



**PALMER CAPITAL EMERGING EUROPE PROPERTY FUND N.V.**

**SEMI ANNUAL REPORT 2013**



# 1 PALMER CAPITAL EMERGING EUROPE PROPERTY FUND N.V.

## **Incorporation**

Palmer Capital Emerging Europe Property Fund N.V. (PCEEPF) is an investment company with variable capital within the meaning of article 76a of Book 2 of the Dutch Civil Code. The Fund was incorporated on 27 November 2002 by a notarial deed executed before Prof. D.F.M.M. Zaman, civil-law notary in Rotterdam.

## **Registered Office and entry in Trade Register**

Palmer Capital Emerging Europe Property Fund N.V. is registered in Amsterdam and is entered in the Trade Register of the Chamber of Commerce 'Oost Nederland' under number 08110094.

## **Office Address**

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E-Mail: [info@palmercapital.eu](mailto:info@palmercapital.eu)  
Website: [www.palmercapital.nl](http://www.palmercapital.nl)

## **Correspondence Address**

P.O. Box 211  
7400 AE Deventer  
The Netherlands

## **Supervisory Board**

The Supervisory Board of The Fund consists of:

Prof. Dr. J.L. Bouma (chairman)  
B. Vos M.Sc.

The members of the Supervisory Board have chosen domicile at the offices of The Fund.

J. Bouma is currently also member of the Supervisory Board (chairman) of LIPS CAPITAL B.V. and of Palmer Capital Fondsenbeheer B.V.

B. Vos is currently also Chairman of the Supervisory Board of Palmer Capital Fondsenbeheer B.V., MEI-Tsjechië en Slowakije Fonds N.V., Palmer Capital Emerging Europe Equity Fund N.V., Palmer Capital Russian Midcap Fund N.V., Chairman of the Advisory Board of Kempen Capital Management and Vice Chairman of the Supervisory Board of Reesink.

## **Managing Board**

PCEEPF is managed by Palmer Capital Fondsenbeheer B.V.. Palmer Capital Fondsenbeheer B.V. ("Managing Board") was incorporated under the name Midden-Europa Fondsenbeheer B.V. (subsequently changed into MFB) on 10 June 2002 by a notarial deed executed before Mr. C.E.M. van Steenderen, public notary in Rijswijk. By a notarial deed executed before Mr. J.G.R.C. Prinsen, public notary in Deventer on 8 June 2012 the name of the Managing Board has been changed into Palmer Capital Fondsenbeheer B.V.

Palmer Capital Fondsenbeheer B.V. is registered in Lochem and is entered in the Trade Register of the Chamber of Commerce 'Oost Nederland' under number 08107686.

Palmer Capital Fondsenbeheer B.V. currently has the following directors:  
G.St.J. Barker LLB FRICS  
P.H.J. Mars M.Sc.  
Drs. P.H. van Kleef RC MRE

The Managing Board has chosen domicile at the office of PCEEPF. More information can be found on the website: [www.palmercapital.nl](http://www.palmercapital.nl).

#### **Stichting Prioriteit**

Stichting Prioriteit (the “Foundation”) of the Palmer Capital Emerging Europe Property Fund is managed by a Managing Board consisting of two members:

G.St.J. Barker LLB FRICS  
H.H. Visscher

#### **Auditors**

KPMG Accountants N.V.  
Laan van Langerhuize 1  
1186 DS Amstelveen  
the Netherlands

#### **Legal Advisor**

Loyens & Loeff N.V.  
Blaak 31  
3011 GA Rotterdam  
the Netherlands

#### **Listing and Paying Agent**

SNS Securities N.V.  
Nieuwezijds Voorburgwal 162  
1012 SJ Amsterdam  
the Netherlands

#### **Administrator**

KroeseWevers Accountants B.V.  
Pantheon 2, 2<sup>nd</sup> floor  
7500 AC Enschede  
the Netherlands

#### **Identification codes**

The ISIN code is NL0006311706  
The REUTERS code is MERE.AE  
The BLOOMBERG code is MERENVFNA

The Management of Palmer Capital Emerging Europe Property Fund N.V.(Palmer Capital Fondsenbeheer B.V.) holds a licence from the AFM under the Act on the Supervision of Investment Institutions (Wet toezicht beleggingsinstellingen), which has since been absorbed into the ‘Wet Financieel Toezicht’. This investment involves risks. The price of shares may go down as well as up. Past performance is not a guarantee for future performance. Consult your broker or financial advisor prior to making any investment decisions.

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## 2 PROFILE

The Palmer Capital Emerging Europe Property Fund N.V. (PCEEPF) invests in the established and emerging real estate markets of Central and Eastern Europe. The Fund currently specialises in commercial real estate investments in the Czech Republic and the Slovak Republic. The Fund invests in principle through local companies on the basis of local legislation.

Palmer Capital Fondsenbeheer B.V. (PCFB) is located in Deventer, the Netherlands. Palmer Capital also has offices in London, Munich, Hong Kong, Singapore, Prague, Cluj-Napoca, Sofia and Moscow.

### Objective

PCEEPF offers institutional and private investors the possibility to invest in a real estate portfolio in the emerging markets of Central and Eastern Europe. It uses the expertise of in-company and external commercial real estate specialists, who operate in the local markets concerned. The Fund's investment policy is to deliver a high income return from commercial real estate whilst preserving capital value.

### Fund Structure

On 4 January 2012 PCEEPF became active as a closed-end investment institution. From 5 January 2012 daily share trades as a closed-end investment fund became possible through NYSE Euronext Amsterdam.

### Management

Palmer Capital Fondsenbeheer B.V. is the management company of the Fund. On 24 January 2006 it obtained from AFM a permit under the Act on the Supervision of Investment Institutions. Since 1 January 2007 PCEEPF has operated under the Wft.

### Investment Policy

PCEEPF invests in commercial real estate in Central and Eastern Europe in accordance with predetermined investment criteria. The company aims at a diversified real estate portfolio, spreading risk across sectors and locations. Positions will be analysed regularly and adjusted where necessary.

PCEEPF uses the local organisation of Palmer Capital and selected property management organisations with a good regional presence to identify, acquire and manage its real estate holdings. As a result, the Fund is able to invest effectively in B and C-class real estate, which, if effectively and actively managed, can generate a higher relative return on investment. The result is a diversified real estate portfolio with a good risk/return ratio.

### Investment Criteria

The managing board pursues an investment policy that takes the following investment criteria into consideration:

- PCEEPF will invest in commercial real estate in Central and Eastern Europe, direct and indirect;
- In principle no more than 60% of the book value of the total real estate portfolio will be financed with borrowed capital;
- PCEEPF is allowed to invest in securities or place money on deposit to have enough cash available;
- Investments are diversified at the following levels:
  - o Countries, regions and cities in Central and Eastern Europe;
  - o Commercial sectors, including offices, retail, industry, logistics;
  - o Property classes: A-/ B-/ C-class;
  - o Size of individual projects;

PCEEPF may use financial instruments to hedge the currency risks. The Fund actively manages its portfolio, using its thorough knowledge of the local real estate markets and its experience in various Central and Eastern European countries to identify new investment opportunities. Existing assets will be assessed regularly, to determine whether they should be retained in the portfolio or be sold.

### Financing policy

PCEEPF finances a substantial portion (currently 47.5%) of the real estate portfolio with long-term external debt, although a Loan-to-Value percentage of up to 60% is possible. The Management has regard to the need for flexibility, in particular the ability to sell real estate from the portfolio without incurring high debt finance breakage costs. PCEEPF prefers to use several financiers, so as to be not dependent on just one party.

### Investor relations

PCEEPF strives to achieve open, timely and clear communication with private and institutional investors, asset managers and other interested parties, and endeavours to configure its public and investor relations' policy accordingly. Currently PCEEPF's investors are largely private investors and asset/wealth managers.

### Corporate Governance

Clarity and transparency in supervision and accounting is considered by PCEEPF to be the cornerstone of good management and entrepreneurship. The Fund acknowledges a sound system of good corporate governance. Such as is demonstrated in this semi-annual report, the objectives are clearly defined and PCEEPF has a clear strategy.

### Fund governance

Palmer Capital Fondsenbeheer B.V. endorses the DUFAS Principles of fund governance, as formulated by the Dutch Fund and Asset Management Association (DUFAS). Following these Principles, Palmer Capital Fondsenbeheer B.V. will act in the interests of investors of the funds Palmer Capital Fondsenbeheer B.V. manages. In case of a possible conflict of interest, the Supervisory Board will submit transactions for approval.

DUFAS principles of fund governance are presented on the website of DUFAS: [www.dufas.nl](http://www.dufas.nl).

### Key data per 30-6-2013 and 31-12-2012

	30-6-2013	31-12-2012
Total Assets (EUR x 1000)	63,360	64,502
Shareholders' Equity (EUR x 1000)	27,454	26,471
Total Liabilities (EUR x 1000)	35,906	38,031
Bank Debts (EUR x 1000)	28,557	29,945
LTV (%)*	47.5	49.3
Net Asset Value per share (EUR)	21.46	21.09
Share price (EUR)	8.00	9.50
Occupancy (%)	75.7	75.1
Gross Income (EUR x 1000)	** 3,887	8,106

\* defined as Bank Debts / Investment property and other investments

\*\* gross rental income and Service charge income over half year 2013. See for a suitable comparison for the same period table 4. The net rental income improved compared to the same period last year.

### 3 REPORT OF THE MANAGEMENT BOARD

The Management Board hereby presents the semi-annual report 2013 of Palmer Capital Emerging Europe Property Fund N.V. (The Fund). The reporting period is from 1 January 2013 to 30 June 2013.

#### 3.1 STRATEGY IMPLEMENTATION

Costs savings are an important initial part of the strategy implementation that focuses on generating shareholder value by making dividend payments possible in the near future. The costs savings from management costs of the Slovak and Czech portfolio are active from begin 2013. Compared to the same period last year total management costs are 24.3% lower. This structurally supports the positive development of the net asset value per share (30 June 2013: 21.46), 1.8% higher than at the start of this year. The next step of the strategy implementation is the improvement of the financing structure. Despite a loan-to-value (LTV) of 47.5% and a healthy operational cash flow, the Fund has to deal with substantial bank installments on its mortgage loans. To improve the cash flow and the financial control, the Fund actively pursues the improvement of the financing and specifically installment conditions. The management board did agree during this reporting period with Tatra Banka about the prolongation of the Slovak Bank loan till end 2014.

