PHOENIX SPREE

Interim Report 2017

Investing in Berlin

PMMPARTNERS

Who We Are

Phoenix Spree Deutschland is an investment company founded in 2007 and listed on the London Stock Exchange. It offers shareholders exposure to the German residential market, particularly in Berlin, where 80% of its assets are located.

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 acts as the Property Advisor. It has an experienced team of property professionals with long-standing experience of the German residential property market.

www.phoenixspree.com

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Chairman's Statement

> "The Board is confident that the Company is well positioned to take advantage of the favourable market outlook."

€63.1m
Profit before tax, up 303% in H1 2017

22.6%
Increase in property portfolio value, 15.6% on a like-for-like basis

€3.34
EPRA NAV, up 22.3% in H1 2017

23.7%
EPRA NAV total return for H1

5.0%
Like-for-like rent growth year-on-year

43.6%
New Berlin leases in H1 signed at 43.6% premium to passing rents

I am pleased to be able to report another strong set of interim results. Our active asset management strategy has continued to deliver rental growth at a premium to listed peers, we have made value enhancing acquisitions while successfully disposing of non-core assets and have secured additional debt financing on highly competitive terms.

Market dynamics are favourable with a continuation of positive growth trends in both rental and property values. During the first six months of 2017, the value of the Portfolio increased by €95.9 million, with like-for-like growth of 15.6%, while EPRA NAV per share grew by 22.3%. Notwithstanding these growth rates, the Board believes significant embedded value remains within the Portfolio, evidenced by first half new leases signed at an average 44% premium to in-place rents in Berlin, and condominium sales at a substantial premium to average Portfolio property valuations.

The market outlook remains positive, particularly in Berlin, where, on a pro-forma basis, 84.2% of the Portfolio is located. Demographic trends are supportive as demand for housing stock from owner occupiers and investors continues to significantly outstrip supply. The funding environment is also positive, with rising property values and low interest rates combining to allow the Company to refinance maturing debt facilities on attractive terms.

The Board is confident that the Company is well positioned to take advantage of the favourable outlook to deliver future capital growth and income to its investors. The Board is pleased to declare a dividend of €2.28 cents (2.0p) per share for the first half, which is expected to be paid on or around 20 October 2017.

Robert Hingley
Chairman

At a Glance

Since 2008, the value of the combined Portfolio of PSD and PSPF has grown by 210% to €519.7 million.

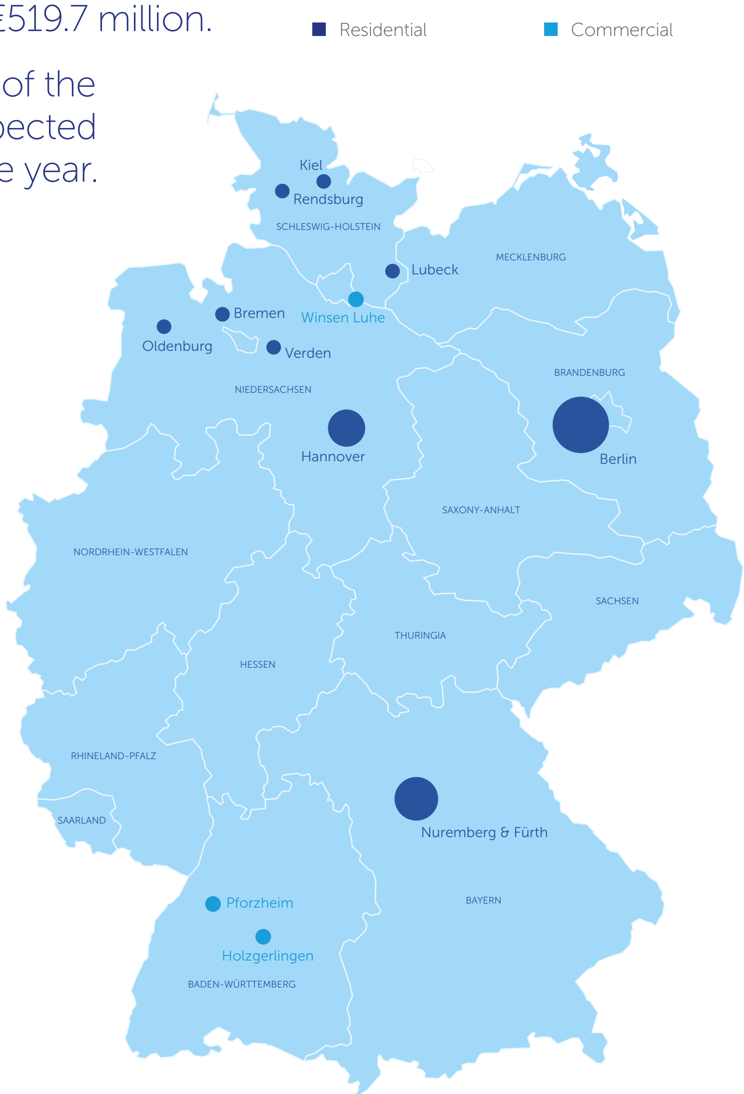
Berlin now represents more than 80% of the Portfolio by value, and this focus is expected to increase during the remainder of the year.

The Company acquires and manages residential property in Berlin and other selected German secondary cities. The aggregate value of the Portfolio (including the assets of PSPF) has risen from €167.8 million in 2008 to €519.7 million in 2017, with each year seeing an increase. This equates to an average value per sqm of €2,307, ranging from €1,364 in Central and Northern Germany to €2,758 in Berlin.

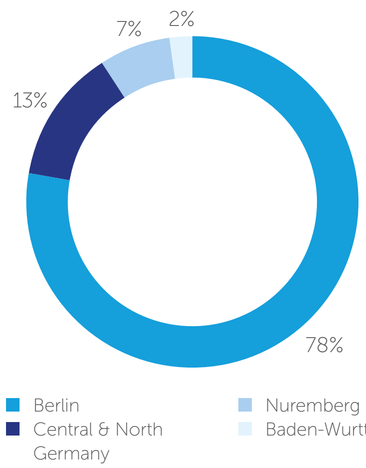
Since listing on the Main Market of the London Stock Exchange in June 2015, the Company has increased the Berlin residential focus of the Portfolio through a combination of carefully selected Berlin acquisitions and disposals of buildings deemed to be non-core. As at 30 June 2017, Berlin represented 78% of the Portfolio by value, rising to 84% following the sale of the Company's Nuremberg & Fürth Portfolio and acquisitions of properties notorised at half year.

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. The majority of the Portfolio was acquired by the Company or PSPF during the period 2006 to 2008 and, as a result, these properties have benefitted from significant investment and active asset management by the Property Advisor, PMM Partners.

