



PALMER CAPITAL EMERGING EUROPE PROPERTY FUND N.V.



SEMI-ANNUAL REPORT 2012

1 PALMER CAPITAL EMERGING EUROPE PROPERTY FUND N.V.

Incorporation

Palmer Capital Emerging Europe Property Fund N.V. (“The Fund”) 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.

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E-mail: info@palmercapital.eu
Website: 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.

Managing Board

The Fund is managed by Palmer Capital Fondsenbeheer B.V. Palmer Capital Fondsenbeheer B.V. was incorporated on 10 June 2002 under the name Midden-Europa Fondsenbeheer B.V. by a notarial deed executed before Mr. C.E.M. van Steenderen, civil-law notary in Rijswijk. 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. has the following directors:

G.St.J. Barker LLB FRICS (since 27 February 2012)
P.H.J. Mars M.Sc.
H.H. Kloos RBA

The Managing Board has chosen domicile at the offices of The Fund. More information can be found on its website: www.palmercapital.nl.

Stichting Prioriteit

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

G.St.J. Barker LBB FRICS (since 27 February 2012)

H.H. Kloos RBA (appointed per 10 May 2011, resigned per 27 February 2012)

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

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Administrator

KroeseWevers Accountants B.V.

Pantheon 2, 2th floor

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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 Dutch Authority for the Financial Markets (Stichting Autoriteit Financiële Markten, 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

Palmer Capital Emerging Europe Property Fund N.V. (“the Fund”) invests in the established and emerging real estate markets of Middle and Eastern Europe. The Fund is an investment company with variable capital incorporated under Dutch law and registered in Amsterdam. The shares have been listed on the NYSE Euronext Amsterdam since 2003. The Fund specialises in commercial real estate investments in Middle and Eastern Europe, with a current emphasis on the Czech Republic and the Slovak Republic. The Fund invests in principle through local companies on the basis of local legislation.

Palmer Capital Nederland N.V. (formerly Middle Europe Investments N.V.) is located in Deventer with its own offices in Prague, Cluj-Napoca, Sofia and Moscow.

Objective

The Fund offers institutional and private investors the possibility to invest in a real estate portfolio in the emerging markets of Middle 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 aimed at both high cash-flow-generating commercial real estate and commercial real estate that generates an above-average result at the time of sale.

Fund Structure

Palmer Capital Emerging Europe Property Fund N.V. operates as a closed-end investment institution.

Palmer Capital Fondsenbeheer B.V. is the management company for The Fund, which obtained per 24 January 2006 a permit from the Dutch Authority for the Financial Markets (Stichting Autoriteit Financiële Markten, the “AFM”) under the Financial Supervision Act (Wet op het financieel toezicht, “Wft”).

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 The Fund has operated under the Wft.

Investment Policy

The Fund invests in commercial real estate in Middle and Eastern Europe in accordance with predetermined investment criteria. The company aims at a diversified real estate portfolio, spreading the risks between multiple sectors and multiple locations. Positions will be analysed regularly and adjusted where necessary.

The Fund will use the local organizations of Palmer Capital and the cooperation with the property management organisation to continuously identify, acquire and manage its real estate. Besides A-class real estate, which is often relatively expensive, The Fund primarily invests in B and C-class real estate, which combined with The Fund’s strategy, generates relatively higher return on investments. The result is a diversified real estate portfolio with a good yield/risk ratio.

Investment Criteria

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

- The Fund will invest in commercial real estate in Middle and Eastern Europe, both directly and indirect.
- In principle no more than 60% of the value of the total real estate portfolio will be financed with borrowed capital.
- The Fund 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 Middle and Eastern Europe;

- commercial sectors, including offices, retail, industry, logistics;
- property classes: A- / B- / C-class locations;
- size of individual projects;

The Fund may use financial instruments to hedge the currency risks. The Fund pursues active management of its portfolio, using its thorough knowledge of the local real estate markets and its experience in various Middle and Eastern European countries to identify new investment opportunities. Existing assets will be assessed regularly, to determine whether they should stay in portfolio or sold; all possible merits of potential investment opportunities will be assessed.

Financing policy

The Fund finances a substantial portion of the real estate portfolio with long-term external debt: up to 60% of the value of the real estate portfolio. Hereby we consider the need for flexibility, the ability to sell real estate in the portfolio without high breakage costs. The Fund pursues to use several external financiers, so not to be dependent on just one party.

