**	**17,654**	**332**	**17,986**
Transactions with owners – recognised directly in equity:							
Dividends paid	–	–	–	(2,062)	(2,062)	–	(2,062)
Performance fee	–	–	1,484	–	1,484	–	1,484
Acquisition of treasury shares	–	(4,119)	–	–	(4,119)	–	(4,119)
Balance at 31 December 2020	**196,578**	**(17,206)**	**6,369**	**244,685**	**430,426**	**3,530**	**433,956**
Comprehensive income:							
Profit for the year	–	–	–	16,208	16,208	28	16,236
Other comprehensive income	–	–	–	–	–	–	–
Total comprehensive income for the period	**–**	**–**	**–**	**16,208**	**16,208**	**28**	**16,236**
Transactions with owners – recognised directly in equity:							
Dividends paid	–	–	–	(5,207)	(5,207)	–	(5,207)
Performance fee	–	–	–	–	–	–	–
Settlement of performance fee using treasury shares	–	4,536	(6,369)	1,833	–	–	–
Acquisition of treasury shares	–	(7,035)	–	–	(7,035)	–	(7,035)
Balance at 30 June 2021 (unaudited)	**196,578**	**(19,705)**	**–**	**257,519**	**434,392**	**3,558**	**437,950**

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.

Treasury shares comprise the accumulated cost of shares acquired on-market.

Condensed Consolidated Statement of Cash Flows

For the period from 1 January 2021 to 30 June 2021

	Six months ended 30 June 2021 (unaudited) €'000	Six months ended 30 June 2020 (unaudited) €'000	Year ended 31 December 2020 (audited) €'000
Profit before taxation	**20,434**	15,270	37,857
Adjustments for:			
Net finance charge	**78**	6,391	10,417
Gain on disposal of investment property	**(577)**	(693)	(2,178)
Investment property revaluation gain	**(15,987)**	(16,959)	(41,458)
Depreciation	**8**	8	8
Performance fee due to Property Advisor	**–**	(1,923)	(439)
Operating cash flows before movements in working capital	**3,956**	2,094	4,207
(Increase)/decrease in receivables	**(4,332)**	(1,476)	2,071
Increase in payables	**1,530**	2,748	1,782
Cash generated from/(used in) operating activities	**1,154**	3,366	8,060
Income tax paid	**(34)**	(1,364)	(1,316)
Net cash generated from operating activities	**1,120**	2,002	6,744
Cash flow from investing activities			
Proceeds on disposal of investment property (net of disposal costs)	**10,198**	1,894	7,213
Interest received	**18**	40	19
Capital expenditure on investment property	**(2,729)**	(2,279)	(4,171)
Put option settlement	**–**	–	(7,542)
Repayment of shareholder loans	**–**	–	1,622
Disposals to property, plant and equipment	**3**	–	4
Net cash generated from/(used in) investing activities	**7,490**	(345)	(2,855)
Cash flow from financing activities			
Interest paid on bank loans	**(3,663)**	(3,574)	(7,541)
Repayment of bank loans	**(1,308)**	(16,900)	(38,845)
Drawdown on bank loan facilities	**–**	20,300	50,000
Dividends paid	**(5,207)**	(4,900)	(6,962)
Acquisition of treasury shares	**(7,035)**	(1,733)	(5,956)
Net cash (used in) financing activities	**(17,213)**	(6,807)	(9,304)
Net (decrease) in cash and cash equivalents	**(8,603)**	(5,150)	(5,415)
Cash and cash equivalents at beginning of period/year	**36,996**	42,414	42,414
Exchange gains/(losses) on cash and cash equivalents	**–**	(5)	(3)
Cash and cash equivalents at end of period/year	**28,393**	37,259	36,996

Reconciliation of Net Cash Flow to Movement in Debt

For the period from 1 January 2021 to 30 June 2021

	Six months ended 30 June 2021 €'000	Six months ended 30 June 2020 €'000	Year ended 31 December 2020 €'000
Cashflow from increase/(decrease) in debt financing	**(1,308)**	3,430	11,155
Non-cash changes from increase in debt financing	**369**	–	140
Movement in debt in the period/year	**(939)**	3,430	11,295
Debt at the start of the period/year	**287,549**	276,254	276,254
Debt at the end of the period/year	**286,610**	279,684	287,549

Notes to the Condensed Consolidated Financial Statements

For the period from 1 January 2021 to 30 June 2021

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 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 12 Castle Street, St. Helier, Jersey JE2 3RT, 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 2020.