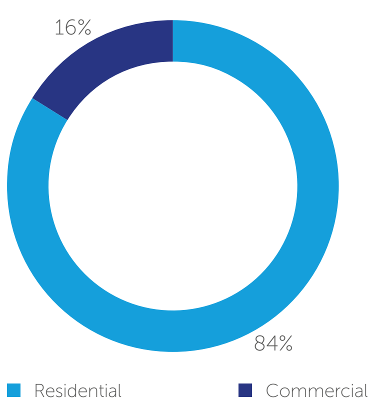
Properties by location in Germany



Property value by region

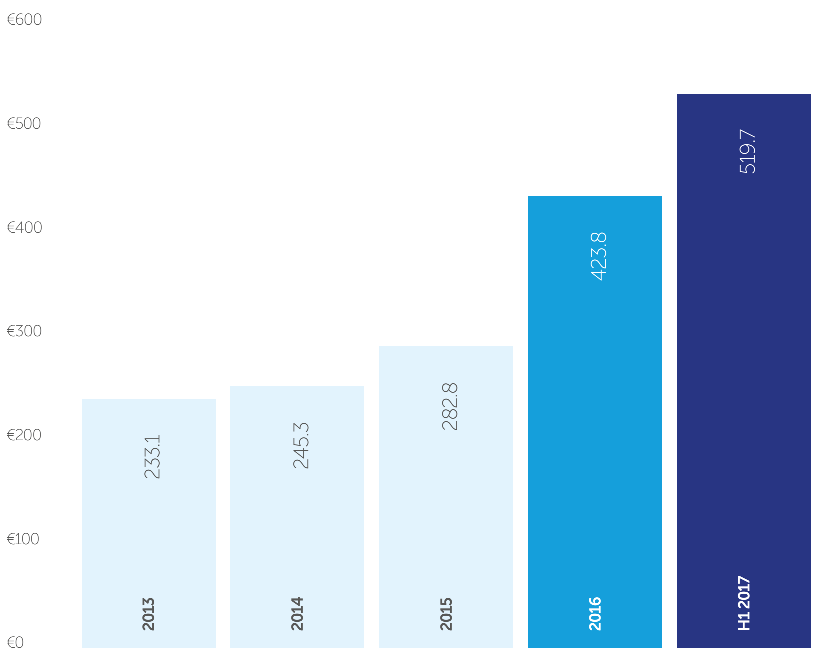


Value by lettable areas by segment (sqm)



Reported property portfolio valuation 2013-2017 €m

+22.6% in H1 2017



Properties

137

Usable space (sqm)

225.2k

Residential units

2,901

Commercial units

236

Operational and Financial Review

The Group delivered another strong set of financial results for the half year to 30 June 2017. Market dynamics are favourable, with a continuation of positive growth trends in both rental and property values.

LIKE-FOR-LIKE PORTFOLIO VALUE INCREASE OF 15.6%

As at 30 June 2017, the Portfolio was valued at €519.7 million (31 December 2016: €423.8 million) by Jones Lang LaSalle GmbH, the Company's external property valuer. This represents an increase of 22.6% over the six-month period, equating to an average value per sqm of €2,307 (31 December 2016: €1,965) and a gross fully occupied yield of 4.1% (31 December 2016: 4.8%). Included within the portfolio are condominium properties with an aggregate value of €25.5 million (31 December 2016: €24.2 million). This increase in valuation reflects a combination of yield compression and growth in Portfolio rents.

On a like-for-like basis, after adjusting for the impact of acquisitions and disposals, the Portfolio valuation rose by 15.6% in the six months ended 30 June 2017. This compares to an increase of 9.8% for the half year to 30 June 2016 and an increase of 19.4% for the full financial year ended 31 December 2016. The appreciation in the Portfolio valuation reflects a combination of market growth, improved rents and the impact of rising condominium values on multi-family home pricing.

By geographic segment, Berlin posted the largest like-for-like increase at 18.2%. As at 30 June 2017, Berlin represented 78.2% of the portfolio by value, up from 75.2% as at 31 December 2016. On a pro-forma basis, including the impact of the sale of the Company's Nuremberg and Fürth Portfolio and assets notarised, but not completed, in H1 2017, Berlin represents 84.2% of the portfolio by value.

EPRA NAV INCREASE OF 22.3% IN H1 2017

EPRA NAV per share rose by 22.3% in the first half of 2017 to €3.34 (£2.94) (31 December 2016: €2.73 (£2.33)). After taking into account the 2016 final dividend of €4.3cents (GBP: 3.7p), which was paid in June 2017, the EPRA NAV total return in the first half of 2017 was 23.7% (H1 2016: 7.8%).

FINANCIAL HIGHLIGHTS

€ million (unless otherwise stated)	30 June 2017	30 June 2016	31 December 2016
Gross rental income	9.5	7.6	15.9
Profit before tax	63.1	15.7	48.9
Pre-exceptional profit before tax	63.1	17.2	48.9
Reported EPS (€)	0.55	0.14	0.42
Investment property value	519.7	329.8	423.8
Gross debt	197.2	143.6	185.6
Gross cash	32.9	42.0	18.5
Net LTV [1]	31.6%	30.8%	39.4%
EPRA NAV per share (€)	3.34	2.42	2.73
EPRA NAV per share (£) [2]	2.94	2.02	2.33
Dividend per share (€ cents)	2.3	1.9	6.3
Dividend per share (£ pence) [2]	2.0	1.6	5.3
EPRA NAV per share total return for period (€%)	**23.7%**	**7.8%**	**22.5%**
EPRA NAV per share total return for period (£%)	**26.9%**	**22.7%**	**41.7%**

1 Debt less cash as a proportion of value of investment property.
2 Exchange rate of 1.14 at 30 June 2017, 1.20 at 30 June 2016, 1.17 at 31 December 2016.

ACCELERATING RENTAL GROWTH

Against a backdrop characterised by an undersupply of available rental property and population growth in Berlin, the Company's active asset management strategy has continued to deliver strong rental growth. Annualised rental income for the period to 30 June 2017 was €19.2 million (30 June 2016: €15.1 million). Adjusting for acquisitions and disposals, this represents a like-for-like increase of 8.5% compared with 30 June 2016 (30 June 2016: 3.3%).

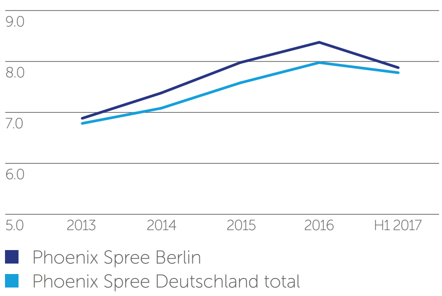
Average in place rent was €7.7 per sqm as at 30 June 2017, an increase of 1.1% compared with 30 June 2016. On a like-for-like basis, the increase was 5.0% (year to 30 June 2016: 5.7%).

Reported vacancy at 30 June 2017 was 8.2% (30 June 2016: 11.1%). On an EPRA basis, which adjusts for units undergoing development and made available for sale, the vacancy rate was 3.7% (30 June 2016: 3.2%).

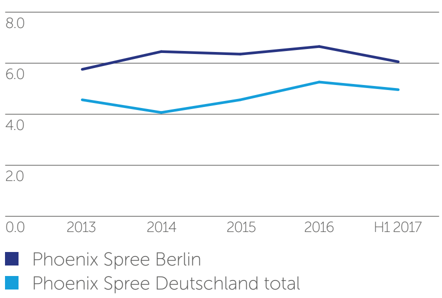
FURTHER INCREASE IN NEW LETTINGS PREMIUM

During the period, 234 new leases were signed, representing an annualised letting rate of 14.4% of units. The average rent achieved on new lettings was €10.0 per sqm, a 6.4% increase on the same period in 2016.

Like-for-like rent 2013–H1 2017 (€ per sqm)



Annual like-for-like rent growth 2013–H1 2017 (%)



Notwithstanding growth in rental prices, the Company continues to re-let units at a substantial premium to in-place rents. During the first six months of 2016, new leases were signed at an average premium of 30.6% to passing rents. In Berlin, new leases were signed at an average rate of €11.2 per sqm, a 43.6% (30 June 2016: 37.4%) premium to passing rents.

The Company believes this reversionary uplift illustrates the significant embedded opportunity for continued future rental growth within the Portfolio, as lower paying tenants move out and prices on re-letting converge with current market levels.

ACTIVE PORTFOLIO MANAGEMENT

The Company continues to source and acquire attractive assets in central Berlin. The Board considers this location offers the best medium-term potential for future rental and capital growth. In the six months to 30 June 2017, the Company completed on five Berlin property packages, consisting of 146 residential and 11 commercial units, for an aggregate purchase price of €27.7 million and representing an average price per sqm of €2,050. Two of these five properties were notarised in H1 2017, the others being notarised in the prior year. At 30 June 2017, Berlin represented 78.2% of the Portfolio by value.

Since 30 June 2017, the acquisitions of two further properties have been completed, comprising 75 residential and three commercial units, for an aggregate purchase price of €11.6 million and representing an average price per sqm of €2,045.