#### 3.2 NET ASSET VALUE AND SHARE PRICE DEVELOPMENT

The Net Asset Value of the Fund continued to increase based on the positive operational result. The following tables show the development of the Fund's Net Asset Value during the period 1 January 2013 to 30 June 2013.

**Table 1 – Comparative statement of the NAV per share**

	30-06-2013	31-12-2012
Shareholders' equity (in EUR thousands)	27,454	26,471
50% of the deferred tax liabilities concerning revaluation gains on investment property (EUR thousands)	612	645
Shareholders equity in accordance with EPRA (EUR thousands)	28,066	27,116
Number of ordinary shares in issue	1,307,913	1,285,725
<b>Adjusted EPRA-NAV (in Euro)</b>	<b>21.46</b>	<b>21.09</b>
Return on NAV YtD (%)	1.8%	-

**Table 2 –Development of the share price per month till 30-6-2013**

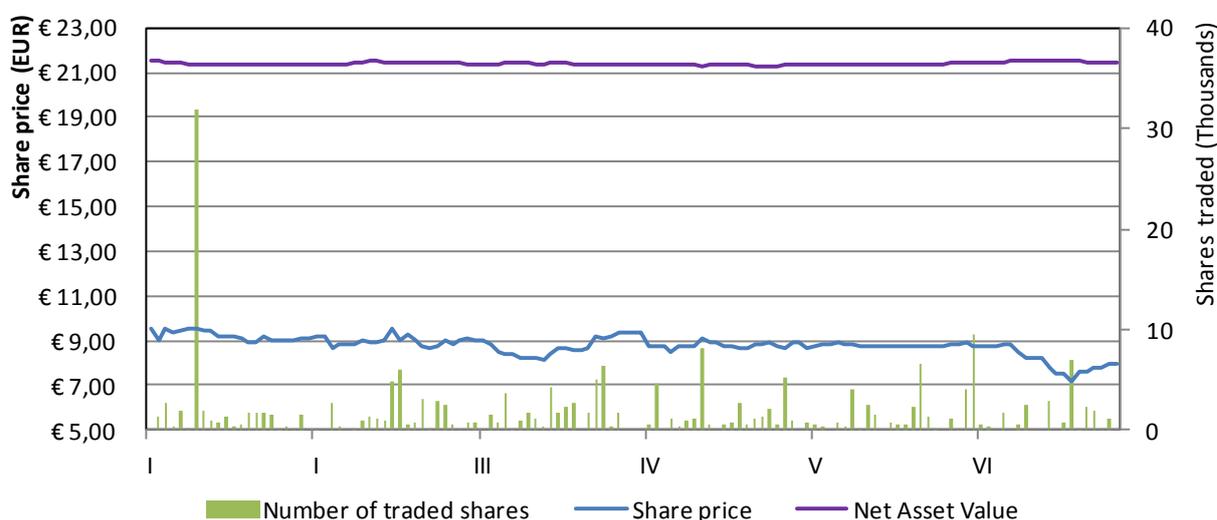
Period	Opening price begin period (EUR)	Closing price end period (EUR)	Volume in period (stuks)	Difference max and min price (EUR)
January 2013	9.03	9.20	52,656	0.90
February 2013	9.05	9.10	29,609	1.10
March 2013	8.85	9.40	37,698	1.40
April 2013	8.52	9.10	33,103	0.58
May 2013	8.93	8.90	28,220	0.23
June 2013	8.76	8.00	30,941	1.60

Transaction volume was relatively stable during this reporting period at 1600 shares per trading day. The discount of the share price compared to the net asset value per share was on average 61%.

### 3.3 DEVELOPMENTS DURING THE FIRST HALF OF 2013

The first half of 2013 was dominated by negotiations to secure the extension of the Slovak Tatra Banka bank loan. The Fund concluded the period with a net asset value per share of EUR 21.46 at 30 June 2013 (figure 1), 1.8% higher than at the beginning of 2013. During the same period the price on the stock exchange decreased by 11.4% from EUR 9.03 to EUR 8.00.

**Figure 1 –Development of the Fund’s net asset value and stock price per share during H1-2013**



The first half of 2013 showed respectively the following events:

#### *Progress in refinancing the Slovak bank loan*

Since last year, the subsidiary Palmer Capital RE Slovakia, s.r.o. has been in negotiation with Tatra Banka regarding the refinancing of the bank loan of EUR 16.2 million. Recently the loan agreement was extended to end 2014. With the short-term financing position thus secured, the management is now exploring long-term refinancing options for the Fund that will better support its future strategy of income distribution. The total bank loans outstanding at 30 June 2013 are EUR 28.56 million, corresponding to a 47.5% loan-to-value.

#### *General Meeting of Shareholders*

On 25 June 2013 the General Meeting of Shareholders adopted the annual accounts of 2012 and decided not to distribute a dividend for 2012.

#### *Real estate portfolio valuation*

On 30 June 2013, the Fund reassessed the property portfolio values at EUR 59.25 million. This is a 0.2% decrease portfolio wide, based on a 0.8% increase for the Czech portfolio and a 0.7% decrease of the Slovak portfolio. The Czech and Slovak real estate markets showed signs of a recovering real estate market. The management reassessed the property values using an internal valuation, which takes into account the rental income, the estimated rental value and the yield. For more detailed information see the consolidated financial statements.

#### *Transfer of receivable into shares*

Palmer Capital converted a second part (EUR 472.604) of a receivable of Palmer Capital Fondsenbeheer B.V. (PCFB) on PCEEPF into PCEEPF shares at net asset value (EUR 21.30). This receivable comprised unpaid management fees accrued up to 27 February 2012. Palmer Capital Fondsenbeheer partially transferred its receivable on PCEEPF to Palmer Capital Nederland (PCN). PCN converted EUR 472.604 of this receivable into 22,188 shares of PCEEPF. The conversion had no influence on the Net Asset Value per share and was neutral for existing shareholders. Initially these shares are held as registry shares. The conversion increased the solvability of PCEEPF from 43,2% to 44,0% and impacts the result per share.

### 3.4 REAL ESTATE PORTFOLIO DEVELOPMENT

The overall occupancy level increased during the reporting period to 75.7%. (31-12-2012: 75.1%). This can be fully explained by the 4.6% uptake in occupancy within the Czech properties, since the occupancy in the Slovak portfolio decreased by 2.3% to 76.6%. The total income of EUR 3.89m from the current portfolio is comparable to the same period in the previous year. Given much effort and proactive attention to the Fund's tenants and our strong regional presence we expect to see some further rental uptake, that should result in a further improved occupancy level by the end of 2013.

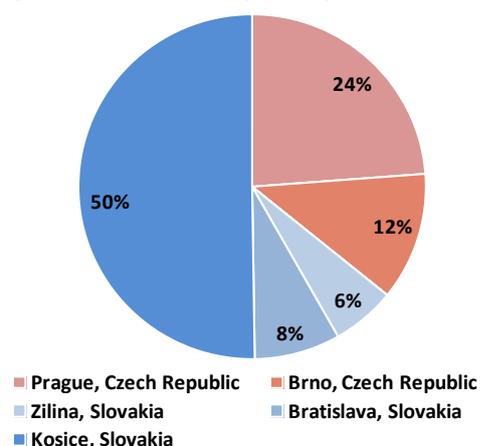
The market for secondary property sees increasing activity. However, value development is still restrained as bank financing remains restricted. The Fund's Sujanova property in Brno saw its fair value benefit from serious purchasing interest for the light industrial part behind the office building. During the reporting period no real estate was acquired or sold.

**Table 3 – Comparative statement of real estate portfolio data**

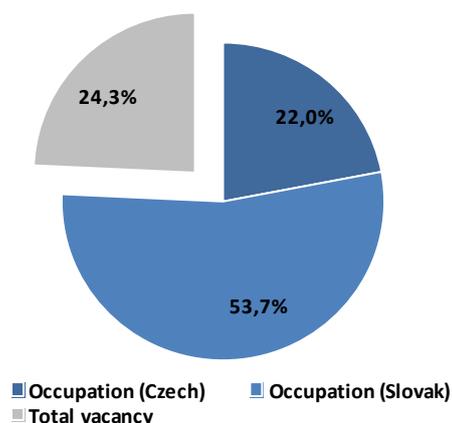
EUR 1,000	30-06-2013	31-12-2012	change	%
Fair value (EUR x 1000) *	59,538	59,830	-/- 292	-/- 0.5
Number of properties	17	17	0	0
Rentable area (m <sup>2</sup> )	108,969	108,969	0	0
Occupancy (%)	75.7	75.1	0.6	0.8

\* The decrease is related to the 3.2% weaker Czech Crown

**Figure 2 – Fair value per city at 30-6-2013**



**Figure 3– Occupancy per country at 30-6-2013**



**Table 4 – Comparative statement of real estate income within portfolio**

EUR 1,000	01-01-2013 until 31-06-2013	01-01-2012 until 31-06-2012 *	change	%
Gross rental income	3,387	3,609	-/- 222	
Service cost income	500	628	-/- 128	
<b>Totaal income</b>	<b>3,887</b>	<b>4,237</b>	<b>-/- 350</b>	<b>-/- 8.3%</b>
Service costs	1,230	1,340	-/- 110	
Operational costs	769	931	-/- 162	
<b>Net rental income</b>	<b>1,888</b>	<b>1,966</b>	<b>-/- 78</b>	<b>-/- 4.0%</b>

\* The situation at 30-6-2012 still contains the income and costs from the Stefanikova property that was sold during that period. The net rental income of the comparable portfolio increased with 2.2% to EUR 1.888 million.

### 3.5 FINANCIAL POSITION

The financial result of EUR 0.74 million contains the operating result, the valuation result, the reversal of deferred taxes and the results on the currency exchange rate. The total return on Net Asset Value in the first half of 2013 was 1.8%. The following table provides a statement of investment results for the first half-year of 2013 and the same period last year.