Investor relations

The Fund strives to achieve an open, timely and clear communication with private and/or institutional investors, asset managers and other interested parties, and endeavours to configure its public and investor relations policy accordingly. The Fund's investors constitute out of private investors and asset/wealth managers.

Corporate Governance

Clarity and transparency in supervision and accounting is by The Fund considered as cornerstone of good management and entrepreneurship. It acknowledges a sound system of good corporate governance. The objectives are clearly defined and The Fund has a clear strategy.

Identification codes

The ISIN code: NL0006311706

The REUTERS code: MERE.AE

The BLOOMBERG code: MERENVFNA

<i>EUR thousands</i>	31/12/2011	30/6/2012
Total Assets	69,068	64,756
Total Liabilities	45,398	38,096
Bank Debts	37,049	30,657
LTV* (%)	57.9	51.9
Occupancy (%)	79.0	78.0
Gross Income**	9,578	4,237

* defined as Bank Debts / Investment property

** Gross rental income and Service charge income over the whole year 2011 and over the half year till 30/6/2012

3 REPORT OF THE MANAGING BOARD

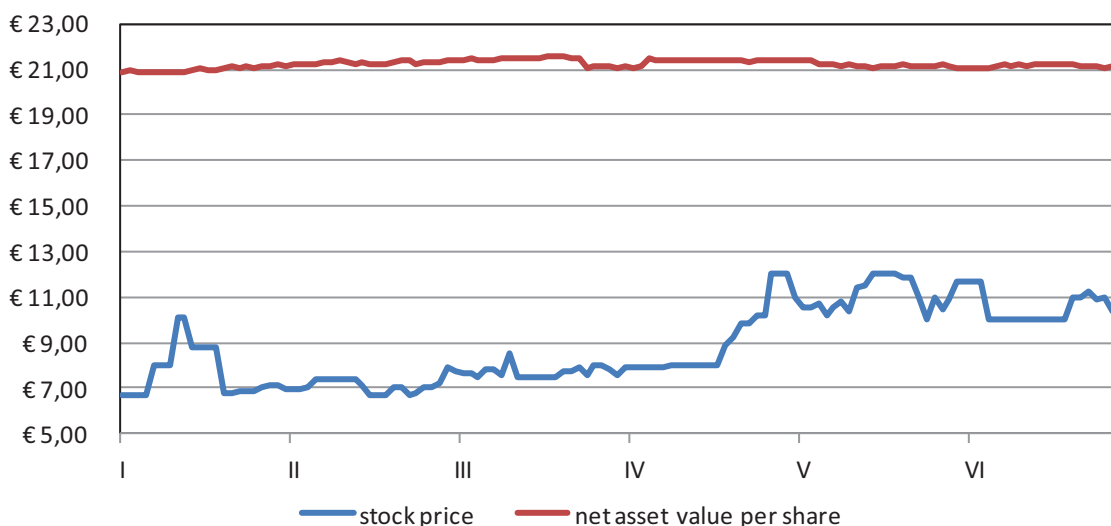
We hereby present you the semi-annual report 2012 of Palmer Capital Emerging Europe Property Fund N.V. (The Fund). The reporting period is from 1 January 2012 to 30 June 2012.

3.1 DEVELOPMENTS DURING THE FIRST HALF YEAR OF 2012

The first half year of 2012 was an important period for The Fund, which showed many changes for the Fund. The Fund concluded the period with a 3.2% higher net asset value per share compared to end 2011. At the same time the price on the stock exchange increased by 64% from EUR 6.70 to EUR 11.00. Prior the change of structure to a closed-end company at 4th of January 2012 shareholders had the opportunity to sell their ordinary shares for redemption as of 3 October 2011 until 3 January 2012. The EGM approved that the share price during this three-month period was fixed at EUR 6.70 per ordinary share.

The first half of 2012 continued to show signs of market recovery in the relatively strong economies of the Czech and Slovak Republic. This resulted in a net asset value per share of EUR 21.15 at 29 June 2012 (figure 1).