Overall, during the current year to September 2017, the Company has notarised a total of six new property packages, comprising 310 residential and five commercial units for an aggregate purchase price of €48.4 million, excluding purchase costs. Of this, €19.4 million of property was notarised in H1 2017.

In April 2017, the Company announced that it had exchanged contracts to sell a portfolio of 17 non-core properties in Nuremberg and Fürth for an aggregate cash consideration of €35.2 million. These properties had been acquired in 2007 and 2008 for an aggregate purchase price of €13.9 million and the sale proceeds represent an 11% premium to the 31 December 2016 Jones Lang LaSalle valuation. This disposal was completed on the 1 July 2017.

The disposal represents a complete exit from the Nuremberg & Fürth region, the proceeds of which will be used to reduce debt, fund further acquisitions in Berlin and invest in the existing Portfolio. Including the impact of this disposal on the 30 June 2017 figures, as well as Berlin acquisitions notarised in H1 but not yet completed, the Berlin proportion of the Portfolio increased to 84.2% by value on a pro-forma basis.

The Company has also notarised for disposal five other non-Berlin assets during the first half of 2017, with a total consideration of €10.5 million. A further non-Berlin asset was notarised for sale in August 2017 with a value of €2.1 million. Of these properties notarised for sale, €9.5 million has completed.

The Company continues to invest in its Portfolio through a carefully planned process of modernisation and renovation of apartments, upgrades to communal areas, such as building facades and staircases, as well as investment in more efficient heating systems. The Company invested €3.0 million during the first half of 2017, the majority of which related to vacant apartments, which are refurbished and subsequently re-let at higher rents. This process of targeted investment enables the Company to access the reversionary rental potential that exists within the Portfolio and it is expected that investment will continue at a similar rate during the second half of the year.

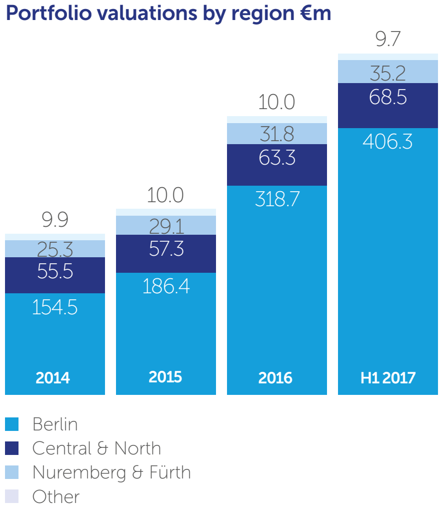
CONDOMINIUM SALES

The Company's condominium strategy is to divide and resell a small number of carefully selected apartment blocks as condominiums, in order to monetise the value difference that exists between the value of an apartment block and the value of the same property sold as single apartments.

During the first half of 2017, 16 apartments were notarised for sale, with an aggregate value of €3.9 million. The average sales' value per sqm achieved was €3,687, a 59.8% premium to the Fund's 30 June 2017 average Portfolio valuation.

Since June, a further two apartments have been notarised for sale. As at 31 August 2017, all but one of the available units at the two Berlin Kreuzberg apartment blocks had been sold and over 20% of Boxhagenerstrasse units have been sold.

Portfolio valuations by region €m



PORTFOLIO REGIONAL OVERVIEW AS AT 30 JUNE 2017

Market	Building numbers	Residential units	Commercial units	Total units	Total sqm ('000)	Annualised gross rent (€m)	Fully occupied gross yield (%)	Valuation (€m)	% of fund by value (%)	Value per sqm (€)
Berlin (inc. Greater Area)	75	1,890	128	2,018	147.3	12.8	3.5	406.3	78.2	2,758
Central & North Germany	43	804	47	851	50.3	4.1	6.4	68.4	13.1	1,364
Nuremberg & Fürth	17	189	37	226	19.2	1.5	5.3	35.2	6.8	1,828
Baden-Wuerttemberg	2	18	24	42	8.4	0.8	8.9	9.8	1.9	1,160
Total	**137**	**2,901**	**236**	**3,137**	**225.2**	**19.2**	**4.1**	**519.7**	**100.0**	**2,307**

PORTFOLIO REGIONAL OVERVIEW AS AT 30 JUNE 2017

Berlin has continued its strong performance in the first half, with significant underlying growth in rents and property values. Reported average rent per sqm stood at €7.9 an increase of 0.4% compared with 30 June 2016, reflecting strong underlying like-for-like rental growth partially offset by the impact of recent acquisitions which typically exhibit lower rental values upon takeover. On a like-for-like basis (excluding the impact of acquisitions and disposals), the increase in rent per sqm was 6.1%. The Berlin EPRA vacancy rate stood at 4.0% in the first half of 2017 (H1 2016: 2.7%).

Nuremberg & Fürth, which was notarised for sale in the first half of 2017, reported rent per sqm of €7.5, a like-for-like increase of 4.9% (30 June 2016: 9.5%). First half 2017 EPRA vacancy stood at 5.9% (H1 2016: 1.4%).

Central & Northern Germany delivered a like-for-like increase in rent per sqm of 2.9% and an improved EPRA vacancy of 2.1% (H1 2016: 5.5%).

FINANCIAL RESULTS

Reported revenue for the six-month period was € 9.5 million (30 June 2016: €7.6 million). This increase represents a combination of organic growth in rental income and the net impact of acquisitions and disposals.

The Company has reported a profit before taxation for the period to 30 June 2017 of €63.1 million (30 June 2016: €15.7 million). This is after charging/crediting the following non-cash items totalling net €8.2 million, consisting of:

- an accrual of €10.7 million relating to the Property Advisor performance fee (30 June 2016: €2.8 million). The accrual reflects the potential fee payable to the Property Advisor at the year end, based on the increase in EPRA NAV, under the terms of the Property Advisor Agreement; and
- mark-to-market interest rate swap gains of €2.5 million (30 June 2016: loss of €2.9 million).

The results were positively impacted by a revaluation gain of €70.1 million (30 June 2016: €21.7 million). Excluding the revaluation gain, the performance fee accrual and the gain on the Swaps, the Company reported a profit before tax of €1.2 million (30 June 2016: loss before tax of €0.3 million).

Reported earnings per share for the period were €55 cents (June 2016: €14 cents).

The Board is pleased to declare an interim dividend €2.28 cents per share (£2.0 pence per share), (30 June 2016: €1.92 cents, £1.6 pence) for the first half of the year. The dividend is expected to be paid on or around 20 October 2017 to shareholders on the register at close of business on 6 October 2017, with an ex-dividend date of 5 October 2017.

DEBT AND GEARING

As at 30 June 2017, the Company had gross borrowings of €197.2 million (31 December 2016: €185.6 million) and cash balances of €32.9 million (31 December 2016: €18.5 million), resulting in net debt of €164.3 million (31 December 2016: €167.1 million) and a net loan to value of 31.6% (31 December 2016: 39.4%). The increases in gross debt in the period reflects: i) the drawdown from new and existing loan facilities in an aggregate amount of €43.3 million, €11.3 million of which was used to refinance existing Group debt; and ii) the repayment of €18.3 million of debt in relation to the sale of the Nuremburg & Fürth Portfolio. The increase in cash balances, and resulting fall in net loan to value, reflects the cash received in advance of the period end from the disposal of the Nuremberg & Fürth Portfolio.

At 30 June 2017, the blended interest rate of the Company's loan book was 1.9% (30 June 2016: 2.0%). The average remaining duration of the loan book at 30 June 2017 was 6.3 years (30 June 2016: 4.7 years).

Since 30 June 2017, the Group has successfully refinanced €79.6 million of existing debt, while securing a further equity release of €14.8 million on the same pool of properties. The equity release will be used to fund new property acquisitions and also to invest in the existing portfolio. Including the impact of this new financing, the average remaining duration of the loan book would be just under nine years, providing the Group with stable, long-term, low-cost funding for many years to come.