**Table 3 – Statement of recognised income and expense for the period till 30 June 2013**

<i>EUR thousands</i>	<b>01-01-2013 until 30-06-2013</b>	<b>01-01-2012 until 30-06-2012</b>
Foreign currency translation differences on net investment in group companies *	-/- 298	76
Income tax on foreign currency translation differences on net investment in group companies	66	-/- 18
<b>Net gain/ (loss) recognised directly in equity</b>	<b>-232</b>	<b>58</b>
Profit for the period	742	698
<b>Total recognised income and expense for the period</b>	<b>510</b>	<b>756</b>

\* The Czech Crown weakened by 3.2% to 25.949 CZK/EUR (31-12-2012: 25.151 CZK/EUR)

During the period the equity increased by EUR 0.98 million, mainly due to the positive operational result. The number of outstanding shares increased by 22.188 to 1,307,913 from 1,285,725.

The sum of outstanding bank loans decreased by EUR 1.39 million during the period to EUR 28.56 million. The EUR 16.2 million Tatra Banka loan matures now at the end of 2014. The process to refinance this loan is already in progress.

The LTV at 30-6-2013 is 47.5% (31-12-2012: 49.3%), this decrease is mainly from the regular bank instalments.

### 3.6 REAL ESTATE MARKET

Official figures show that the real estate turnover in the Central and Eastern European (CEE) real estate market reached EUR 1.7 billion in the first half of 2013. This is 38% higher when compared to the volume achieved during H1 2012. Poland remained the leading regional market with a share of approximately 56% (EUR 970 million) in the CEE, however followed by the Czech Republic (EUR 400 million – circa 23% share), Hungary (EUR 170 million – circa 10% share), and Slovakia (EUR 137 million – circa 8% share).

Offices transactions accounted for approximately 60% of all deals and almost 70% of the investment volumes in CEE. This was followed by retail transactions with approximately 30% of the deals and around 20% of the investment volumes in CEE.

Although the overall economic outlook in the CEE remains mixed, we observe increased investor activity in the region during the first 6 months of 2013, with Poland leading, and the Czech Republic, Hungary and Slovakia significantly enhancing their position. We expect that the secondary property markets will also benefit from these developments in the Czech and Slovak markets in which the Fund is active.

### 3.7 FUND COMMENTARY AND OUTLOOK

Across the region prime yields are expected to remain largely stable in the short term but this will continue to depend on how the situation in the Eurozone and the banking sector evolves over the coming months. Since begin 2012 the impact of Europe's sovereign debt crisis started to drag on the economy, with growth stalling at the year end. Small local investors stepped into financing the niche that banks created by restricting their financing activity. However according to companies like DTZ and CBRE increasing activity from international institutional investors is now noticed in the region. This change is expected to boost the transaction activity going forward.

The Managing Board expects that the second half of 2013 will show some transaction recovery in the Czech and Slovak real estate markets. It is expected that the number of transactions in the secondary office market in the Czech and Slovak Republic will continue to increase this year.

The position of the banks and the liquidity in the European market will continue to be the critical driver of growth over the year. As for 2013, we expect investment turnover will be comparable to 2012 levels. We expect that during the rest of 2013 the investments will continue to focus on the main markets of Poland and the Czech Republic.

With the LTV now below 48%, the Management will now focus on an optimization of the financing structure of the Fund going forward to facilitate dividend distribution. In this respect a reduction of the high level of regular bank loan instalments is important.

Barring unforeseen circumstances and excluding the effect of currency exchange rate changes the Managing Board expects the operational result for 2013 will continue to improve.

### 3.8 RESPONSIBILITY STATEMENT

In accordance with the transparency directive of the European Union as provided in Article 5.25(d) of the Financial Supervision Act (Wet op het Financieel Toezicht), the Management states that to the best of its knowledge:

- The report of the Management gives a true and fair view of the state of affairs at the balance sheet date and during the reporting period of Palmer Capital Emerging Europe Property Fund N.V. and its consolidated subsidiaries whose figures have been included in its financial interim report;
- The financial interim report gives a true and fair view of the assets and liabilities, the financial position and the result of Palmer Capital Emerging Europe Property Fund N.V. and its consolidated subsidiaries; and
- The material risks facing Palmer Capital Emerging Europe Property Fund N.V. have been described in this report. For a more extensive description of the risks, we refer to the chapter Risk Management in the most recent annual report.

*Deventer, 30 August 2013*

*The management, Palmer Capital - Fondsenbeheer B.V.*

*G.St.J. Barker LLB FRICS, Managing director*

*P.H.J. Mars, M.Sc., Managing director*

*P.H. van Kleef RC MRE, Managing director*

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2013**

## 4 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>EUR thousands</i>	<b>Notes</b>	<b>30-06-2013</b>	<b>31-12-2012</b>
<b>Assets</b>			
Investment property	9.10	59,538	59,830
Other investments	9.11	582	958
Deferred tax assets		1,391	1,320
Total non-current assets		61,511	62,108
Trade and other receivables	9.13	1,277	1,287
Cash and cash equivalents		572	1,107
Total current assets		1,849	2,394
<b>Total assets</b>		<b>63,360</b>	<b>64,502</b>
<b>Shareholders' equity</b>			
Issued capital	9.14		
Share premium	9.15	6,540	6,429
Revaluation reserve	9.16	16,700	16,338
Reserve for currency translation differences	9.17	4,694	4,769
Retained earnings	9.18	2,648	2,880
Total shareholders' equity (attributable to parent company shareholders)	9.19	-/- 3,128	-/- 3,945
		27,454	26,471
<b>Liabilities</b>			
Interest-bearing loans and borrowings	9.21	9,950	10,783
Deferred tax liabilities		5,071	4,956
Total non-current liabilities		15,021	15,739
Interest-bearing loans and borrowings	9.21	18,607	19,162
Trade and other payables	9.22	2,220	2,840
Income tax payable		58	290
Total current liabilities		20,885	22,292
Total liabilities		35,906	38,031
<b>Total shareholders' equity and liabilities</b>		<b>63,360</b>	<b>64,502</b>

## 5 CONSOLIDATED INCOME STATEMENT

<i>EUR thousands</i>	<i>Notes</i>	<b>01-01-2013 to 30-06-2013</b>	<b>01-01-2012 to 30-06-2012</b>
Gross rental income		3,387	3,609
Service charge income		500	628
Service charge expenses		-/- 1,230	-/- 1,340
Property operating expenses	9.26	-/- 769	-/- 931
<b>Net rental and related income</b>		<b>1,888</b>	<b>1,966</b>
Valuation gains on investment property		693	928
Valuation losses on investment property		-/- 604	-/- 591
<b>Net valuation gains on investment property</b>	9.27	<b>89</b>	<b>337</b>
Financial income	9.29	41	82
Other operating income		4	7
Other income		45	89
<b>Total income</b>		<b>2,022</b>	<b>2,392</b>
Administrative expenses	9.30	479	513
Other operating expenses	9.31	261	256
<b>Total expenses</b>		<b>740</b>	<b>769</b>
<b>Net operating result before financial expenses</b>		<b>1,282</b>	<b>1,623</b>
Financial expenses	9.32	406	643
<b>Profit before income tax</b>		<b>876</b>	<b>980</b>
Income tax expense		-/- 134	-/- 282
<b>Profit for the period</b>		<b>742</b>	<b>698</b>
<b>Attributable to:</b>			
Parent company shareholders		742	698
Non-controlling interest		-	-
<b>Profit for the period</b>		<b>742</b>	<b>698</b>
Basic earnings per (ordinary and registered) share (EUR)	9.33.1	0.57	0.56
Diluted earnings per (ordinary and registered) share (EUR)	9.33.4	0.57	0.56

## 6 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>EUR thousands</i>	<b>Notes</b>	<b>01-01-2013 to 30-06-2013</b>	<b>01-01-2012 to 30-06-2012</b>
<b>Items never reclassified subsequently to profit or loss:</b>		-	-
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Foreign currency translation differences on net investment in group companies		-/- 298	76
Income tax on foreign currency translation differences on net investments in group companies		66	-/- 18
		-/- 232	58
<b>Net gain / loss (-/-) recognized directly in shareholders' equity</b>		-/- 232	58
<b>Profit for the period</b>	5	742	698
<b>Total comprehensive income for the period</b>		510	756
<b>Attributable to:</b>			
Parent company shareholders		510	756
Non-controlling interest		-	-
<b>Total comprehensive income for the period</b>		510	756

## 7 CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

<i>EUR thousands</i>	Issued capital	Share Premium	Revaluation Reserve	Reserve for translation differences	Retained Earnings	Total shareholders' equity
Balance as at 1 January 2012	5,905	14,628	4,798	2,732	-/- 4,393	23,670
Total comprehensive income	-	-	-/- 29	148	448	567
Own ordinary shares issued	532	1,713	-	-	-	2,245
Own ordinary shares redeemed	-/- 8	-/- 3	-	-	-	-/- 11
Balance as at 31 December 2012	6,429	16,338	4,769	2,880	-/-3,945	26,471
Balance as at 1 January 2013	6,429	16,338	4,769	2,880	-/-3,945	26,471
Total comprehensive income	-	-	-/- 75	-/- 232	817	510
Own ordinary shares issued	111	362	-	-	-	473
Balance as at 30 June 2013	6,540	16,700	4,694	2,648	-/-3,128	27,454

## 8 CONSOLIDATED STATEMENT OF CASH FLOW

<i>EUR thousands</i>	<b>Notes</b>	<b>01-01-2013 to 30-06-2013</b>	<b>01-01-2012 to 30-06-2012</b>
<b>Cash flow from operating activities</b>			
Profit for the period	5	742	698
<i>Adjustments for:</i>			
Net valuation gains on investment property <sup>1</sup>	9.27	-/- 89	-/- 642
Net valuation gains on other investments	9.32	9	-
Exchange and currency translation results		19	-/- 167
Interest income	9.29	-/- 41	-/- 82
Interest received		-	6
Interest expensed	9.32	397	643
Income tax expensed		68	300
Change in trade and other receivables		51	-/- 222
Change in trade and other payables		-/- 72	1,060
<b>Cash from / used in (-/-) operating activities before interest and taxes</b>		<b>1,084</b>	<b>1,594</b>
Interest paid		-/- 331	-/- 559
Income tax paid		-/- 233	-
<b>Net cash from / used in (-/-) operating activities</b>		<b>520</b>	<b>1,035</b>
<b>Cash flow from investment activities</b>			
Proceeds from the sale of investment properties <sup>2</sup>		-/- 99	5,853
Proceeds from the sale of other investments		340	-
Acquisition of / additions to investment properties		-/- 283	-/- 250
<b>Net cash from / used in (-/-) investment activities</b>		<b>-/- 42</b>	<b>5,603</b>
<b>Cash flow from financing activities</b>			
Proceeds from loans and borrowings		5	2
Repayments of loans and borrowings		-/- 1,038	-/- 6,310
<b>Net cash from / used in (-/-) financing activities</b>		<b>-/- 1,033</b>	<b>-/- 6,308</b>
Net increase / decrease (-/-) in cash and cash equivalents		-/- 555	330
Cash and cash equivalents as at 1 January		1,107	1,682
Effect of exchange and currency translation result on cash held		20	7
<b>Cash and cash equivalents as at 30 June</b>		<b>572</b>	<b>2,019</b>

<sup>1</sup> Transaction costs and transfer tax excluded.