Figure 1 –Development of the Fund’s net asset value and stock price per share during H1-2012



The first half of 2012 showed respectively the following events:

Start as closed-end fund

On 4th of January 2012 Palmer Capital Emerging Europe Property Fund N.V. (MEI-Real Estate N.V. at that time) became active as closed-end fund. As of 5th of January 2012 daily share trade through NYSE Euronext Amsterdam as closed-end investment fund is possible.

Acquisition of Middle Europe Investments N.V. by Palmer Capital Investments GmbH

At 27th of February 2012 Palmer Capital Investments GmbH (Palmer Capital) acquired Middle Europe Investments N.V. (MEI) and her subsidiaries.

Transfer of receivable into shares

At 27th of February 2012 Palmer Capital Nederland N.V. (PCN) (Middle Europe Investments N.V. at that time) converted a receivable of Palmer Capital Fondsenbeheer B.V. (PCFB) (MEI-Fondsenbeheer B.V. at that time) on Palmer Capital Emerging Europe Property Fund N.V. (PCEEPF) (MEI-Real Estate N.V. at that time) into shares. PCFB partially transfers its receivable of EUR 3,385,535 on PCEEPF to PCN. PCN converts EUR 2,234,424 of this receivable into 104,782 shares of PCEEPF. The conversion is done at Net Asset Value of 27 February 2012 at EUR 21.32 per share. The conversion has no influence on the net asset value per share and is hence neutral for existing shareholders. For the moment these shares are held as registry shares. The conversion increased the solvability of PCEEPF from 35% to 38%, but has no influence on the Fund’s result.

Sale of office property in Zlin

At the 5th of April 2012 PCEEPF sold the office property Stefánikova 167 in the Czech city Zlin. The buyer is a local telecommunication company. The sale price was EUR 5.9 million, which is 10% above the latest external valuation.

Extraordinary General Meeting of Shareholders

At 25th April 2012 an Extraordinary General Meeting (EGM) was held regarding the updated strategy for the Fund. The fund strategy will focus more on the creation of free cash flow, which might make it possible to structurally distribute cash dividend. On the same date of the EGM PCEEPF was notified by CTP Property N.V. (CTP) that they might have an intention to make an offer on the PCEEPF shares in the range of EUR 10 to EUR 14 per share. At 24th of May 2012 they formally withdraw their intention.

Instalment on SNS loan

In May 2012 the Fund installed EUR 475,000 on the outstanding loan as agreed with the SNS Bank. This installment brought the outstanding SNS loan from SNS approximately 25% down to EUR 1.5 million.

Significant expansion of lease contract in the Slovak Republic

On the 24th of May 2012 the Fund added a large new lease agreement in Kosice in the Slovak Republic. The lease agreement has a three year term till 31st May 2015. The related gross rental income increases from EUR 585,000 to EUR 775,000.

General Meeting of Shareholders

At 21st of June 2012 the General Meeting of Shareholders adopted the annual accounts of 2011 and decided not to distribute dividend over 2011. Also the change of the name of The Fund to Palmer Capital Emerging Europe Property Fund N.V. was adopted with an absolute majority.

Real estate portfolio valuation

At 29th of June 2012, the fund reassessed the property portfolio values. The Czech and Slovak real estate markets showed relatively stable yields. This as such is a sign of a recovering real estate market. The management decided to reassess the property values based on an internal valuation. The valuation takes into account the rental income, the estimated rental value and the yield. See for more detailed information the consolidated financial statements.

At 30th of June 2012, the real estate portfolio value amounted EUR 59.09 million, 0.2% higher at the same currency exchange rate compared to the comparable portfolio in the same period last year (EUR 58.97 million). The total bank debt, considering Stefanikova's bank instalment, is EUR 30.66 million at June ultimo. Hence approximately 51.9% of the total investment property is financed by external bank debt. The total liabilities at 30th of June 2012 are EUR 38.10 million (31 December 2011: EUR 45.40 million).

The following table shows the development of the Fund's Net Asset Value during the period from 1 January 2011 to 30 June 2011.