Although currently well funded, the Group will continue to assess its funding options for growth, including further debt, equity and joint ventures.

OUTLOOK

Market dynamics are favourable, particularly in Berlin, where demand for rental property is significantly outstripping supply. The demand for rental apartments is driven by inward migration, high job creation levels and falling unemployment. By contrast, supply of housing stock is limited, constrained by lack of available land for development and new-build construction costs that exceed the value of existing housing stock in most locations.

The net effect of this supply-demand imbalance is upward pressure on new letting prices which, in turn, has created a significant reversionary rental opportunity for the future. The fact that new leases in our Berlin Portfolio have been signed at an average 44% premium to in-place rents during the first half of this year suggests that significant potential remains to improve rental incomes even in the event that market rental values were to stabilise.

The rising trend within the Berlin market for private individuals buying apartments is also creating a reversionary opportunity within the Portfolio through selling individual units as condominiums at significant premiums to book carrying values. This potential was clearly demonstrated in our results during the first six months of 2017 and additional properties are in the process of being evaluated as future condominium projects.

Following the disposal of the Company's Nuremberg and Fürth Portfolio, and a series

RENT AND VACANCY BY REGION

Market	Average rent per sqm (€) H1 2017	Average rent per sqm (€) H1 2016	Average rent growth (%) H1 2017	LFL growth (%) H1 2017	LFL growth (%) H1 2016	Reported vacancy (%) H1 2017	Reported vacancy (%) H1 2016	EPRA vacancy (%) H1 2017	EPRA vacancy (%) H1 2016
Berlin (inc. Greater Area)	7.9	7.8	0.4	6.1	6.5	8.2	12.6	4.0	2.7
Central & North Germany	7.2	7.0	2.9	2.9	(6.0)	5.8	7.6	2.1	5.5
Nuremberg & Fürth	7.5	7.2	4.9	4.9	0.8	16.1	14.4	5.9	1.4
Baden-Wuerttemberg	8.6	8.5	0.4	0.4	(1.0)	4.4	4.4	2.0	0.9
Total	**7.7**	**7.6**	**1.1**	**5.0**	**5.7**	**8.2**	**11.1**	**3.7**	**3.2**

of carefully targeted property acquisitions, the Board believes that the Portfolio, with its focus on Central Berlin, is well positioned to take advantage of these trends. Positive market tailwinds, combined with the Company's active asset management strategy, have the potential to generate further growth in rental incomes and property values during the second half of the year.

IDENTIFICATION OF BUSINESS RISKS

The Group's principal risks and uncertainties are consistent with those set out in the Annual Report for the year ended 31 December 2016 being in compliance with financial covenants on bank borrowing, tenant default, liquidity, interest rate hedging instruments, insufficient investment opportunities and interest rate movements on bank borrowings. The Directors consider that the significant areas of judgement made by management that have significant effect on the Group's performance and estimates with a significant risk of material adjustment in the second half of the year are unchanged from those identified in the Annual Report for the year ended 31 December 2016.

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.

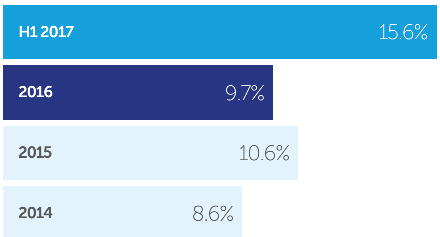
In the six months to 30 June 2017:

- the value of the property Portfolio grew by 15.6% on a like-for-like for basis. This increase was driven by yield compression and an increase in like-for-like average rent per let sqm of 5.0% (H1 2016: 5.7%);
- the EPRA vacancy of the Portfolio at 30 June 2017 stood at 3.7% (30 June 2016: 3.2%);
- the Group continued with its targeted condominium programme, agreeing sales of €3.9 million in the half year to 30 June 2017 (H1 2016: €1.2 million);
- EPRA NAV per share increased by 38% to €3.34 as at 30 June (30 June 2016: €2.42); and
- the declared dividend for the half year 2017 was €2.28 cents (2.0p) per share, an increase of 15% in Euro terms (H1 2016: €1.92 cents (1.60p) per share).

KPI	2017 HY	2016 FY	2016 HY	2015 FY	2015 HY	2014	2013
Like-for-like property value growth	15.6%	19.4%	9.8%	10.6%	5.5%	8.6%	8.8%
Like-for-like property rent per sqm €	7.8	8.0	7.7	7.4	7.2	7.1	6.8
EPRA vacancy	3.7%	2.6%	3.2%	3.9%	5.6%	4.1%	8.0%
Condominium sales €m	3.9	5.7	1.2	4.7	–	–	–
EPRA NAV per share €	3.34	2.73	2.42	2.28	2.19	2.06	1.92
Dividend per share p	2.0	5.3	1.6	4.2	1.3	–	–

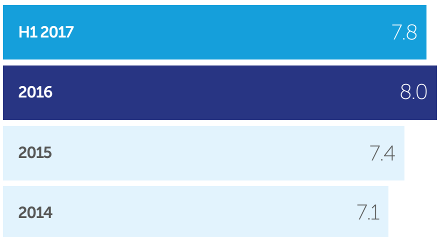
Like-for-like property portfolio value growth 2014-H1 2017

15.6%



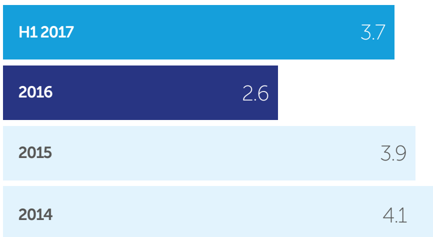
Like-for-like portfolio rent per sqm € – 2014-H1 2017

€7.8



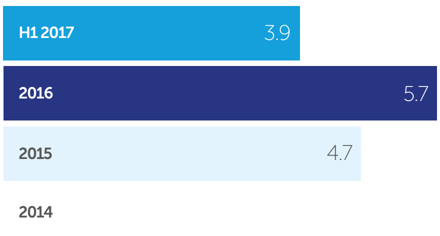
EPRA vacancy

3.7%



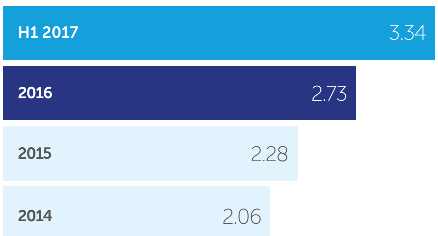
Condominium sales – 2014-H1 2017

€3.9m



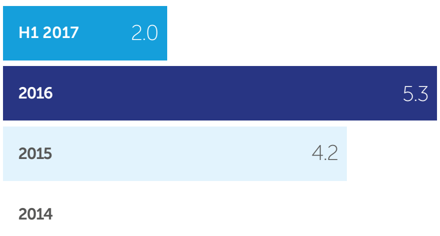
EPRA NAV per share 2014-H1 2017

€3.34



Dividend per share p

2.0p



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 gives a true and fair view of the assets, liabilities, financial position and profit or 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
25 September 2017

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2017

Continuing Operations	Notes	**Six months ended 30 June 2017 (unaudited) €'000**	Six months ended 30 June 2016 (unaudited) €'000	Year ended 31 December 2016 (audited) €'000
Revenue	5	**9,489**	7,624	15,934
Property expenses	6	**(14,439)**	(6,324)	(13,351)
Gross (loss)/profit		**(4,950)**	**1,300**	**2,583**
Other operating income		**–**	57	–
Administrative expenses	7	**(1,397)**	(1,406)	(2,977)
Gain on disposal of investment property	8	**767**	422	799
Investment property fair value gain	13	**70,084**	21,662	55,226
Operating profit before exceptional costs		**64,504**	**22,035**	**55,631**
Exceptional items – transaction costs	9	**–**	(1,592)	–
Operating profit		**64,504**	**20,443**	**55,631**
Net finance charge	10	**(1,406)**	(4,788)	(6,756)
Profit before taxation		**63,098**	**15,655**	**48,875**
Income tax expense	11	**(11,833)**	(3,269)	(10,913)
Profit after taxation		**51,265**	**12,386**	**37,962**
Other comprehensive income		**–**	–	–
Total comprehensive income for the period		**51,265**	**12,386**	**37,962**
Total comprehensive income attributable to:				
Owners of the parent		**50,998**	12,144	36,998
Non-controlling interests		**267**	242	964
		51,265	12,386	37,962
Earnings per share attributable to the owners of the parent:				
From continuing operations				
Basic (€)	23	**0.55**	0.14	0.42
Diluted (€)	23	**0.52**	0.14	0.40