<sup>2</sup> This relates to the payment regarding to the restitution selling price Štefánikova.

## **9 NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

### **9.1 GENERAL**

The company Palmer Capital Emerging Europe Property Fund N.V., hereinafter referred to as PCEEPF, was incorporated on 27 November 2002 in accordance with Dutch law and is established in Amsterdam (the Netherlands). PCEEPF obtained a listing on the NYSE Euronext Amsterdam on 13 November 2003.

The consolidated interim financial statements of PCEEPF for the financial period comprise PCEEPF and its subsidiaries.

### **9.2 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES**

The consolidated interim financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting” and with the International Financial Reporting Standards (“IFRS”) and the interpretations thereof adopted by the International Accounting Standards Board (“IASB”) as adopted by the European Union (hereinafter referred to as “EU-IFRS”). In the preparation of these consolidated interim financial statements also there has been taken account of other legal regulations, under which Book 2, Title 9 of the Dutch Civil Code (Boek 2, Titel 9 Burgerlijk Wetboek) and the Dutch Act on Financial Supervision (Wet op het financieel toezicht, the “Wft”).

### **9.3 STATEMENT OF COMPLIANCE AND FUTURE RELATED ASSUMPTIONS**

PCEEPF has applied the significant accounting principles as set out in the annual report 2012 section 12.2 to 12.23. The Managing Board authorized the consolidated interim financial statements for issue on 30 August 2013.

As at 30 June 2013, shareholders’ equity of PCEEPF is positive. As stated in the liquidity forecast till 2014, the current cash position is sufficient to cover budgeted costs. Based on these assumptions, the Managing Board is of the opinion that PCEEPF is able to continue as a going concern and that the annual accounts are based on assumptions of going concern.

## **9.4 BASIS OF PREPARATION OF THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

### **9.4.1 General**

The interim financial statements have been prepared on the basis of historical cost, except for investment property and financial assets at fair value through the profit or loss, which are recognized at fair value.

The accounting policies are equal to those applied in the annual report 2012. The accounting policies have been consistently applied for all periods presented in this semi-annual report.

The consolidated interim financial statements are presented in Euros, rounded to the nearest thousand.

### **9.4.2 Judgements, estimates and assumptions**

Preparation of the consolidated interim financial statements in accordance with EU-IFRS requires the Management to make judgements, estimates and assumptions that affect the application of policies and the reported value of assets and liabilities, income and expenses. The estimates and associated assumptions have been based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results of which forms the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Judgements made by Management in the application of the EU-IFRS that have significant effect on the interim financial statements, and estimates with a significant risk of material adjustment in the next year are described in section 9.35 of the Notes.

### **9.4.3 New standards and amendments**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these consolidated interim financial statements. Those that may be relevant to the Group are set out in the annual report 2012.

According to the consolidated interim financial statements the amendment to IAS 34 clarifies that the Group needs to disclose the measures of total assets and liabilities for a particular reportable segment only if the amounts are regularly provided to the Group's chief operating decision maker, and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. As a result of this amendment, the Group has included additional disclosure of segment liabilities.

## 9.5 BASIS OF CONSOLIDATION

### 9.5.1 Subsidiaries

Subsidiaries are those entities controlled by PCEEPF Control exists when PCEEPF is exposed or has rights to variable returns from its involvement with that entity and has the ability to affect those returns through its power over that entity. The interim financial statements of subsidiaries have been included in the consolidated interim financial statements with effect from the date on which control commences until the date that control ceases.

### 9.5.2 Consolidated subsidiaries

All subsidiaries of PCEEPF have been included in the consolidation. This relates to the following companies:

Company	Registered office	Country of incorporation	Holding as at 30 June 2013	Holding as at 31-12-2012
A Palmer Capital RE Bohemia s.r.o.	Prague	Czech Republic	100%	100%
B Palmer Capital RE Slovakia s.r.o.	Bratislava	Slovakia	100%	100%
C Vitosha Property I EOOD	Sofia	Bulgaria	n.a.	100%

Vitosha Property I EOOD concerns a dormant company and is in process of liquidation.

### 9.5.3 Elimination of transactions on consolidation

All intercompany receivables, payables, significant transactions and any unrealized profits and losses on transactions within PCEEPF, or income or expenses from such transactions within PCEEPF have been eliminated in the consolidated interim financial statements.

## 9.6 BASIS OF PREPARATION OF CONSOLIDATED STATEMENT OF CASH FLOW

PCEEPF has used the indirect method for the consolidated statement of cash flow. Given the nature of PCEEPF (investment company) financial income is not netted against financial expenses, but presented separately under the total income, so financial income is presented in the consolidated statement of cash flow under "cash flow from operating activities".

Cash and cash equivalents as mentioned in the consolidated statement of cash flow include the statement of financial position's item "Cash and cash equivalents" and "Bank overdrafts". Cash flows in foreign currencies are converted at the exchange rate applicable on settlements date. Transactions without settlement in cash are not recognized in the consolidated statement of cash flow.

## 9.7 FOREIGN CURRENCY

### 9.7.1 Foreign currency transactions

The functional currency of the Fund is the Euro (EUR) reflecting the fact that the majority of PCEEPF's transactions are settled in EUR. The Fund has adopted the EUR as its presentation currency as the ordinary shares of the Fund are denominated in EUR.

Foreign currency transactions are translated into Euros at the exchange rate applicable on the transaction date. Monetary assets and liabilities in foreign currency are translated into Euros at the statement of financial position's date at the exchange rate applicable on that date. Exchange rate differences arising from translation are recognized in the income statement. Non-monetary assets and liabilities expressed in a foreign currency and stated on a historical cost basis are translated at the exchange rate on the transaction date. Non-monetary assets and liabilities in foreign currency that are stated at fair value are translated into Euros at the exchange rates applicable on the dates on which the fair values were determined.

### 9.7.2 Interim financial statements of foreign activities

The assets and liabilities of foreign operations, including goodwill and fair-value adjustments arising on consolidation are translated into Euros at the exchange rate applicable on the statement of financial position's date. The income and expenses of foreign operations are translated to Euro at rates approximating to the foreign exchange rates applicable at the dates of the transactions. Foreign currency translation differences arising on translation are recognized as a separate component of equity.

### 9.7.3 Net investment in foreign activities

Foreign currency translation differences resulting from translation of the net investment in foreign activities, and the associated hedging transactions, are recognized in the reserve for currency translation differences. In case of disposal they are transferred to the income statement.

### 9.7.4 Exchange rates

	30-06-2013	31-12-2012	30-06-2012
Czech Koruna (CZK / EUR)	25.9490	25.1510	25.6400
Bulgarian Lev (BGN / EUR)	1.9558	1.9558	1.9558

Source: European Central Bank

## 9.8 SEGMENT REPORTING

### 9.8.1 General

Segment information is given for each operating segment. An operating segment is a component of PCEEPF:

- That engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses related to transactions with other components of PCEEPF);
- Whose operating results does PCEEPF's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance regularly review; and for which discrete financial information is available.

Given PCEEPF's Management decision-making structure and internal reporting structure each investment property is indicated as an operating segment. The investment properties held during the financial period (current period and / or previous period), as mentioned in section 9.10.1 "Analysis of investment properties" are taken into account in the segment reporting overviews.

The following segment reporting overviews are given for each investment property:

- A. Overview of segment result (net operating income), distinguished to PCEEPF's geographic categories;
- B. Overview of assets and liabilities distinguished to PCEEPF's geographic categories.

Since each separate investment property is indicated as an operating segment, most of PCEEPF's assets and liabilities cannot be allocated to the operating segments. Therefore only the carrying value of each investment property is reported as segment assets (see section 9.10.1 "Analysis of investment properties").

The prices for transactions between segments are determined on a business-like, objective basis.

### 9.8.2 PCEEPF's geographic categories

PCEEPF distinguishes the following geographic categories:

- A. The Czech Republic;
- B. Slovakia;
- C. Bulgaria;
- D. The Netherlands.

The following segmentation criteria are used:

- The allocation of the investment property is based on the geographic location of the premises;
- The allocation of goodwill is based on the geographic location of the assets the goodwill concerns;
- The allocation of deferred tax assets is based on the geographic location of the company generated the deferred tax assets;
- The allocation of investments in associates are based on the business location of the company PCEEPF invests in;
- The allocation of other assets (bank accounts, cash, receivables, etc.) is based on the geographic location of the debtor;
- The allocation of deferred tax liabilities is based on the geographic location of the company that generated the deferred tax liabilities;
- The allocation of other liabilities is based on the geographic location of the creditor.

The allocation of segment results (net operating income) to the several geographic categories is based on the geographic location of the premises.

The geographic category "The Netherlands" relates primarily to other investments held by PCEEPF in anticipation of their investment in property.