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 2020.

The comparative figures for the financial year ended 31 December 2020 are extracted from but do not comprise, the Group's annual consolidated financial statements for that financial year.

The interim condensed consolidated financial statements were authorised and approved for issue on 23 September 2021.

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 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 carried out a thorough review of the viability of the Company in the light of the continuing COVID-19 outbreak across Europe, the conclusion of which was that there were no concerns regarding the viability of the Company. These condensed consolidated financial statements have therefore been prepared on a going concern basis.

2.2 New standards and interpretations
The following new standards, amendments or interpretations effective for annual periods beginning on or after 1 January 2021 have been adopted and had no impact on the Group;

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).
Effective 1 January 2021.

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 period;

(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) 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.
b) Current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences.
c) 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.

For further information with regard to the movement in the fair value of the Group's investment properties, refer to the management report.

Notes to the Condensed Consolidated Financial Statements continued

For the period from 1 January 2021 to 30 June 2021

3. Critical accounting estimates and judgements (continued)

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

In accordance with the requirement of IFRS 5, Management has made an assumption in respect of the likelihood of investment properties – held for sale, being sold within the following 12 months. Management considers that based on historical and current experience of market since 30 June 2021, the properties can be reasonably expected to sell within this timeframe.

4. Segmental information

Information reported to the Board of Directors, the chief operating decision maker, relates to the Group as a whole. Therefore, the Group has not included any further segmental analysis within these condensed consolidated unaudited interim financial statements.

5. Property expenses

	30 June 2021 (unaudited) €'000	30 June 2020 (unaudited) €'000	31 December 2020 (audited) €'000
Property management expenses	**606**	568	1,143
Repairs and maintenance	**598**	781	1,553
Cost incurred in splitting assets into condominiums at the land registry	**33**	–	–
Impairment charge – trade receivables	**49**	125	160
Service charges paid on behalf of tenants	**2,761**	3,412	7,137
Property advisors' fees and expenses	**3,344**	3,167	6,444
	7,391	8,053	16,437

Cost incurred in splitting assets into condominiums at the land registry have been moved from Administrative expenses into Property costs for 2021 to better reflect their nature as a cost directly attributable to the properties. The prior year comparatives remain set out in the Administrative expenses in note 6 on the basis that the amounts are immaterial.

6. Administrative expenses

	30 June 2021 (unaudited) €'000	30 June 2020 (unaudited) €'000	31 December 2020 (audited) €'000
Secretarial & administration fees	**386**	434	589
Legal & professional fees	**446**	595	1,509
Costs associated with refinancing	**–**	104	–
Cost incurred in land registry splitting	**–**	285	225
Directors' fees	**158**	145	248
Audit and accountancy fees	**525**	329	630
Bank charges	**53**	11	32
Loss on foreign exchange	**14**	40	69
Depreciation	**8**	8	8
Other income	**(4)**	(36)	(47)
	1,586	1,915	3,263

7. Gain on disposal of investment property (including investment property held for sale)

	30 June 2021 (unaudited) €'000	30 June 2020 (unaudited) €'000	31 December 2020 (audited) €'000
Disposal proceeds	**10,323**	3,392	9,998
Book value of disposals	**(9,346)**	(2,636)	(7,479)
Disposal costs	**(400)**	(63)	(341)
	577	693	2,178

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 annual valuation.

8. Net finance charge

	30 June 2021 (unaudited) €'000	30 June 2020 (unaudited) €'000	31 December 2020 (audited) €'000
Interest income	**(18)**	(40)	6
Interest from partners' loans	**–**	(32)	(57)
Fair value (gain)/loss on interest rate swap	**(3,643)**	2,290	2,218
Finance expense on bank borrowings*	**3,739**	3,574	7,659
Change in put option liability arising on settlement	**–**	569	591
	78	6,361	10,417

* Contained within finance expense on bank borrowings at 30 June 2020 is an amount of €204k which relates to the early repayment charge on the borrowings with Mittelbrandenburgische Sparkasse (31 December 2020: €383k).