Condensed Consolidated Statement of Financial Position

As at 30 June 2017

	Notes	As at 30 June 2017 (unaudited) €'000	As at 30 June 2016 (unaudited) €'000	As at 31 December 2016 (audited) €'000
ASSETS				
Non-current assets				
Investment properties	13	**436,226**	329,493	395,829
Property, plant and equipment		**55**	31	40
Deferred tax asset	11	**370**	749	770
Loans and receivables	16	**2,282**	1,409	2,253
		438,933	**331,682**	**398,892**
Current assets				
Investment properties – held for sale	14	**83,504**	354	27,970
Trade and other receivables	15	**12,893**	2,037	7,503
Cash and cash equivalents		**32,876**	42,039	18,450
		129,273	**44,430**	**53,923**
Total assets		**568,206**	**376,112**	**452,815**
EQUITY AND LIABILITIES				
Current liabilities				
Borrowings	17	**2,793**	8,418	9,169
Trade and other payables	18	**37,108**	935	1,331
Derivative financial instruments	19	**–**	–	392
Current tax		**19**	9	24
		39,920	**9,362**	**10,916**
Non-current liabilities				
Borrowings	17	**194,404**	135,218	176,423
Derivative financial instruments	19	**2,336**	4,734	4,477
Other financial liabilities	20	**4,696**	3,113	3,590
Deferred tax liability		**33,572**	14,500	22,150
		235,008	**157,565**	**206,640**
Total liabilities		**274,928**	**166,927**	**217,556**
Equity				
Stated capital	22	**162,630**	164,230	162,630
Share based payment reserve	21	**18,267**	4,101	7,614
Retained earnings		**111,173**	40,854	64,074
Equity attributable to owners of the parent		**292,070**	209,185	234,318
Non-controlling interest		**1,208**	–	941
Total equity		**293,278**	**209,185**	**235,259**
Total equity and liabilities		**568,206**	**376,112**	**452,815**

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	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 2016	**115,150**	**1,264**	**32,125**	**148,539**	**2,626**	**151,165**
Comprehensive income:						
Profit for the period	–	–	12,144	**12,144**	242	**12,386**
Other comprehensive income	–	–	–	**–**	–	**–**
Total comprehensive income for the period	**–**	**–**	**12,144**	**12,144**	**242**	**12,386**
Transactions with owners – recognised directly in equity:						
Issue of share capital	49,080	–	–	**49,080**	–	**49,080**
Dividends paid	–	–	(3,414)	**(3,414)**	–	**(3,414)**
Performance fee	–	2,837	–	**2,837**	–	**2,837**
Recognition of redemption liability	–	–	(1)	**(1)**	(2,868)	**(2,869)**
Balance at 30 June 2016	**164,230**	**4,101**	**40,854**	**209,185**	**–**	**209,185**
Comprehensive income:						
Profit for the period	–	–	24,854	**24,854**	722	**25,576**
Other comprehensive income	–	–	–	**–**	–	**–**
Total comprehensive income for the period	–	–	24,854	**24,854**	722	**25,576**
Transactions with owners – recognised directly in equity:						
Dividends paid	–	–	(1,634)	**(1,634)**	–	**(1,634)**
Performance fee	–	3,513	–	**3,513**	–	**3,513**
Recognition of redemption liability	–	–	–	**–**	(722)	**(722)**
Acquisition of subsidiaries	–	–	–	**–**	941	**941**
Cost related to share placing	(1,600)	–	–	**(1,600)**	–	**(1,600)**
Balance at 31 December 2016	**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	**162,630**	**18,267**	**111,173**	**292,070**	**1,208**	**293,278**

Condensed Consolidated Statement of Cash Flows
For the six months ended 30 June 2017

	Six months ended 30 June 2017 (unaudited) €'000	Six months ended 30 June 2016 (unaudited) €'000	Year ended 31 December 2016 (audited) €'000
Profit before tax	**63,098**	15,655	48,875
Adjustments for:			
Net finance charge	**1,406**	4,788	6,756
Gain on disposal of investment property	**(767)**	(422)	(799)
Investment property revaluation gain	**(70,084)**	(21,662)	(55,226)
Depreciation	**11**	5	12
Performance fee charge	**10,653**	2,837	6,350
Operating cash flows before movements in working capital	**4,317**	1,201	5,968
(Increase)/decrease in receivables	**(5,362)**	481	(3,808)
Increase/(decrease) in payables	**607**	(1,749)	(1,353)
Cash (used in)/generated from operating activities	**(438)**	(67)	807
Income tax (paid)/received	**–**	–	–
Net cash (used in)/generated from operating activities	**(438)**	(67)	807
Cash flow from investing activities			
Proceeds on disposal received in advance	**35,170**	–	–
Proceeds on disposal of investment property	**9,063**	2,277	4,250
Bank interest received	**106**	102	168
Capital expenditure on investment property	**(2,950)**	(1,303)	(4,189)
Property additions	**(31,037)**	(25,183)	(72,808)
Additions to property, plant and equipment	**(26)**	(6)	(22)
Loans issued to minority shareholders	**–**	–	(806)
Net cash used in investing activities	**10,326**	(24,113)	(73,407)
Cash flow from financing activities			
Interest paid on bank loans	**(3,161)**	(1,756)	(3,173)
Repayment of bank loans	**(31,771)**	(6,815)	(6,040)
Drawdown on bank loan facilities	**43,365**	16,650	45,394
Share issue	**–**	49,080	47,480
Dividends paid	**(3,899)**	(3,414)	(5,049)
Net cash generated from financing activities	**4,534**	53,745	78,612
Net increase in cash and cash equivalents	**14,422**	29,565	6,012
Cash and cash equivalents at beginning of period	**18,450**	12,757	12,757
Exchange gains/(losses) on cash and cash equivalents	**4**	(283)	(319)
Cash and cash equivalents at end of period	**32,876**	**42,039**	**18,450**

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 June 2017

1. GENERAL INFORMATION

Phoenix Spree Deutschland Limited is a public limited company which is listed on the premium segment of the main market of the London Stock Exchange and is incorporated and domiciled in Jersey, and operates out of Jersey and Germany. The Group's principal activity is the holding of investment properties located in Germany. The Company's ordinary shares were admitted to trading on the London Stock Exchange on 15 June 2015.

The registered office of the Company is 13-14 Esplanade, St. Helier, Jersey JE1 1EE.

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 2016.

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 2016.

The comparative figures for the financial year ended 31 December 2016 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 25 September 2017.

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.

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.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the interim 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 recognised in the condensed consolidated financial statements.

ESTIMATE OF FAIR VALUE OF INVESTMENT PROPERTIES

The best evidence of fair value is current prices in an active market for similar properties 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 the opinion of 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 3 to 4.

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 focussed 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 and Germany.