### 9.8.3 Overview of segment result (overview A)

Name of investment property	Gross rental		Service charge		Service charge		Property operating		Realized		Unrealized valuation		Other operating		Other operating		Total segment result			
	Income		income		expenses		expenses		Valuation gains		gains		income		expenses					
	01-01-13	01-01-12	01-01-13	01-01-12	01-01-13	01-01-12	01-01-13	01-01-12	01-01-13	01-01-12	01-01-13	01-01-12	01-01-13	01-01-12	01-01-13	01-01-12	01-01-13	01-01-12	01-01-13	01-01-12
	to	to	to	to	to	to	to	to	to	to	to	to	to	to	to	to	to	to	to	to
	30-06-13	30-06-12	30-06-13	30-06-12	30-06-13	30-06-12	30-06-13	30-06-12	30-06-13	30-06-12	30-06-13	30-06-12	30-06-13	30-06-12	30-06-13	30-06-12	30-06-13	30-06-12	30-06-13	30-06-12
<b>Czech Republic (CR):</b>																				
Drahobejlova	65	57	28	22	-/- 43	-/- 48	-/- 14	-/- 28	-	-	-/- 1	2	-	-	-	-	-	35	5	
Palmovka	157	125	53	65	-/- 41	-/- 31	-/- 21	-/- 15	-	-	12	16	-	-	-	-	-	160	160	
Karlin	214	232	63	87	-/- 53	-/- 41	-/- 24	-/- 21	-	-	16	-/- 146	-	-	-	-	-	216	111	
GiTy	187	221	122	106	-/- 156	-/- 185	-/- 44	-/- 74	-	-	117	-/- 59	-	-	-	-	-	226	9	
VUP	117	137	106	117	-/- 68	-/- 95	-/- 26	-/- 38	-	-	209	23	-	-	-	-	-	338	144	
Newton House	108	159	39	46	-/- 48	-/- 56	-/- 20	-/- 26	-	-	15	-/- 12	-	-	-	-	-	94	111	
Štefánikova	-	157	-	87	-	-/- 75	-	-/- 45	-	395	-	72	-	-	-	-	-	-	591	
<b>Total Czech Republic</b>	<b>848</b>	<b>1,088</b>	<b>411</b>	<b>530</b>	<b>-/- 409</b>	<b>-/- 531</b>	<b>-/- 149</b>	<b>-/- 247</b>	<b>-</b>	<b>395</b>	<b>368</b>	<b>-/- 104</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,069</b>	<b>1,131</b>	
<b>Slovakia:</b>																				
Račianska	50	67	6	6	-/- 34	-/- 41	-/- 24	-/- 52	-	-	-/- 300	-	-	-	-	-	-	-/- 302	-/- 20	
Záhradnícka	140	163	3	4	-/- 37	-/- 34	-/- 31	-/- 45	-	-	200	70	-	-	-	-	-	275	158	
Pražská 2	239	248	5	5	-/- 82	-/- 80	-/- 45	-/- 50	-	-	30	30	-	-	-	-	-	147	153	
Pražská 4	181	191	1	1	-/- 54	-/- 50	-/- 42	-/- 43	-	-	-/- 30	-/- 20	-	-	-	-	-	56	79	
Krivá 18	190	195	2	2	-/- 55	-/- 56	-/- 48	-/- 56	-	-	-/- 70	-/- 60	-	-	-	-	-	19	25	
Krivá 23	210	224	3	4	-/- 63	-/- 58	-/- 48	-/- 62	-	-	-/- 80	-/- 100	-	-	-	-	-	22	8	
Gemerská	132	143	4	4	-/- 67	-/- 64	-/- 33	-/- 33	-	-	-/- 30	-/- 50	-	-	-	-	-	6	-	
Letná	644	509	9	13	-/- 79	-/- 79	-/- 135	-/- 121	-	-	94	100	-	-	-	-	-	533	422	
Šaca	71	67	5	4	-/- 52	-/- 47	-/- 37	-/- 29	-	-	-/- 13	-/- 14	-	-	-	-	-	-/- 26	-/- 19	
Vural	224	227	46	50	-/- 120	-/- 130	-/- 77	-/- 65	-	-	-/- 70	220	-	-	-	-	-	3	302	
Kosmalt	458	487	5	5	-/- 178	-/- 170	-/- 100	-/- 128	-	-	-/- 10	-/- 130	-	-	-	-	-	175	64	
<b>Total Slovakia</b>	<b>2,539</b>	<b>2,521</b>	<b>89</b>	<b>98</b>	<b>-/- 821</b>	<b>-/- 809</b>	<b>-/- 620</b>	<b>-/- 684</b>	<b>-</b>	<b>-</b>	<b>-/- 279</b>	<b>46</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>908</b>	<b>1,172</b>	
<b>Total CR and Slovakia</b>	<b>3,387</b>	<b>3,609</b>	<b>500</b>	<b>628</b>	<b>-/- 1,230</b>	<b>-/- 1,340</b>	<b>-/- 769</b>	<b>-/- 931</b>	<b>-</b>	<b>395</b>	<b>89</b>	<b>-/- 58</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,977</b>	<b>2,303</b>	

#### 9.8.4 Reconciliation segment result with profit for the period

The reconciliation between the total segment results as calculated in section 9.8.3 with the profit for the period, mentioned in the consolidated income statement, is made below.

<i>EUR thousands</i>	<b>01-01-2013 to 30-06-2013</b>	<b>01-01-2012 to 30-06-2012</b>
<b>Total segment result (overview A)</b>	1,977	2,303
Unallocated income	45	89
Unallocated expenses	-/- 1,146	-/- 1,412
<b>Profit before income tax</b>	876	980
Income tax expense	-/- 134	-/- 282
<b>Profit for the period</b>	742	698

### 9.8.5 Overview of geographic assets and liabilities (overview B)

EUR thousands

	Czech Republic		Slovakia		Bulgaria		The Netherlands		Subtotal		Unallocated		Total assets	
	30-06-13	31-12-12	30-06-13	31-12-12	30-06-13	31-12-12	30-06-13	31-12-12	30-06-13	31-12-12	30-06-13	31-12-12	30-06-13	31-12-12
<b>Assets</b>														
Investment property	21,328	21,607	38,210	38,223	-	-	-	-	59,538	59,830	-	-	59,538	59,830
Other investments	582	958	-	-	-	-	-	-	582	958	-	-	582	958
Deferred tax assets	213	199	1,178	1,121	-	-	-	-	1,391	1,320	-	-	1,391	1,320
Trade and other receivables	923	900	354	387	-	-	-	-	1,277	1,287	-	-	1,277	1,287
Cash and cash equivalents	375	750	172	313	-	2	25	42	572	1,107	-	-	572	1,107
<b>Total geographic assets</b>	<b>23,421</b>	<b>24,414</b>	<b>39,914</b>	<b>40,044</b>	<b>-</b>	<b>2</b>	<b>25</b>	<b>42</b>	<b>63,360</b>	<b>64,502</b>	<b>-</b>	<b>-</b>	<b>63,360</b>	<b>64,502</b>
<b>Liabilities</b>														
Interest bearing loans and borrowings	10,825	11,661	16,223	16,780	-	-	1,509	1,504	28,557	29,945	-	-	28,557	29,945
Deferred tax liabilities	1,022	1,064	4,049	3,892	-	-	-	-	5,071	4,956	-	-	5,071	4,956
Trade and other payables	390	557	466	722	-	-	1,364	1,561	2,220	2,840	-	-	2,220	2,840
Income tax payable	58	290	-	-	-	-	-	-	58	290	-	-	58	290
<b>Total geographic liabilities</b>	<b>12,315</b>	<b>13,572</b>	<b>20,738</b>	<b>21,394</b>	<b>-</b>	<b>-</b>	<b>2,873</b>	<b>3,065</b>	<b>35,906</b>	<b>38,031</b>	<b>-</b>	<b>-</b>	<b>35,906</b>	<b>38,031</b>

## 9.9 ACQUISITION OF SUBSIDIARIES

### 9.9.1 Analysis of acquired subsidiaries

During the financial period PCEEPF acquired no subsidiaries.

## 9.10 INVESTMENT PROPERTY

### 9.10.1 Analysis of investment properties

No.	Name of premises	Address	Ownership by	Fair value	Fair value	Interest	Interest
				30-06-13	31-12-12	30-06-13	31-12-12
<i>EUR thousands</i>							
1	Drahobejlova	Drahobejlova 27, Prague	PC RE Bohemia s.r.o.	1,866	1,908	100%	100%
2	Palmovka	Na Žertvách 34, Prague	PC RE Bohemia s.r.o.	3,120	3,207	100%	100%
3	Karlin	Prvního Pluku 621/8a, Prague	PC RE Bohemia s.r.o.	4,265	4,383	100%	100%
4	GiTy	Mariánské Náměstí 617/1, Brno	PC RE Bohemia s.r.o.	3,869	3,871	100%	100%
5	VUP	Šujanovo náměstí 3, Brno	PC RE Bohemia s.r.o.	3,284	3,173	100%	100%
6	Newton House	Politických Vězňů 10, Prague	PC RE Bohemia s.r.o.	4,924	5,065	100%	100%
7	Račianska	Račianska 71, Bratislava	PC RE Slovakia s.r.o.	530	830	100%	100%
8	Záhradnícka	Záhradnícka 46, Bratislava	PC RE Slovakia s.r.o.	4,230	4,030	100%	100%
9	Pražská 2	Pražská 2, Košice	PC RE Slovakia s.r.o.	2,830	2,800	100%	100%
10	Pražská 4	Pražská 4, Košice	PC RE Slovakia s.r.o.	2,470	2,500	100%	100%
11	Krivá 18	Krivá 18, Košice	PC RE Slovakia s.r.o.	2,920	2,990	100%	100%
12	Krivá 23	Krivá 23, Košice	PC RE Slovakia s.r.o.	2,900	2,980	100%	100%
13	Gemerská	Gemerská 3, Košice	PC RE Slovakia s.r.o.	1,640	1,670	100%	100%
14	Letná	Letná 45, Košice	PC RE Slovakia s.r.o.	10,120	9,760	100%	100%
15	Šaca	Šaca, Železiarska 49, Košice	PC RE Slovakia s.r.o.	890	903	100%	100%
16	Vural	Alexandra Rudnaya 21, Žilina	PC RE Slovakia s.r.o.	3,540	3,610	100%	100%
17	Kosmalt	Kysucká 16, Košice	PC RE Slovakia s.r.o.	6,140	6,150	100%	100%
Total fair value				59,538	59,830		

### 9.10.2 Statement of changes in investment properties

<i>EUR thousands</i>	2013	2012
Balance as at 1 January	59,830	63,973
Purchases and additions	283	647
Exchange rate differences	-/- 664	779
Fair value adjustments	89	452
Sales	-	-/- 6,021
Balance as at 30 June / 31 December	59,538	59,830

### 9.10.3 Valuation of investment properties

The investment properties, stated under section 9.10.1 "Analysis of investment properties", were not valued by an external, independent valuer as at 30 June of the current year. The fair value of the investment properties were determined by the Managing Board as at 30 June 2013 on the basis of the company's internal valuation models, which are based on the valuation model used by the external appraiser at year end. To determine the fair values the most recent rental information for each property is used. Only the investment property Račianska valued in a different manner. This investment property is valued -in view of the negative operating income- at the best-received offer for the amount of EUR 530,000.