9. Income tax expense

	30 June 2021 (unaudited) €'000	30 June 2020 (unaudited) €'000	31 December 2020 (audited) €'000
The tax charge for the period is as follows:			
Current tax (credit)/charge	**(3)**	(41)	453
Deferred tax charge – origination and reversal of temporary differences	**4,201**	2,990	7,097
	4,198	2,949	7,550

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

	30 June 2021 €'000	30 June 2020 €'000	31 December 2020 €'000
Profit before tax on continuing operations	**20,434**	15,270	37,857
Tax at German income tax rate of 15.8% (2020: 15.8%)	**3,229**	2,413	5,981
Income not taxable	**(91)**	–	(344)
Tax effect of losses brought forward	**1,060**	536	1,913
Total tax charge for the period/year	**4,198**	2,949	7,550

Reconciliation of current tax liabilities

	30 June 2021 €'000	30 June 2020 €'000	31 December 2020 €'000
Balance at beginning of period/year	**550**	1,413	1,413
Tax paid during the period/year	**(34)**	(1,364)	(1,316)
Current tax (credit)/charge	**(3)**	(41)	453
Balance at end of period/year	**513**	8	550

Reconciliation of deferred tax

	Capital gains on properties €'000 Liability	Interest rate swaps €'000 Asset	Total €'000 Net asset
Balance at 1 January 2020	(60,825)	2,529	(58,296)
Charged to the statement of comprehensive income	(3,352)	362	(2,990)
Deferred tax (liability)/asset at 30 June 2020	(64,177)	2,891	(61,286)
Charged to the statement of comprehensive income	(4,096)	(11)	(4,107)
Deferred tax (liability)/asset at 31 December 2020	(68,273)	2,880	(65,393)
Charged to the statement of comprehensive income	(3,624)	(577)	(4,201)
Deferred tax (liability)/asset at 30 June 2021	**(71,897)**	**2,303**	**(69,594)**

Notes to the Condensed Consolidated Financial Statements continued

For the period from 1 January 2021 to 30 June 2021

10. Investment property fair value gain

	30 June 2021 (unaudited) €'000	30 June 2020 (unaudited) €'000	31 December 2020 (audited) €'000
Investment property fair value gain	**15,987**	16,959	41,458

Further information on investment properties is shown in note 12.

11. Dividends

	30 June 2021 (unaudited) €'000	30 June 2020 (unaudited) €'000	31 December 2020 (audited) €'000
Amounts recognised as distributions to equity holders in the period:			
Interim dividend for the year ended 31 December 2020 of €2.35 cents (2.1p) declared 15 September 2020, paid 16 October 2020 (2019: €2.35 cents (2.1p)) per share	**–**	–	2,284
Final dividend for the year ended 31 December 2020 of 5.15 cents (€) (4.65 pence) paid 7 June 2021 (2019: 5.15 cents (€) (4.4 pence)) per share	**5,207**	4,900	5,010

The Board is pleased to declare an unchanged interim dividend of 2.35 cents per share (2.02 pence per share equivalent) for the first half of the year (six months to 30 June 2020: 2.35 cents, 2.10 pence). The dividend is expected to be paid on or around 29 October 2021 to shareholders on the register at close of business on 8 October 2021, with an ex-dividend date of 7 October 2021.

The proposed dividend has not been included as a liability in these condensed consolidated financial statements. The payment of this dividend will not have any tax consequences for the Group.

12. Investment properties

	30 June 2021 (unaudited) €'000	30 June 2020 (unaudited) €'000	31 December 2020 (audited) €'000
Fair value			
Balance at beginning of period/year	**768,310**	730,160	730,160
Capital expenditure	**2,729**	2,237	4,171
Disposals	**(9,346)**	(2,636)	(7,479)
Fair value gain	**15,987**	16,959	41,458
Investment properties at fair value – as set out in the report by JLL	**777,680**	746,720	768,310
Assets considered as 'Held for Sale' (note 13)	**(13,720)**	(9,975)	(19,302)
Balance at end of period/year	**763,960**	736,745	749,008

The property portfolio was valued at 30 June 2021 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 QSix Residential 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. JLL also uses data from comparable market transactions where these are available alongside their own assumptions.