31 December 2016 (audited)	Residential €'000	Commercial €'000	Unallocated €'000	**Total €'000**
Investment property	332,496	63,333	–	**395,829**
Loans and receivables	–	–	2,253	**2,253**
Assets held for sale	23,495	4,475	–	**27,970**
Other assets	22,447	4,276	40	**26,763**
Liabilities	(179,711)	(34,231)	(3,614)	**(217,556)**
Net assets	**198,727**	**37,853**	**(1,321)**	**235,259**

	Residential €'000	Commercial €'000	Unallocated €'000	**Total €'000**
Revenue	13,385	2,549	–	**15,934**
Property expenses	(11,215)	(2,136)	–	**(13,351)**
Administrative expenses	–	–	(2,977)	**(2,977)**
Gain on disposal of investment property	799	–	–	**799**
Investment property fair value gain	46,390	8,836	–	**55,226**
Operating profit	**49,359**	**9,249**	**(2,977)**	**55,631**
Net finance charge				**(6,756)**
Income tax expense				**(10,913)**
Profit for the year				**37,962**

30 June 2016 (audited)	Residential €'000	Commercial €'000	Unallocated €'000	**Total €'000**
Investment property	273,479	56,014	–	**329,493**
Loans and receivables	–	–	1,409	**1,409**
Other assets	37,559	7,620	31	**45,210**
Liabilities	(135,958)	(27,847)	(3,122)	**(166,927)**
Net assets	**175,080**	**35,787**	**(1,682)**	**209,185**

	Residential €'000	Commercial €'000	Unallocated €'000	**Total €'000**
Revenue	6,328	1,296	–	**7,624**
Property expenses	(5,249)	(1,075)	–	**(6,324)**
Other operating income	–	–	57	**57**
Administrative expenses	–	–	(1,406)	**(1,406)**
Gain on disposal of investment property	422	–	–	**422**
Investment property fair value gain	17,979	3,683	–	**21,662**
Operating profit	**19,480**	**3,904**	**(1,349)**	**22,035**
Exceptional costs				**(1,592)**
Net finance charge				**(4,788)**
Income tax expense				**(3,269)**
Profit for the period				**12,386**

Notes to the Condensed Consolidated Financial Statements continued

For the six months ended 30 June 2017

4. SEGMENTAL INFORMATION (CONTINUED)

30 June 2017 (audited)	Residential €'000	Commercial €'000	Unallocated €'000	**Total €'000**
Investment property	368,306	67,920	–	**436,226**
Loans and receivables	–	–	2,282	**2,282**
Assets 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	(12,191)	(2,248)	–	**(14,439)**
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**
Operating profit	**55,760**	**10,141**	**(1,397)**	**64,504**
Net finance charge				**(1,406)**
Income tax expense				**(11,833)**
Profit for the period				**51,265**

5. REVENUE

	30 June 2017 (unaudited) €'000	30 June 2016 (unaudited) €'000	31 December 2016 (audited) €'000
Rental income	9,489	7,624	15,934

6. PROPERTY EXPENSES

	30 June 2017 (unaudited) €'000	30 June 2016 (unaudited) €'000	31 December 2016 (audited) €'000
Property management expenses	572	529	1,100
Repairs and maintenance	599	543	1,102
Doubtful debt expense	182	130	88
Other property expenses	406	742	1,324
Property advisors' fees and expenses	2,027	1,543	3,387
Property advisors' performance fee accrual	10,653	2,837	6,350
	14,439	**6,324**	**13,351**

7. ADMINISTRATIVE EXPENSES

	30 June 2017 (unaudited) €'000	30 June 2016 (unaudited) €'000	31 December 2016 (audited) €'000
Secretarial & administration fees	330	304	658
Legal & professional fees	754	587	1,494
Directors' fees	76	44	150
Accountancy fees	167	121	445
Audit fees	79	51	141
Bank charges	11	11	32
(Profit)/loss on foreign exchange	(4)	283	319
Depreciation	11	5	12
Other income relating to cost recovery	(27)	–	(274)
	1,397	**1,406**	**2,977**

8. GAIN ON DISPOSAL OF INVESTMENT PROPERTY

	30 June 2017 (unaudited) €'000	30 June 2016 (unaudited) €'000	31 December 2016 (audited) €'000
Proceeds	9,063	2,277	4,250
Book value of disposals	(8,140)	(1,855)	(3,405)
Disposal costs	(156)	–	(46)
	767	**422**	**799**

Disposals consist of one rental property sold in February 2017 at its book value of €3,800,000, resulting in no gain; and condominium sales, accounting for the remainder of the disposal proceeds and net book value.

9. EXCEPTIONAL COSTS

	30 June 2017 (unaudited) €'000	30 June 2016 (unaudited) €'000	31 December 2016 (audited) €'000
Professional fees associated with share placing	–	1,592	–
	–	**1,592**	**–**

Exceptional costs comprise of costs directly attributable to the share placing on the London Stock Exchange. The fees were reallocated against equity in the financial statements for the year ended 31 December 2016 in accordance with IAS 32.

10. NET FINANCE CHARGE

	Six months ended 30 June 2017 (unaudited) €'000	Six months ended 30 June 2016 (unaudited) €'000	Year ended 31 December 2016 (audited) €'000
Interest income	(77)	(102)	(113)
Interest accrued from partner loans	(29)	–	(55)
(Gain)/loss on interest rate swaps	(2,533)	2,865	3,000
Interest payable on bank borrowings	2,403	1,640	3,924
Fees associated with early termination of debt finance	536	141	–
Finance cost of redemption liability	1,106	244	–
	1,406	**4,788**	**6,756**

11. TAXATION

	Six months ended 30 June 2017 (unaudited) €'000	Six months ended 30 June 2016 (unaudited) €'000	Year ended 31 December 2016 (audited) €'000
The tax charge for the period is as follows:			
Current tax charge	11	8	24
Adjustment in respect of prior year	–	–	(1)
Deferred tax charge	11,822	3,261	10,890
Current tax charge for the period	**11,833**	**3,269**	**10,913**

11. TAXATION (CONTINUED)

	Capital gains on properties €'000 (Liability)	Interest rate swaps €'000 Asset	Total €'000 (Net liability)
The movement in respect of deferred taxation is as follows:			
Balance at 1 January 2016	(10,786)	296	(10,490)
Movement for the period	(3,714)	453	(3,261)
Deferred tax at 30 June 2016	**(14,500)**	**749**	**(13,751)**
Movement for the period	(7,650)	21	(7,629)
Deferred tax at 31 December 2016	**(22,150)**	**770**	**(21,380)**
Movement for the period	(11,422)	(400)	(11,822)
Deferred tax at 30 June 2017	**(33,572)**	**370**	**(33,202)**

12. DIVIDENDS

	As at 30 June 2017 (unaudited) €'000	As at 30 June 2016 (unaudited) €'000	As at 31 December 2016 (audited) €'000
Dividends on participating shares proposed for approval (not recognised as a liability at 30 June 2017)			
Proposed interim dividend for the year ended 31 December 2017 of €2.28c (2.00p) (2016: 1.60p (€1.92c)) per share	2,108	1,771	–
Proposed final dividend for the year ended 31 December 2016 of €4.30c (3.70p) (2015: €3.90c (2.90p)) per share	–	–	3,977
Amounts recognised as distributions to equity holders in the period:			
Interim dividend for the year ended 31 December 2016 of €1.92c (1.60p) (2015: €1.80c (1.30p)) per share	–	–	1,634
Final dividend for the year ended 31 December 2016 of €4.30c (3.70p) (2015: €3.90c (2.90p)) per share	3,899	3,414	–

13. INVESTMENT PROPERTIES

	€'000
Fair Value	
At 1 January 2016	**283,554**
Capital expenditure	1,303
Disposals	(1,855)
Reclassified as investment properties held for sale	(354)
Property additions	25,183
Revaluation gain	21,662
At 30 June 2016	**329,493**
Capital expenditure	2,886
Disposals	(1,550)
Reclassified as investment properties held for sale	(27,616)
Property additions	59,052
Revaluation gain	33,564
At 31 December 2016	**395,829**
Capital expenditure	2,950
Reclassified as investment properties – held for sale	(63,674)
Property additions	31,037
Revaluation gain	70,084
At 30 June 2017	**436,226**

The property portfolio was valued at 30 June 2017 by the Group's independent valuers, Jones Lang LaSalle GmbH ("JLL"), in accordance with the following described methodology.