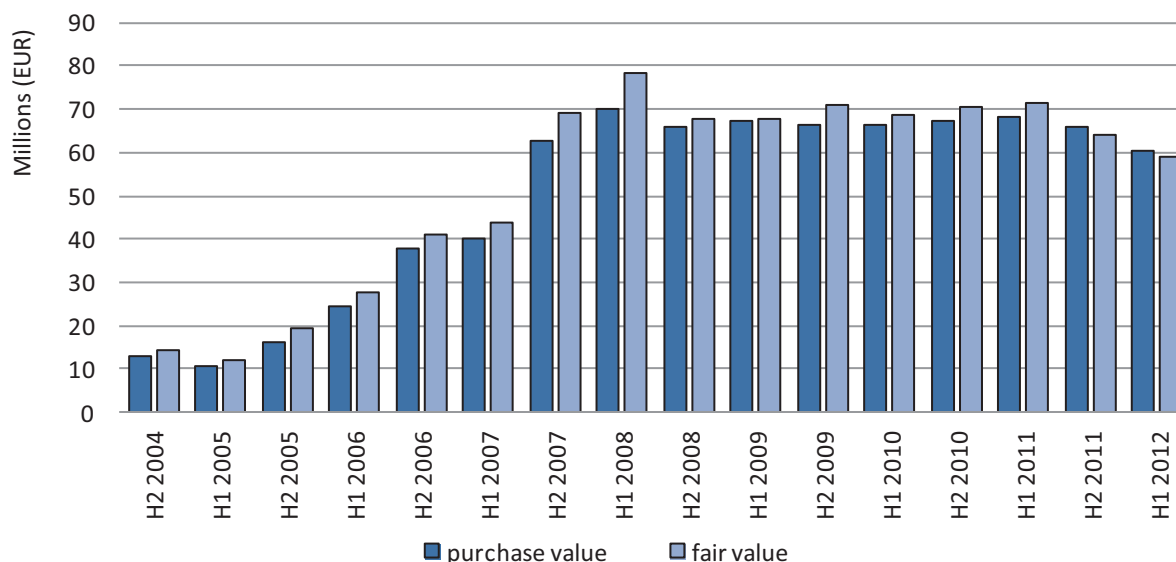
Table 1 –Development of the Net Asset Value per quarter till half year ultimo 2012

	31 December 2011	31 March 2012	30 June 2012
Net Asset Value (EUR/share)	20.49	21.10	21.15
Return on NAV YoY (%)	-17.2%	-16.9%	-17.7%
Return on NAV YtD (%)	n/a	2.9%	3.2%

Primarily due to the sale of the Stefanikova 167 property in Zlin, the total assets under management decreased by EUR 4.31 million during the first half of 2012, from EUR 69.07 million at 31 December 2011 to EUR 64.76 million at 30 June 2012. The decrease comes from the slightly higher real estate asset value (increase), the Stefanikova property sale (decrease), the regular bank loan instalments (decrease) and the stronger Czech Koruna (CZK) (increase).

The number of outstanding shares changed during the period from 1,180,943 shares at 31-12-2011 to 1,285,725 shares at 30 June 2012. Figure 2 below shows the total fair value compared to the acquisition value from 2004 till 30 June 2012.

Figure 2 – Total development of the fair value of portfolio per property



Real estate portfolio development

Palmer Capital Emerging Europe Property Fund N.V. actively invests in medium sized commercial real estate which generates positive cash flow. During the reporting period one large office property in Zlín was sold. The Fund’s portfolio currently contains seventeen properties. The management activity is focused on optimizing the costs structure and the strengthening the operational cash flow.

The overall occupancy level stabilized during the reporting period at 78.0%. The rental income corrected for the Zlín property sale, decreased slightly. It seems the lease market stabilized in a new equilibrium, whereby offering relative good facilities at a competitive rental level on one side is offset by several market trends, among which new entrants to the market, increased floor space efficiency, higher price sensitivity and decreased transparency. Given much effort and proactive attention for the tenant and the strong regional presence we expect to see some rental uptake, that will result in a slightly better occupancy at the end of 2012.

The net rental income during the first half of 2012 was EUR 1.97 million (same period last year: EUR 2.33 million), mainly due to the sale of the Stefanikova property (net EUR 210,000). The market yields for secondary property levelled out. However, the value development is still under pressure, as long as the bank financing does not start to improve. The fair value of the real estate portfolio at 30 June 2012 is EUR 59.09 million.