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 24) as the inputs to the discounted cash flow methodology which have a significant effect on the recorded fair value are not observable. Additionally, JLL perform reference checks back to comparable market transactions to confirm the valuation model.

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 as follows:

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.

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) then we value these as a 'condominium scenario'. Expected sales in the coming year from these assets are considered held for sale under IFRS 5 and can be seen in note 13. 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 are described as valued using a standard 'rental scenario'. Included in properties valued under the condominium scenario are properties not yet released to held for sale as only a portion of the properties are forecast to be sold in the coming 12 months.

Disposal Scenario
Where properties have been notarised for sale prior to the reporting date but have not completed; they are held at their notarised disposal value. These assets are considered held for sale under IFRS 5 as set out in note 13.

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

	30 June 2021 €'000	30 June 2020 €'000	31 December 2020 €'000
Rental scenario	**734,240**	713,720	715,870
Condominium scenario	**42,294**	31,379	45,264
Disposal scenario	**1,146**	1,621	7,176
Total	**777,680**	746,720	768,310

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For the period from 1 January 2021 to 30 June 2021

13. Investment properties – held for sale

	30 June 2021 (unaudited) €'000	30 June 2020 (unaudited) €'000	31 December 2020 (audited) €'000
Fair value – held for sale investment properties			
At beginning of period/year	**19,302**	10,639	10,639
Transferred from investment properties	**3,248**	1,503	15,004
Capital expenditure	**458**	42	313
Properties sold	**(9,346)**	(2,636)	(7,479)
Valuation gain on apartments held for sale	**58**	427	825
At end of period/year	**13,720**	9,975	19,302

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 12) as appropriate. The table below sets out the respective categories:

	30 June 2021 €'000	30 June 2020 €'000	31 December 2020 €'000
Condominium scenario	**12,574**	8,354	12,126
Disposal scenario	**1,146**	1,621	7,176
	13,720	9,975	19,302

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.

14. Other financial assets at amortised cost

	30 June 2021 (unaudited) €'000	30 June 2020 (unaudited) €'000	31 December 2020 (audited) €'000
Current			
Balance at beginning of period/year	**–**	1,590	1,590
Transfer from non-current other financial assets at amortised cost	**–**	–	–
Accrued interest	**–**	32	32
Interest adjustment related to prior period	**–**	–	–
Loan repayment	**–**	–	(1,622)
Balance at end of period/year	**–**	1,622	–

The Group entered into loan agreements with Mike Hilton and Paul Ruddle in connection with the acquisition of PSPF. The loans were due to be settled upon settlement of the put option for the minority interest in PSPF. The put option liability for the minority and these offsetting loans were settled in cash on the 1 July 2020.

	30 June 2021 (unaudited) €'000	30 June 2020 (unaudited) €'000	31 December 2020 (audited) €'000
Non-current			
Balance at beginning of period/year	**901**	876	876
Transfer to current other financial assets at amortised cost	**–**	–	–
Accrued interest	**18**	12	25
Balance at end of period/year	**919**	888	901

The Group entered into a loan agreement with the minority interest of Accentro Real Estate AG in relation to the acquisition of the assets as share deals. This loan bears interest at 3% per annum.

These financial assets are considered to have low credit risk and any loss allowance would be immaterial.

None of these financial assets were either past due or impaired.

15. Trade and other receivables

	30 June 2021 (unaudited) €'000	30 June 2020 (unaudited) €'000	31 December 2020 (audited) €'000
Current			
Trade receivables	**920**	656	707
Less: impairment provision	**(138)**	(215)	(222)
Net receivables	**782**	441	485
Prepayments and accrued income	**795**	811	16
Investment property disposal proceeds receivable	**3,944**	1,477	2,444
Service charges receivable	**7,033**	7,531	4,895
Prepaid treasury shares	**–**	–	104
Other receivables	**192**	618	470
	12,746	10,878	8,414

Prepaid treasury shares consist of a transaction for the Company's own shares which had yet to settle at 31 December 2020.