### 9.10.4 Transactions (investment property) with related parties

The transactions executed during the financial period in respect of purchase and sale of investments were not executed with parties affiliated with the Management Board or PCEEPF.

## 9.11 OTHER INVESTMENTS

### 9.11.1 Analysis of other investments

	Principal of investment <i>Local currency thousands</i>	Principal of investment <i>EUR thousands</i>	Interest rate 30-06-2013	Final date
Yellow Properties s.r.o. (5.00%)	CZK 1,691	65	n.a.	n.a.
Loan to Palmer Capital Central European Properties a.s. (PCCEP)	CZK 32,000	1,310	12%	December 2013
		<u>1,375</u>		

### 9.11.2 Statement of changes of other investments

<i>EUR thousands</i>	Yellow Properties s.r.o.	Loan to PCCEP	Total 2013	Total 2012
Balance as at 1 January	46	912	958	1,286
Exchange rate differences	-/- 1	-/- 26	-/- 27	22
Fair value adjustments	-/- 9	-	-/- 9	-
Sales / redemptions	-	-/- 340	-/- 340	-/- 350
Balance as at 30 June / 31 December	<u>36</u>	<u>546</u>	<u>582</u>	<u>958</u>

## 9.12 GOODWILL

### 9.12.1 General

Goodwill is the amount that arises from the acquisition of subsidiaries. The goodwill corresponds with the difference between the cost of the acquisition and the net fair value of assets and liabilities of the subsidiary.

### 9.12.2 Analysis of goodwill

No.	Name of subsidiary	Cost	Impairment	Net	Net
		(revaluated) 30-06-2013	(revaluated) 30-06-2013	30-06-2013	31-12-2012
<i>EUR thousands</i>					
1	CTP Real a.s. (currently Palmer Capital RE Bohemia s.r.o.)	n.a.	n.a.	n.a.	n.a.
2	Kobyt a.s. (currently Palmer Capital RE Slovakia s.r.o.)	351	-/- 351	-	-
	<b>Total</b>	<b>351</b>	<b>-/- 351</b>	<b>-</b>	<b>-</b>

### 9.12.3 Statement of changes in goodwill

<i>EUR thousands</i>	2013	2012
<b>Cost</b>		
Balance as at 1 January	351	982
Cost of disposals	-	-/- 631
Balance as at 30 June / 31 December	351	351
<b>Impairment</b>		
Balance as at 1 January	351	1,046
Impairment on disposals	-	-/- 695
Balance as at 30 June / 31 December	351	351
<b>Exchange rate results</b>		
Balance as at 1 January	-	64
Exchange rate results on disposals	-	-/- 64
Balance as at 30 June / 31 December	-	-
<b>Net as at 30 June 31 December</b>	<b>-</b>	<b>-</b>

## 9.13 TRADE AND OTHER RECEIVABLES

### 9.13.1 Analysis of trade and other receivables

<i>EUR thousands</i>	<b>30-06-2013</b>	<b>31-12-2012</b>
Non-current part of trade and other receivables	-	-
Current part of trade and other receivables	1,277	1,287
	<u>1,277</u>	<u>1,287</u>

Trade and other receivables are presented after deduction of impairment losses. No such losses were stated during the financial period.

### 9.13.2 Specification of trade and other receivables

<i>EUR thousands</i>	<b>30-06-2013</b>	<b>31-12-2012</b>
Trade receivables from lessees	481	432
Prepayments and deferred expenses	131	146
Interest	602	579
Arrangement fees	57	72
Value Added Tax and other taxes	1	44
Other receivables	5	14
	<u>1,277</u>	<u>1,287</u>

## 9.14 SHAREHOLDERS' EQUITY

### 9.14.1 Comparative statement

	30-06-2013	31-12-2012	30-06-2012
Shareholders' equity (in EUR thousands)	27,454	26,471	26,660
Number of ordinary shares in issue	1,285,725	1,285,725	1,180,943
Number of registered shares in issue	22,188	-	104,782
Total number of shares in issue entitled to profit	1,307,913	1,285,725	1,285,725
Net Asset Value per ordinary and registered share (in EUR)	20.99	20.59	20.74

## 9.15 ISSUED CAPITAL

### 9.15.1 Analysis of issued capital

	Number 30-06-2013	EUR 1,000 30-06-2013	Number 31-12-2012	EUR 1,000 31-12-2012
Ordinary shares (at EUR 5.00 each)	1,285,725	6,429	1,285,725	6,429
Registered shares (at EUR 5.00 each)	22,188	111	-	-
Priority shares (at EUR 5.00 each)	1	-	1	-
Issued capital	1,307,914	6,540	1,285,726	6,429

### 9.15.2 Ordinary shares

The holders of ordinary shares are entitled to dividends, the distribution of which has been resolved by the General Meeting of Shareholders. The holders of ordinary shares are entitled to exercise one vote per ordinary share at the General Meeting of Shareholders.

	Number 2013	EUR 1,000 2013	Number 2012	EUR 1,000 2012
Balance in issue as at 1 January	1,285,725	6,429	1,180,943	5,905
Issued during the financial period	-	-	106,301	532
Redeemed during the financial period	-	-	-/- 1,519	-/- 8
Balance in issue as at 30 June / 31 December	1,285,725	6,429	1,285,725	6,429

### 9.15.3 Registered shares

As at 27 February 2012 MEI-Fondsenbeheer B.V. (currently Palmer Capital Fondsenbeheer B.V.) partly transferred its amount receivable amounting to EUR 2,707,000 from PCEEPF to Middle Europe Investments N.V. (currently Palmer Capital Nederland N.V.), which will convert this receivable to shares PCEEPF N.V. As at 26 April 2013 Palmer Capital Fondsenbeheer B.V. converted the remainder of the receivable amounting to EUR 473,000 to 22,188 registered shares PCEEPF N.V. The conversion is set on as at 26 April 2013 at Net Asset Value (NAV) per ordinary share as at conversion date (EUR 21.30). Registered shares are currently restricted from trading on NYSE Euronext Amsterdam.

The conversion had no (negative) consequences for the existing shareholders of PCEEPF N.V.

	Number 2013	EUR 1,000 2013	Number 2012	EUR 1,000 2012
Balance in issue as at 1 January	-	-	-	-
Issued during the financial period	22,188	111	104,782	524
Redeemed during the financial period	-	-	-/- 104,782	-/- 524
Balance in issue as at 30 June / 31 December	22,188	111	-	-

#### 9.15.4 Priority shares

From the profit earned in a financial period, primarily and as far as possible a dividend is distributed on the priority shares amounting to seven percent (7%) on an annual basis, calculated over the nominal value of the priority shares. No further distributions are made on the priority shares.

	Number 2013	EUR 1,000 2013	Number 2012	EUR 1,000 2012
Balance in issue as at 1 January	1	-	1	-
Issued during the financial period	-	-	-	-
Redeemed during the financial period	-	-	-	-
Balance in issue as at 30 June / 31 December	1	-	1	-

#### 9.15.5 Analysis of authorized share capital

	Number 30-06-2013	EUR 1,000 30-06-2013	Number 31-12-2012	EUR 1,000 31-12-2012
Ordinary shares (at EUR 5.00 each)	2,999,999	15,000	2,999,999	15,000
Priority shares (at EUR 5.00 each)	1	-	1	-
Authorized share capital	3,000,000	15,000	3,000,000	15,000

#### 9.16 SHARE PREMIUM

The share premium comprises the amount paid in by the shareholders on ordinary shares of PCEEPF N.V. over and above the nominal value. The uplift received on issuance of own ordinary shares or the reduction applied on redemption of own ordinary shares is recognized directly in the share premium reserve.

<i>EUR thousands</i>	2013	2012
Balance as at 1 January	16,338	14,628
Received on issued ordinary and registered shares	362	1,713
Paid in redeemed ordinary and registered shares	-	-/- 3
Balance as at 30 June / 31 December	16,700	16,338

### 9.17 REVALUATION RESERVE

The revaluation reserve comprises the cumulative unrealized positive net change in the fair value of the investment properties, less the related deferred tax liabilities. The deferred tax liabilities are deducted with due regard for the principles of valuation for deferred taxes. In case of sale of the investment property the cumulative unrealized positive net change in the fair value of the investment property sold, as well as the related deferred tax liabilities, are no longer stated in the revaluation reserve but recognized under retained earnings.

<i>EUR thousands</i>	<b>2013</b>	<b>2012</b>
Balance as at 1 January	4,769	4,798
Addition to / reduction on (-/-) change in fair value during the financial period	-/- 75	-/- 29
Reduction on change in connection with sale of investment properties	-	-
Balance as at 30 June / 31 December	<u>4,694</u>	<u>4,769</u>

### 9.18 RESERVE FOR CURRENCY TRANSLATION DIFFERENCES

The reserve for currency translation differences comprises the exchange rate differences that arise from the foreign currency translation of net investments in subsidiaries outside the euro-zone into PCEEPF's reporting currency.

<i>EUR thousands</i>	<b>2013</b>	<b>2012</b>
Balance as at 1 January	2,880	2,732
Addition / reduction (-/-) in connection with translation net investments	-/- 232	154
Reduction in connection with decrease of net investments	-	-/- 6
Balance as at 30 June / 31 December	<u>2,648</u>	<u>2,880</u>

### 9.19 RETAINED EARNINGS

<i>EUR thousands</i>	<b>2013</b>	<b>2012</b>
Balance as at 1 January	-/- 3,945	-/- 4,393
Profit for the period	742	419
	<u>-/- 3,203</u>	<u>-/- 3,974</u>
Change in revaluation reserve	75	29
Balance as at 30 June / 31 December	<u>-/- 3,128</u>	<u>-/- 3,945</u>

## 9.20 CALCULATION OF NET ASSET VALUE

For the calculation of the Net Asset Value (NAV), used as basis for the listing price during the financial period, the deferred tax liabilities concerning revaluation of investment property and development property held for investment are eliminated for 50%. The percentage of 50% is an estimation of the present value of the tax applicable in the (near) future. In this semi-annual report the deferred tax liabilities are taken into account without applying any discount, which is in accordance with IFRS and not required by EPRA.