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 this financial information.

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 which have significant effect on the recorded fair value are not observable for the discounted cash flow method.

The unrealised fair value gain in respect of investment property is disclosed in the Statement of Comprehensive Income as "Investment property fair value gain".

DISCOUNTED CASH FLOW METHOD (DCF)

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 frequency of inflows and outflows (monthly, quarterly, annually) is contract and market-derived.

An appropriate discount rate is then applied to the cash flow. If the frequency of the time points selected for the cash flow is, for example, quarterly, the discount rate must be the effective quarterly rate and not a nominal rate. The DCF method assumes that cash outflows occur in the same period that expenses are recorded. The exit yield is normally separately determined and differs from the discount rate.

The discount rate reflects the opportunity and risk aspects of the market yield demanded by investors, and consist of an interest rate for a risk-free investment, as well as a premium, to account for specific investment risks associated with real estate investments.

The exit yield (capitalisation rate) is used to capitalise the stabilised net operating income at year 10 in to perpetuity, as it is assumed that properties are kept in stock after the detailed 10 year planning period. The exit yield is based on each property's individual discount rate.

COMPARABLE VALUATION METHOD

The properties held for sale are also valued with the DCF method, but with a privatisation scenario (sale of all units within a defined period of time) based on comparable sales prices for condominiums. The properties with the sales potential are valued using the same DCF method as with a rental scenario, however, the sales potential is reflected by using lower discount rate.

The total of properties under a privatisation scenario will not equal Investment property – held for sale as there are other properties notarised for sale or being marketed for sale.

NOTARISED DISPOSAL PRICE

Where the group has notarised properties for sale, and which have not completed at the reporting date, the properties have been valued at their disposal price. These have also been included for reference in the following table. (Disposal Scenario).

The table below sets out the assets valued using the discounted cash flow method (Rental scenario), comparable valuation (Privatisation scenario), and the assets notarised for disposal (Disposal scenario).

	As at 30 June 2017 €'000	As at 30 June 2016 €'000	As at 31 December 2016 €'000
Rental Scenario	448,622	325,197	388,509
Privatisation Scenario	25,463	4,650	35,290
Disposal scenario	45,645	–	–
Total	**519,730**	**329,847**	**423,799**

14. INVESTMENT PROPERTIES – HELD FOR SALE

	€'000
Fair Value	
At 1 January 2016	–
Reclassified from investment properties	354
At 30 June 2016	**354**
Reclassified from investment properties	27,616
At 1 January 2017	**27,970**
Disposals	(8,140)
Reclassified from investment properties	63,674
At 30 June 2017	**83,504**

Under IFRS 5, Investment properties are re-classified as current assets, and described as 'held for sale' when at the reporting date, the Group has obtained and implemented all relevant permissions required to sell individual the assets; and efforts are being made to dispose of the assets. The assets held for sale are disclosed in the Segmental Information note 4.

Held for sale includes three different types of property: Properties notarised for sale, properties being privatised under the condominium strategy, and properties which are being marketed for sale but currently have not been notarised.

Investment properties – held for sale are all expected to be sold within 12 months of the reporting date.

15. TRADE AND OTHER RECEIVABLES

	As at 30 June 2017 (unaudited) €'000	As at 30 June 2016 (unaudited) €'000	As at 31 December 2016 (audited) €'000
Trade receivables	1,135	995	1,344
Less: Impairment provision	(565)	(318)	(383)
Net receivables	570	677	961
Prepayments and accrued income	7,203	1,051	6,050
Investment property disposal proceeds receivable	3,490	–	21
Sundry receivables	1,630	309	471
	12,893	**2,037**	**7,503**

Prepayments and accrued income contains a €5.1 million payment, including acquisition costs, for property Mittelbruchzeile 112; as well as a €0.7 million deposit for the Investix Portfolio. Mittelbruchzeile 112 completed in July 2017, and the Investix portfolio is expected to complete in September 2017.

Investment Property Disposal Proceeds Receivable consists of cash held on the notary account from sales of condominiums in Boxhagener Str. which is expected to be transferred across to the fund in October 2017.

16. LOANS AND RECEIVABLES

	As at 30 June 2017 (unaudited) €'000	As at 30 June 2016 (unaudited) €'000	As at 31 December 2016 (audited) €'000
Loans issued – Balance at start of period	2,253	1,338	1,382
Loans issued to minority interest – initial recognition	–	–	806
Accrued interest	41	71	65
Loan repayments made in period	(12)	–	–
	2,282	**1,409**	**2,253**

In 2015 the Group entered into loan agreements with Mike Hilton and Paul Ruddle in connection with the acquisition of Phoenix Spree Property Fund Ltd. & Co KG ('PSPF'). 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 (Accentro Real Estate KG) in relation to the acquisition of Laxpan Mueller GmbH and Invador Grundbesitz GmbH in 2016. This loan bears interest at 3% per annum.

17. BORROWINGS

	As at 30 June 2017 (unaudited) €'000	As at 30 June 2016 (unaudited) €'000	As at 31 December 2016 (audited) €'000
Current liabilities			
Bank loans – Kreissparkasse Boblingen District Savings Bank	2,793	–	2,869
Bank loans – Sparkasse Langenfeld	–	–	6,300
Bank loans – Deutsche Hypothekenbank AG	–	8,418	–
	2,793	8,418	9,169
Non-current liabilities			
Bank loans – Deutsche Genossenschafts-Hypothekenbank AG	164,023	132,275	171,418
Bank loans – HypoVereinsbank	–	–	5,005
Bank loans – Berliner Sparkasse	30,381	–	–
Bank loans – Kreissparkasse Boblingen District Savings Bank	–	2,943	–
	194,404	135,218	176,423
	197,197	**143,636**	**185,592**

For further information on borrowings, refer to the management report on page 7.

18. TRADE AND OTHER PAYABLES

	As at 30 June 2017 (unaudited) €'000	As at 30 June 2016 (unaudited) €'000	As at 31 December 2016 (audited) €'000
Trade payables	978	641	791
Other payables	596	–	–
Consideration received in advance on sale of Nuremberg & Fürth Portfolio	35,170	–	–
Other provisions and accrued liabilities	363	294	533
Tenant deposits	1	–	7
VAT	–	–	–
	37,108	**935**	**1,331**

19. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 June 2017 (unaudited) €'000	As at 30 June 2016 (unaudited) €'000	As at 31 December 2016 (audited) €'000
Interest rate swaps – carried at fair value through profit or loss			
Balance at start of period	4,869	1,869	1,869
Additions on acquisition	–	–	392
(Gain)/loss in movement in fair value through profit or loss	(2,533)	2,865	2,608
Balance at end of period	**2,336**	**4,734**	**4,869**

The notional principal amounts of the outstanding interest rate swap contracts at 30 June 2017 were €182,948,000 (31 December 2016: €175,932,000, 30 June 2016: €133,436,000). At 30 June 2017, the fixed interest rates varied from 0.27% to 1.85% above the main factoring Euribor rate.

19. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

MATURITY ANALYSIS OF INTEREST RATE SWAPS

	As at 30 June 2017	As at 30 June 2016	As at 31 December 2016
Less than 1 year	–	–	392
Between 1 and 2 years	–	1,250	–
Between 2 and 5 years	1,161	3,484	–
More than 5 years	1,175	–	4,477
	2,336	**4,734**	**4,869**

20. OTHER FINANCIAL LIABILITIES

	As at 30 June 2017 (unaudited) €'000	As at 30 June 2016 (unaudited) €'000	As at 31 December 2016 (audited) €'000
Balance at start of period	3,590	–	–
Recognition of redemption liability	–	2,869	2,626
Finance cost on redemption liability	1,106	244	–
Increase in profit attributable to NCI	–	–	964
Balance at end of period	**4,696**	**3,113**	**3,590**

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 valuation of the purchase price will be based on the last published financial results as at the date the option is put to the parent.