16. Borrowings

	30 June 2021 (unaudited) €'000	30 June 2020 (unaudited) €'000	31 December 2020 (audited) €'000
Current liabilities			
Bank loans – NATIXIS Pfandbriefbank AG*	**284**	283	217
Bank loans – Berliner Sparkasse	**801**	1,103	801
	1,085	1,386	1,018
Non-current liabilities			
Bank loans – NATIXIS Pfandbriefbank AG**	**236,201**	207,009	236,789
Bank loans – Berliner Sparkasse	**49,324**	71,289	49,742
	285,525	278,298	286,531
	286,610	279,684	287,549

* Nominal value of the borrowings as at 30 June 2021 was €977,000 (31 December 2020: €901,000, 30 June 2020: €917,000).

** Nominal value of the borrowings as at 30 June 2021 was €239,110,000 (31 December 2020: €240,000,000, 30 June 2020: €210,300,000).

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

17. Trade and other payables

	30 June 2021 (unaudited) €'000	30 June 2020 (unaudited) €'000	31 December 2020 (audited) €'000
Trade payables	**1,155**	443	1,410
Accrued liabilities	**1,643**	1,944	2,463
Service charges payable	**7,750**	7,597	5,145
	10,548	9,984	9,018

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For the period from 1 January 2021 to 30 June 2021

18. Derivative financial instruments

Interest rate swaps – carried at fair value through profit or loss

	30 June 2021 (unaudited) €'000	30 June 2020 (unaudited) €'000	31 December 2020 (audited) €'000
At beginning of period/year	**18,197**	15,979	15,979
(Gain)/loss in movement in fair value through profit or loss	**(3,643)**	2,290	2,218
At end of period/year	**14,554**	18,269	18,197

The notional principal amounts of the outstanding interest rate swap contracts at 30 June 2021 were €204,269,000 (December 2020: €204,269,000, June 2020: €202,932,000). At 30 June 2021 the fixed interest rates vary from 0.24% to 1.01% (December 2020: 0.24% to 1.07%, June 2020: 0.24% to 1.07%) above the main factoring Euribor rate.

Maturity analysis of interest rate swaps

	30 June 2021 €'000	30 June 2020 €'000	31 December 2020 €'000
Less than 1 year	**–**	–	–
Between 1 and 2 years	**–**	–	–
Between 2 and 5 years	**–**	–	–
More than 5 years	**14,554**	18,269	18,197
	14,554	18,269	18,197

19. Other financial liabilities

	30 June 2021 (unaudited) €'000	30 June 2020 (unaudited) €'000	31 December 2020 (audited) €'000
Current			
Balance at beginning of period/year	**–**	6,951	6,951
Transferred from non-current liabilities	**–**	–	–
Profit share attributable to NCI in PSPF	**–**	569	–
Change in put option liability on settlement	**–**	–	591
Exercise put option	**–**	–	(7,542)
Balance at end of period/year	**–**	7,520	–

In March 2015 the Group entered into a five-year put option agreement to acquire the remaining 5.2% interest in Phoenix Spree Property Fund Ltd. & Co.KG (PSPF) from the limited partners M Hilton and P Ruddle both then Directors of PMM Partners (UK) Limited. The options were exercised three months after on the fifth anniversary of the majority interest acquisition, on 1 July 2020. The option was settled for €7,542,000 and was settled in cash for €5,920,000 net of initial loans to the limited partners of €1,622,000. €7,542,000 being 5.2% of the net asset value of PSPF at the time of settlement, as set out in the original 2015 agreement.

A portion of the liability (€nil, December 2020: (€1,070k), June 2020: (€1,175k)) is recognised to cover the tax charge of the minority in PSPF on the proceeds of put option when exercised.

20. Share-based payment reserve

	Performance fee €'000
Balance at 1 January 2020	6,808
Fee charge for the period	(1,923)
Balance at 30 June 2020	4,885
Fee charge for the period	1,484
Balance at 31 December 2020	6,369
Settlement of performance fee in shares	(6,369)
Fee charge for the period	–
Balance at 30 June 2021	**–**

No performance fee has been recognised in the period because the performance criteria were not met.