	30-06-2013	31-12-2012
Shareholders' equity in accordance with IFRS (EUR thousands)	27,454	26,471
Deferred tax liabilities concerning revaluation of investment property and development property held for investment (EUR thousands)	612	645
Shareholders' equity in accordance with NAV (EUR thousands)	28,066	27,116
Number of shares in issue entitled to profit	1,307,913	1,285,725
<b>Net Asset Value (in Euro)</b>	<b>21.46</b>	<b>21.09</b>

## 9.21 INTEREST-BEARING LOANS AND BORROWINGS

### 9.21.1 Analysis of interest-bearing loans and borrowings

<i>EUR thousands</i>	30-06-2013	31-12-2012
<b>Long-term liabilities</b>		
Secured bank loans	9,950	10,783
<b>Current liabilities</b>		
Current portion of secured bank loans	17,098	17,658
Current portion of other long-term liabilities	1,509	1,504
	18,607	19,162
<b>Total interest-bearing loans and borrowings</b>	<b>28,557</b>	<b>29,945</b>

After the financial period as at 30 June 2013 Palmer Capital RE Slovakia s.r.o. agreed with Tatra Banka a.s. for extension of the secured bank loan for the amount of EUR 16,223,000.

### 9.21.2 Statement of changes in secured bank loans

<i>EUR thousands</i>	<b>2013</b>	<b>2012</b>
Balance as at 1 January	28,441	36,766
Loans advanced	-	3
Redemptions	-/- 1,038	-/- 7,256
Exchange rate differences	-/- 355	432
	<u>27,048</u>	<u>29,945</u>
Reclassification (to other long-term liabilities)	-	-/- 1,504
Balance as at 30 June / 31 December	<u>27,048</u>	<u>28,441</u>

### 9.21.3 Analysis of other long-term liabilities

<i>EUR thousands</i>	<b>30-06-2013</b>	<b>31-12-2012</b>
Unsecured bank loans	<u>1,509</u>	<u>1,504</u>

### 9.21.4 Statement of changes in other long-term liabilities

<i>EUR thousands</i>	<b>2013</b>	<b>2012</b>
Balance as at 1 January	1,504	283
Loans advanced	5	-
Redemptions	-	-/- 296
Exchange rate differences	-	13
	<u>1,509</u>	<u>-</u>
Reclassification (from secured bank loans)	-	1,504
Balance as at 30 June / 31 December	<u>1,509</u>	<u>1,504</u>

## 9.22 TRADE AND OTHER PAYABLES

### 9.22.1 Analysis of trade and other payables

<i>EUR thousands</i>	<b>30-06-2013</b>	<b>31-12-2012</b>
Non-current part of trade and other payables	-	-
Current part of trade and other payables	2,220	2,840
	<u>2,220</u>	<u>2,840</u>

## 9.22.2 Specification of trade and other payables

<i>EUR thousands</i>	<b>30-06-2013</b>	<b>31-12-2012</b>
Administrative expenses	1,125	1,351
Trade payables	464	455
Deposits received	559	765
Restitution selling price Štefánikova	-	99
Interest payables	51	27
Other liabilities, accruals and deferred income	21	143
	<b>2,220</b>	<b>2,840</b>

## 9.23 FINANCIAL INSTRUMENTS

### 9.23.1 General

In the context of normal operations PCEEPF incurs credit, interest and currency risks. These risks are not hedged by PCEEPF. The net investment in foreign subsidiaries is also not hedged by PCEEPF. At the statement of financial position's date there were no unsettled derivative financial instruments.

## 9.24 NON-CONTINGENT LIABILITIES

As at 30 June 2013 PCEEPF was not subject to contractual obligation concerning investments, repairs, maintenance or other non-contingent liabilities that will be settled in the following financial period.

## 9.25 CONTINGENT LIABILITIES

As at 30 June 2013 PCEEPF has the following contingent liabilities:

- Palmer Capital RE Bohemia s.r.o. provided guarantee, together with Middle Europe Opportunity Fund II N.V., as shareholders of Yellow Properties s.r.o., in favour of Raiffeisen Bank a.s. for the amount of CZK 18,675,000 (EUR 720,000). Palmer Capital RE Bohemia s.r.o. guarantees 5% of this guarantee, in accordance with the stake of Palmer Capital RE Bohemia s.r.o. in Yellow Properties s.r.o.;
- Palmer Capital RE Bohemia s.r.o. has a potential liability under some circumstances (e.g. cancelled lease) for the amount of CZK 7,293,000 (EUR 290,000) to Kooperativa (the lessee of the parking places Štefánikova), which has paid the rent in advance for parking places for several years. Based on the negotiations during 2012 for the sale of the investment property Štefánikova, the new owner permits the lessee the usage of the parking places (free of payment) and the new owner will pay the tax from the rent.

As at 30 June 2013 PCEEPF was not subject to any further contingent liabilities, among which included obligations that result from security transactions related to (exchange) rate risk in connection with investments.

## 9.26 PROPERTY OPERATING EXPENSES

<i>EUR thousands</i>	<b>01-01-2013 to 30-06-2013</b>	<b>01-01-2012 to 30-06-2012</b>
Property management	443	538
Maintenance expenses in respect of investment properties	179	267
Taxes on investment properties	116	108
Commission fees	13	-
Insurance premiums	16	16
Other direct operating expenses	2	2
	<b>769</b>	<b>931</b>

## 9.27 NET VALUATION GAINS ON INVESTMENT PROPERTY

### 9.27.1 General

The analysis of value adjustments (gains and losses) during the financial period consists as well realized as unrealized value adjustments. Value adjustments are presented as a gain (or loss) in case the total of unrealized and realized value adjustments for each investment property is positive (or negative).

### 9.27.2 Analysis of net valuation gains on investment property

<i>EUR thousands</i>	<b>01-01-2013 to 30-06-2013</b>	<b>01-01-2012 to 30-06-2012</b>
Realized value adjustments	-	395
Unrealized value adjustments	89	-/- 58
	<b>89</b>	<b>337</b>

### 9.27.3 Specification of realized value adjustments

The realized value adjustments are attributable as follows:

<i>EUR thousands</i>	01-01-2013 to 30-06-2013	01-01-2012 to 30-06-2012
Štefánikova 167, Žlin	-	395

The realized value adjustment consists of the total value adjustments of the sold property, calculated as the difference between selling price and its purchase price. Therefore the realized value adjustments include also the cumulative unrealized value adjustments booked in previous years. The specification is as follows:

<i>EUR thousands</i>	01-01-2013 to 30-06-2013	01-01-2012 to 30-06-2012
Value adjustments booked in current year	-	772
Value adjustments booked in previous years	-	-/- 72
Transaction costs on sale of investment property	-	700
Transfer tax	-	-/- 115
	-	-/- 190
	-	395

### 9.28 PROFIT ON DISPOSAL OF INVESTMENTS IN GROUP COMPANIES

Profit on disposal of investments in group companies comprises gains or losses resulting from the sale of investments in group companies sold during the financial period, i.e. the amount received above the book value of the group company at the selling date. The group companies are valued at selling date in accordance with PCEEPF's own accounting policies.

During the financial period PCEEPF sold no investments in group companies.

### 9.29 FINANCIAL INCOME

<i>EUR thousands</i>	01-01-2013 to 30-06-2013	01-01-2012 to 30-06-2012
Interest income	41	82

## 9.30 ADMINISTRATIVE EXPENSES

### 9.30.1 Management fee

This is the fee received by the Managing Board (Palmer Capital Fondsenbeheer B.V.) for the Management it performs. The fee is calculated by percentages on the value of PCEEPF's total assets at month-end. These percentages are:

- For the assets below EUR 75,000,000: 1.50% per annum (0.125% per month);
- For the assets from EUR 75,000,000 and above: 1.00% per annum (0.083% per month).

### 9.30.2 Performance-related remuneration

The Managing Board receives performance-related remuneration, which is dependent on PCEEPF's total annual return. The total return is defined as the difference between the Net Asset Value per ordinary share at the start of the relevant financial period and at the end of the relevant financial period, increased with the dividends distributed during that financial period; expressed as a percentage of the Net Asset Value of the ordinary share at the start of the financial period. The total performance-related remuneration is calculated on the total average number of outstanding ordinary shares in the relevant financial period multiplied by the Net Asset Value per ordinary share at the start of the relevant financial period. The level of the performance-related remuneration is composed as follows:

- A. In the case of a total return of up to 12% the performance-related remuneration is 0%;
- B. In the case of a total return of 12% to 15% the performance-related remuneration is 20% of the total return less 12%;
- C. In the case of a total return of more than 15% the performance-related remuneration is 30% of the total return less 15%. In addition, the remuneration indicated under B above will be awarded.

The performance-related remuneration is charged annually in arrears. This performance-related remuneration is budgeted and put aside on a three-monthly basis. This performance-related remuneration will not be due if the stock exchange price of the share plus the dividends distributed in the relevant financial period is lower than that of a preceding period for which the remuneration was deducted.

For the financial period 2013 the Managing Board received no performance-related remuneration (2012: no).

## 9.31 OTHER OPERATING EXPENSES

### 9.31.1 Specification of other operating expenses

<i>EUR thousands</i>	<b>01-01-2013 to 30-06-2013</b>	<b>01-01-2012 to 30-06-2012</b>
Non-refundable value added tax	48	66
Wages and salaries statutory directors	7	12
Transfer tax related to sale of property in prior years	62	-
Other operating expenses	144	178
	<u>261</u>	<u>256</u>

### 9.31.2 Transaction costs

In accordance with the EU-IFRS principles of valuation PCEEPF includes the transaction costs incurred on purchase of investments in the purchase price of the investment, and recognizes the transaction costs incurred on sale of investment property and other investments under realized changes in the value of investments.

The analysis of identifiable and quantifiable transaction costs on purchase and sale of investments during the financial period is as follows:

<i>EUR thousands</i>	<b>01-01-2013 to 30-06-2013</b>	<b>01-01-2012 to 30-06-2012</b>
Transaction costs on purchase of investments	-	-
Transaction costs on sale of investments	-	305
	<u>-</u>	<u>305</u>

### 9.32 FINANCIAL EXPENSES

*EUR thousands*

	<b>01-01-2013 to 30-06-2013</b>	<b>01-01-2012 to 30-06-2012</b>
Interest expense on loans taken up	355	593
Other exchange and currency translation results	42	17
Released from "reserve for currency translation differences"	-	33
Valuation losses on other investments	9	-
	<u>406</u>	<u>643</u>

### 9.33 EARNINGS PER (ORDINARY AND REGISTERED) SHARE

#### 9.33.1 Calculation of basic earnings per (ordinary and registered) share

The basic earnings per (ordinary and registered) share are calculated by dividing the profit for the period attributable to shareholders of (ordinary and registered) shares by the weighted average number of outstanding (ordinary and registered) shares during the financial period.