The recognition of the redemption liability has been accounted for as a financial obligation to the fund; and any movement in this liability is recognised as a charge to the Condensed Consolidated Statement of Comprehensive Income under net finance charge. Also see the Condensed Consolidated Statement of Changes in Equity for the recognition accounting.

21. SHARE BASED PAYMENT RESERVES

	Performance fee €'000
Balance at 1 January 2016	1,264
Fee accrued for the period	2,837
Balance at 30 June 2016 (unaudited)	4,101
Fee accrued for the period	3,513
Balance at 31 December 2016 (audited)	7,614
Fee accrued for the period	10,653
Balance at 30 June 2017 (unaudited)	**18,267**

22. STATED CAPITAL

	As at 30 June 2017 (unaudited) €'000	As at 30 June 2016 (unaudited) €'000	As at 31 December 2016 (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	47,480	49,080	47,480
	162,630	**164,230**	**162,630**

During the period ended 30 June 2016, placing costs of €1,592,000 were shown as an exceptional item in the financial statements. The total amount of €1,600,000 was reallocated against equity in the financial statements for the year ended 31 December 2016 in accordance with IAS 32. The total number of shares in issue at 31 December 2016 was 92,491,344.

23. EARNINGS PER SHARE

	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)	Year ended 31 December 2016 (audited)
Earnings for the purposes of basic earnings per share being net profit attributable to owners of the parent (€'000)	50,998	12,144	36,998
Weighted average number of ordinary shares for the purposes of basic earnings per share (Number)	92,491,344	84,661,574	88,587,235
Effect of dilutive potential ordinary shares (Number)	5,471,487	2,075,930	2,829,885
Weighted average number of ordinary shares for the purposes of diluted earnings per share (Number)	97,962,831	86,737,504	91,471,120
Earnings per share (€)	0.55	0.14	0.42
Diluted earnings per share (€)	0.52	0.14	0.40

24. NET ASSET VALUE PER SHARE AND EPRA NET ASSET VALUE

	30 June 2017 (unaudited)	30 June 2016 (unaudited)	31 December 2016 (audited)
Net assets (€'000)	292,070	209,185	234,318
Number of participating ordinary shares	92,491,344	92,491,344	92,491,344
Net asset value per share (€)	3.16	2.26	2.53

EPRA net asset value	30 June 2017 (unaudited)	30 June 2016 (unaudited)	31 December 2016 (audited)
Net assets (€'000)	292,070	209,185	234,318
Add back deferred tax assets and liabilities, derivative financial instruments, goodwill and adjusting for the dilutive effect of shares to be issued in respect of the performance fee	17,271	14,384	18,635
EPRA net asset value (€'000)	309,341	223,569	252,953
EPRA net asset value per share (€)	**3.34**	**2.42**	**2.73**

Notes to the Condensed Consolidated Financial Statements continued
For the six months ended 30 June 2017

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 this financial information.

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 payable
- Borrowings
- Derivative financial instruments

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

	30 June 2017 €'000	30 June 2016 €'000	31 December 2016 €'000
Loans and receivables:			
Trade and other receivables: current	5,690	986	1,453
Cash and cash equivalents	32,876	42,039	18,450
Loans and receivables	2,282	1,409	2,253
	40,848	**44,434**	**22,156**

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

	30 June 2017 €'000	30 June 2016 €'000	31 December 2016 €'000
Held at amortised cost:			
Borrowings payable: current	2,793	8,418	9,169
Borrowings payable: non-current	194,404	135,218	176,423
Other financial liabilities	4,696	3,113	3,590
Trade and other payables	37,108	935	1,331
	239,001	**147,684**	**190,513**
Fair value through profit or loss:			
Derivative financial liability – interest rate swaps	2,336	4,734	4,869
	2,336	**4,734**	**4,869**
	241,337	**152,418**	**195,382**

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.

Interest rate swaps are initially recognised at fair value at the date of inception and are subsequently remeasured at their fair value at the reporting date.

The interest rate swaps are expected to mature between November 2017 and February 2027.

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.

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the cash flow exposures on the issued variable rate debt held.

Sensitivity analysis has not been performed as all variable rate borrowings have been swapped to fixed interest rates and potential movements on cash at bank balances are immaterial.

26. RELATED PARTY TRANSACTIONS
Related party transactions not disclosed elsewhere are as follows:

R Prosser is a director of Estera Fund Administrators (Jersey) Limited which provides administration services to the Company.

A Weaver is a partner of the Jersey law firm, Appleby, which provides legal services to the Company and a member of Appleby group.

During the six month period ended 30 June 2017, an amount of €328,952 (June 2016: €378,664 and December 2016: €657,751) was payable to Estera Fund Administrators (Jersey) Limited for accounting, administration and secretarial services. At June 2017, €182,222 (June 2016: €330,229 and December 2016: €187,515) was outstanding.

During the six month period ended 30 June 2017, an amount of €24,570 (June 2016: €39,523 and December 2016: €60,337) was payable to Appleby, law firm for legal and professional services. At June 2017 €2,568 (June 2016: €30,354 and December 2016: €9,495) was outstanding.

M Northover is a Director of, and shareholder of PMM Partners (UK) Limited, the Company's appointed Property Advisor. During the six month period ended 30 June 2017, an amount of €2,027,000 (June 2016: €1,543,000 and December 2016: €3,387,000) was payable to PMM Partners (UK) Limited. At June 2017 €Nil (June 2016: €Nil and December 2016: €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 €10,653,000 (June 2016: €2,837,000 and December 2016 €6,350,000).

The Group entered into unsecured loan agreements with M Hilton and P Ruddle (both Directors of and shareholders in PMM Partners (UK) Limited) in connection with the acquisition of PSPF. The nominal value of the loan was €669,000 at first issue in 2015, and as at the June 2017 €727,900 each was owed to the Group. The loans bear interest of 4% per annum.

27. SUBSEQUENT EVENTS
The Group exchanged contracts in September 2017 for the acquisition of a portfolio of seven properties in Berlin for consideration of €22.0 million. This transaction is expected to complete in November 2017.

The Group also exchanged contracts in September 2017 for a property in Berlin for consideration of €7.0 million. This portfolio is expected to complete in December 2017.

The Group had exchanged contracts for the acquisition of a portfolio and a single property in Berlin with an aggregate purchase price of €11.6 million prior to the balance sheet date, which had not yet completed at the balance sheet date. The single property with value of €4.5 million completed in Q3 2017, and the Investix Portfolio with a purchase price €7.1 million is expected to complete in September 2017.

The Group has notarised for sale all the properties held by a subsidiary fund, which are located in the Nuremberg and Fürth area, for a gross consideration of €35.2 million. The transaction completed in July 2017.

The Group had notarised for sale six properties in non-Berlin regions prior to the balance sheet date for €12.6 million which had yet to complete at the balance sheet date. Of these notarised assets €9.5 million have since completed, leaving €3.1 million remaining to complete.

One of these disposals was the sole property securing against a €2.8 million loan from Kreissparkasse Boblingen District Savings Bank. This loan was subsequently repaid on disposal of the property in August 2017.

The Group had exchanged contracts for the sale of four condominiums in Berlin with an aggregate sales price of €1.2 million prior to the balance sheet date, which as at the 30 June 2017 had not completed. One of these condominium sales has subsequently completed in Q3 2017 at a value of €0.3 million. The remaining three are due to complete in Q3 2017.

In July 2017, the Group refinanced the majority of its existing loans with Deutsche Genossenschafts-Hypothekenbank Aktiengesellschaft with a €98.0 million facility, obtaining an equity release of €14.8 million. The debt was secured against the value of current properties.

The Group signed a new loan of €8.7 million secured against new property acquisitions, which is yet to disperse.

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