Performance fee

The Property Advisor is entitled to an asset and estate management performance fee, measured over consecutive three-year periods, equal to 15% of the excess (or in the case of the initial period or any performance period ending prior to 31 December 2020, 16%) by which the annual EPRA NAV total return of the Group exceeds 8% per annum, compounding (the 'Performance Fee'). As the EPRA NAV measurement has been superseded by EPRA NTA (See note 23), future performance fees will be calculated with respect to movements in EPRA NTA. The Performance Fee is subject to a high watermark, being the higher of:

(i) EPRA NTA per share at 1 July 2018; and

(ii) the EPRA NTA per share at the end of a Performance Period in relation to which a performance fee was earned in accordance with the provisions continued with the Property Advisor and Investor Relations Agreement.

Other Property Advisor fees

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

(i) 1.2% of the EPRA NTA of the Group where EPRA NTA of the Group is equal to or less than €500 million; and

(ii) 1% of the EPRA NTA 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 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.

The Property Advisor is entitled to a letting fee equal to between 1 and 3 month's net cold rent (being gross rents receivable less service costs and taxes) for each new tenancy signed by the Company where the Property Advisor has sourced the relevant tenant.

The Property Advisor shall be entitled to a fee for Investor Relations Services at the annual rate of £75,000 payable quarterly in arrears.

The management fee will be reduced by the aggregate amount of any transaction fees and finance fees payable to the Property Advisor in respect of that calendar year.

Details of the fees paid to the Property Advisor are set out in note 25.

21. Stated capital

	30 June 2021 (unaudited) €'000	30 June 2020 (unaudited) €'000	31 December 2020 (audited) €'000
Issued and fully paid:			
At 1 January	**196,578**	196,578	196,578
	196,578	196,578	196,578

The number of shares in issue at 30 June 2021 was 100,751,410 (including 5,057,849 as Treasury Shares) (31 December 2020: 100,751,410 (including 4,628,500 as Treasury Shares), 30 June 2020: 100,751,410 (including 3,475,000 as Treasury Shares)).

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For the period from 1 January 2021 to 30 June 2021

22. Earnings per share

	30 June 2021 (unaudited)	30 June 2020 (unaudited)	31 December 2020 (audited)
Earnings for the purposes of basic earnings per share being net profit attributable to owners of the parent (€'000)	**16,208**	12,134	29,788
Weighted average number of ordinary shares for the purposes of basic earnings per share (Number)	**96,259,529**	97,354,761	97,136,617
Effect of dilutive potential ordinary shares (Number)	**–**	1,197,847	1,806,285
Weighted average number of ordinary shares for the purposes of diluted earnings per share (Number)	**96,259,529**	98,552,608	98,942,902
Earnings per share (€)	**0.17**	0.12	0.31
Diluted earnings per share (€)	**0.17**	0.12	0.30

23. Net asset value per share and EPRA NTA net asset value

	30 June 2021 (unaudited)	30 June 2020 (unaudited)	31 December 2020 (audited)
Net assets (€'000)	**434,392**	417,469	430,426
Number of participating ordinary shares	**95,693,560**	97,276,410	96,122,909
Net asset value per share (€)	**4.54**	4.29	4.48

EPRA NTA net asset value

	30 June 2021 (unaudited)	30 June 2020 (unaudited)	31 December 2020 (audited)
Net assets (€'000)	**434,392**	417,469	430,426
Add back deferred tax assets and liabilities, derivative financial instruments and share-based payment reserves (€'000)	**84,148**	74,670	77,221
EPRA net asset value (€'000)	**518,540**	492,139	507,647
EPRA net asset value per share (€)	**5.42**	5.06	5.28

24. 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 2021 (unaudited) €'000	30 June 2020 (unaudited) €'000	31 December 2020 (audited) €'000
Loans and receivables			
Trade and other receivables – current	**11,951**	10,067	8,294
Cash and cash equivalents	**28,393**	37,259	36,996
Loans and receivables	**919**	2,510	901
	41,263	49,836	46,191