#### 9.33.2 Profit for the period attributable to shareholders of (ordinary and registered) shares

	01-01-2013 to 30-06-2013	01-01-2012 to 30-06-2012
<i>EUR thousands</i>		
Profit for the financial period	742	698

#### 9.33.3 Weighted average number of outstanding (ordinary and registered) shares

	01-01-2013 to 30-06-2013	01-01-2012 to 30-06-2012
Issued (ordinary and registered) shares as at 1 January	1,285,725	1,180,943
Effect on issued (ordinary and registered) shares during the financial period	7,968	72,881
Effect on redeemed (ordinary and registered) shares during the financial period	-	-/- 1,491
Weighted average number of outstanding (ordinary and registered) shares during the financial period	1,293,693	1,252,333

#### 9.33.4 Calculation of diluted earnings per (ordinary and registered) share

The diluted earnings per (ordinary and registered) share is calculated by dividing the profit for the period attributable to shareholders of (ordinary and registered) shares by the weighted average number of (ordinary and registered) shares during the financial period including all outstanding convertible securities. Since there are no outstanding convertible securities the calculation of the diluted earnings per (ordinary and registered) share is in accordance with the calculation of basic earnings per (ordinary and registered) share.

## 9.34 RELATED PARTIES

### 9.34.1 Identity of related parties

With regard to PCEEPF the following categories of related parties were distinguished during the financial period:

- A. Managers in key positions;
- B. Major investors;
- C. All organisational entities within the group designated as “Palmer Capital” (“PC”);
- D. Investment trusts, investment funds and other investment companies, which are managed by an entity belonging to Palmer Capital;
- E. Investments undertaken by Palmer Capital, in which Palmer Capital has significant influence (more than 20% of voting rights).

### 9.34.2 Transactions with and / or interests of managers in key positions (A)

During the financial period no transactions occurred with members of the Managing Board and / or members the Supervisory Board. Personal interests of members of the Managing and Supervisory Board are defined in paragraph 10.3 “Personal interests”.

The remuneration for the Managing Board is described in section 9.30 “Administrative expenses”. The remuneration for the Supervisory Board is described in the annual report 2012 section 12.52 “Other operating expenses”.

### 9.34.3 Transactions with and /or interests of major investors (B)

Pursuant to the decree on Dutch Act on Financial Supervision (Wet op het financieel toezicht, the “Wft”) PCEEPF reports one major investor, namely Stichting Prioriteit MERE (the “Foundation”), which holds all priority shares in PCEEPF N.V.’s capital. No transactions occurred between the Foundation and PCEEPF N.V. during the financial period.

### 9.34.4 Transactions with other related parties (C-D-E)

During the financial period PCEEPF entered into the following transactions with the other related parties:

- A. Providing credit by PCEEPF N.V. to Palmer Capital Central European Properties a.s. for the principal amount of EUR 1,310,000 (2012: EUR 1,310,000). For this credit provision an annual average interest payment of 12.0% (2012: 12.0%) was received. As at 30 June 2013 the outstanding amounts are EUR 546,000 (31 December 2012: EUR 912,000) and the receivable interest is EUR 602,000 (31 December 2012: EUR 579,000);
- B. Palmer Capital RE Bohemia s.r.o. paid asset management fee (as of 1 July 2012) to Palmer Capital Czech Republic s.r.o. for the amount of EUR 42,000 (30 June 2012: EUR 0). The Managing Board of Palmer Capital Fondsenbeheer B.V. has decided to reduce its own management fee (as of 1 July 2012) for the same amounts;
- C. Palmer Capital RE Slovakia s.r.o. paid asset management fee (as of 1 January 2013) to Palmer Capital Czech Republic s.r.o. for the amount of EUR 80,000 (30 June 2012: EUR 0). The Managing Board of Palmer Capital Fondsenbeheer B.V. has decided to reduce its own management fee for the same amounts;
- D. Palmer Capital RE Bohemia s.r.o. paid fee for advisory services (as of 1 April 2012) to Palmer Capital Czech Republic s.r.o. for the amount of EUR 7,000 (30 June 2012: EUR 3,000);
- E. PC-related parties rented of PCEEPF properties (office) about 260 m<sup>2</sup> (30 June 2012: 260 m<sup>2</sup>);
- F. PCEEPF paid wages and salaries for its statutory directors for the amount of EUR 7,000 (30 June 2012: EUR 12,000);
- G. Providing guarantee by Palmer Capital RE Bohemia s.r.o., together with Middle Europe Opportunity Fund II N.V. (together the shareholders of Yellow Properties s.r.o.) in favour of Raiffeisen Bank a.s. for the amount of CZK 18,675,000 (EUR 720,000) (30 June 2012: CZK 18,675,000).

#### 9.34.5 Investments in other related parties (C-D-E)

Investment trusts, investment funds and other investment companies, which are managed by an entity belonging to Palmer Capital, do hold investments in companies in which PCEEPF also holds investments.

- Middle Europe Opportunity Fund II N.V. (MEOF II) (in)directly holds investments in companies in which PCEEPF also holds investments. The following table shows the percentages the Palmer Capital managed companies hold of the outstanding shares in the companies as at 30 June 2013:

Company	MEOF II	PCEEPF	Total
Yellow Properties s.r.o.	95%	5%	100%

#### 9.34.6 Agreements with related parties

PCEEPF has not entered into any agreements with parties affiliated with the Managing Board of PCEEPF, other than as described in the Annual Report 2012 section 12.51.3 “Agreement with Palmer Capital Fondsenbeheer B.V.”.

### 9.35 ESTIMATES AND FORMATION OF AN OPINION BY THE MANAGEMENT

The Managing Board has discussed with the Supervisory Board the development and choice of, and the provision of information on, the critical principles of financial reporting and estimates, as well as the application of those principles and estimates.

The major sources of uncertainty in estimates are as follows:

- A. Development of rents;
- B. Capitalisation factor for transactions;
- C. Fair rents per type of property;
- D. Property prices.

In section 9.10.3 “Valuation of investment properties” the critical assessments by the Managing Board in applying PCEEPF’s principles of the valuation of the investment properties are stated.

## **10 OTHER INFORMATION**

### **10.1 GENERAL PROVISIONS OF THE ARTICLES OF ASSOCIATION CONCERNING RESULT APPROPRIATION**

In accordance to Article 28 of the Articles of Association dated 26<sup>th</sup> June 2012, profits are determined and distributed as follows:

- 28.1 From the profit earned in a financial period in so far as possible a dividend is first distributed on the priority share, the amount of which dividend is equal to seven per cent (7%) on an annual basis, calculated on the nominal value of the priority share. No further distributions are made on the priority share.
- 28.2 The priority shareholder determines annually what part of the profit remaining after application of article 28.1 above is added to the reserves.
- 28.3 It is the prerogative of the general meeting of shareholders to appropriate the profit remaining after application of articles 28.1 and 28.2 above.
- 28.4 Distribution of profit occurs after adoption of the financial statements evidencing that this is permitted.
- 28.5 The priority shareholder may resolve to make interim distributions on ordinary shares and / or distributions on ordinary shares charged to a company reserve.
- 28.6 Distributions on shares may only take place up to a maximum of the amount of the distributable shareholders' equity.
- 28.7 Unless the body that decides on distribution determines another time, distributions on shares are payable immediately after declaration.
- 28.8 In calculating the amount of any distribution on shares the shares held by the company in its own capital are not included.

### **10.2 DECREE ON THE DUTCH ACT ON FINANCIAL SUPERVISION**

On 24 January 2006 Palmer Capital Fondsenbeheer B.V. obtained a permit from the Dutch Authority for the Financial Markets (Stichting Autoriteit Financiële Markten, the "AFM") under the Dutch Act on the Supervision of Investment Institutions (Wet toezicht Beleggingsinstellingen, the "Wtb"), which was superseded by the Dutch Act on Financial Supervision (Wet op het financieel toezicht, the "Wft") as per 1 January 2007 to act as a Management company of PCEEPF.

### **10.3 PERSONAL INTERESTS**

During the financial period neither the Managing Board nor the Supervisory Board held interests in investments by PCEEPF, except for B. Vos M.Sc. who had 2,000 ordinary shares (31 December 2012: 2,000) in private possession and 2,074 ordinary shares (31 December 2012: 2,074) in possession through Bas Vos B.V.

#### **10.4 SPECIAL CONTROLLING RIGHTS**

Special rights in respect of control of the company have been granted to the holders of priority shares. The priority shares are bearer shares. As provided by the Articles of Association the priority shares entitle the Foundation:

- To determine the number of members of the Managing Board and Supervisory Board;
- To make binding nominations for appointment of the members of the Managing Board and the members of the Supervisory Board;
- To make the proposal to the General Meeting of Shareholders to suspend or dismiss a Managing Board member and / or a Supervisory Board member;
- To make the proposal to the Supervisory Board for the remuneration of the members of the Supervisory Board;
- To determine which part of the profits remaining after priority dividend (see also section 10.1) shall be reserved;
- To make interim distributions on ordinary shares and / or distributions on ordinary shares charged to a company reserve;
- To make the proposal to the General Meeting of Shareholders to amend the Articles of Association of PCEEPF N.V.;
- To make the proposal to the General Meeting of Shareholders for statutory merger or statutory demerger of PCEEPF N.V.;
- To make the proposal to the General Meeting of Shareholders for dissolution of PCEEPF N.V.

The General Meeting of Shareholders needs the approval of the Foundation for decisions of the Managing Board concerning:

- Reduction of the issued share capital.

#### **10.5 EVENTS AFTER STATEMENT OF FINANCIAL POSITION'S DATE**

End August 2013 an amendment to the bank loan agreement with Tatra Banka was signed for the extension of the loan till 31 December 2014.

No other material events after statement of financial position's date have occurred.

#### **10.6 AUDITOR'S REPORT**

The information in this semi-annual report has not been audited by an expert pursuant to article 393 Book 2 BW (auditor's report).