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

	30 June 2021 (unaudited) €'000	30 June 2020 (unaudited) €'000	31 December 2020 (audited) €'000
Held at amortised cost			
Borrowings payable: current	**1,085**	1,386	1,018
Borrowings payable: non-current	**285,525**	278,298	286,531
Other financial liabilities	**–**	7,520	–
Trade and other payables	**10,548**	9,984	9,018
	297,158	297,188	296,567
Fair value through profit or loss			
Derivative financial liability – interest rate swaps	**14,554**	18,269	18,197
	14,554	18,269	18,197
	311,712	315,457	314,764

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 July 2026 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 2021 (unaudited) €'000	30 June 2020 (unaudited) €'000	31 December 2020 (audited) €'000
Financial liabilities			
Interest rate swaps – Level 2 – non-current	**(14,554)**	(18,269)	(18,197)
	(14,554)	(18,269)	(18,197)

The valuation basis for the investment properties is disclosed in note 12.

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25. Related party transactions

Related party transactions not disclosed elsewhere are as follows:

QSix Residential Limited is the Group's appointed Property Advisor. Directors of QSix Residential Limited formerly sat on the Board of PSD and it, and its Principals, retain a shareholding in the Group. For the six-month period ended 30 June 2021, an amount of €3,344,000 (€3,298,000 Management Fees and €46,000 Other expenses and fees) (December 2020: €6,444,000 (€6,295,000 Management fees and €149,000 Other expenses and fees), June 2020: €3,167,000 (€3,119,000 Management fees and €48,000 Other expenses and fees)) was payable to QSix Residential Limited. At 30 June 2021 €839,000 (December 2020: €9,000, June 2020: €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 €nil (December 2020: credit €439,000, June 2020: credit €1,923,000). Please refer to note 20 for more details.

Apex Financial Services (Alternative Funds) Limited, the Company's administrator provided administration and company secretarial services to PSDL and its subsidiaries in 2021. For the six-month period ended 30 June 2021, an amount of €320,600 (December 2020: £592,000, June 2020: €276,209) was payable to Apex Financial Services (Alternative Funds) Limited. At 30 June 2021 £nil (December 2020: £nil, June 2020: £nil) was outstanding.

Dividends paid to Directors in their capacity as a shareholder amounted to €2,422 (December 2020: €3,494, June 2020: €2,270).

26. Events after the reporting date

The Company exchanged contracts for the sale of four residential units in Berlin for total proceeds of €1.1 million prior to the reporting date which has yet to complete. €0.8 million of this balance was received in Q3 with the remainder expected in Q4 2021

In Q3 2021 the Company exchanged contracts for the sale of eight condominiums in Berlin for the aggregated consideration of €3.9 million. All transactions are expected to complete in Q4 2021.

Professional Advisors

Property Advisor	QSix Residential Limited 54-56 Jermyn Street London SW1Y 6LX
Administrator, Company Secretary and Registered Office	Apex Financial Services (Alternative Funds) Limited 12 Castle Street St. Helier Jersey JE2 3RT
Registrar	Link Asset Services (Jersey) Limited 12 Castle Street St. Helier Jersey JE2 3RT
Principal Banker	Barclays Private Clients International Limited 13 Library Place St. Helier Jersey JE4 8NE
English Legal Advisor	Stephenson Harwood LLP 1 Finsbury Circus London EC2M 7SH
Jersey Legal Advisor	Mourant Ozannes 22 Grenville Street St. Helier Jersey JE4 8PX
German Legal Advisor as to property law	Mittelstein Rechtsanwälte Alsterarkaden 20 20354 Hamburg Germany
German Legal Advisor as to general matters	Mittelstein Rechtsanwälte Alsterarkaden 20 20354 Hamburg Germany
German Legal Advisor as to German partnership law	Taylor Wessing Partnerschaftsgesellschaft mbB Thurn-und-Taxis-Platz 6 60313 Frankfurt a.M. Germany
Sponsor and Broker	Numis Securities Limited The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT
Independent Property Valuer	Jones Lang LaSalle GmbH Rahel-Hirsch-Strasse 10 10557 Berlin Germany
Auditor	RSM UK Audit LLP 25 Farringdon Street London EC4A 4AB

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