3.2 EXCHANGE RATE MOVEMENTS

The Czech Koruna (CZK) appreciated with 0.6% compared to the EUR during the first half of 2012. On 31 December 2011 the exchange rate was 25.787 EUR/CZK and on 30 June 2012 25.640 EUR/CZK.

Since the investments in the Czech Republic are in local currency, currency risk is involved. The Managing Board has decided not to hedge the risk since macro-economic and political factors point to the currency appreciating rather than depreciating in the future.

All loans in the Czech Republic are in CZK. All rent/lease agreements in the Czech Republic are also in CZK.

3.3 NET ASSET VALUE (NAV)

As per 30 June 2012 the Net Asset Value is EUR 21.15 per share. This is a year-to-date return of 3.2% compared to the NAV of EUR 20.49 per share at 31 December 2011.

Table 2 – Comparative statement of the NAV per share

	30-06-2012	31-12-2011
Shareholders' equity (in EUR thousands)	26,660	23,670
50% of the deferred tax liabilities concerning revaluation gains on investment property (EUR thousands)	537	533
Shareholders equity in accordance with EPRA (EUR thousands)	27,197	24,203
Number of ordinary shares in issue	1,285,725	1,180,943
Adjusted EPRA-NAV (in Euro)	21.15	20.49

The result

The result comprises the operating result, the valuation result, the reversal of deferred taxes and the results on the currency exchange rate. The total yield on Net Asset Value in the first half of 2012 was 3.2%.

The following table provides a statement of investment results for the first half year of 2012 and the same period last year.

Table 3 – Statement of recognised income and expense for the period till 30 June 2012

<i>EUR thousands</i>	01-01-2012 until 30-06-2012	01-01-2011 until 30-06-2011
Foreign exchange translation differences on net investment in group companies	58	246
Net gain/ (loss) recognised directly in equity	58	246
Profit for the period	698	420
Total recognised income and expense for the period	756	666

3.4 OUTLOOK

Official figures show that the real estate turnover in the Central and Eastern European (CEE) real estate market reached EUR 2.1 billion in the first half of 2012. This is 60% lower compared to the volume achieved during H1 2011. Since end 2011 the impact of Europe's sovereign debt crisis started to drag on the economy, with growth stalling at the year end. Continuing Eurozone uncertainty combined with an almost pure investor focus on core product has caused market activity to contract in a similar way to that seen in 2009 / 2010.

The mid 2012 position of the banks and the liquidity in the European market will be the critical driver of growth over the year. Nevertheless there are several structural issues for Europe to contend with over the coming years which will place a dampener on growth in Europe generally. As for 2012, we expect investment turnover to fall back from 2011 levels in response to contractions in economic growth and the availability of real estate debt. We expect that just like 2011 the investments will focus on the main markets of Poland, the Slovak Republic and the Czech Republic.

The implementation of the updated fund strategy that focuses on improving the cash flow primarily by costs reductions is expected to bring positive momentum to the Fund.

3.4.1 REAL ESTATE MARKET

The office market was largely stable across the major city markets in the region. New completions were down 25% on the previous year, but gross take-up levels increased 40% year-on-year, denoting an increase in market activity from the demand side. That said, the majority of take-up comprised renewals and renegotiations with net take-up only making up for 40% of total gross take-up. Vacancy rates fell marginally, on average.

Although half of the Middle and Eastern European markets show a higher pipeline of projects on the go than completions recorded in 2011, the overriding feeling of caution in the markets coupled with the need for high levels of pre-lets to enable developments to move forward is likely to minimize new completions in 2012. New office construction will only commence once pre-leases represent 50% of the total proposed project or where developers are able to fund a large portion of the project costs from private equity sources. The Fund's portfolio is expected to benefit from this limited supply, by being able to offer office space at competitive price levels. We see no major fluctuations in rents over the year ahead in the Czech Republic and the Slovak Republic.

The Managing Board expects that the second half of 2012 will show some transaction recovery in the real estate markets. It is expected that the number of transactions in the secondary office market in the Czech and Slovak Republic will start to increase slightly later this year. The Fund focuses on increasing the cash flow by reducing the exploitation costs materially. Barring unforeseen circumstances and excluding the effect of currency exchange rate changes the Managing Board expects the result for 2012 will continue to improve.

As closed-end Company, the Fund will focus on creating shareholder value by optimizing the portfolio value and investing in market opportunities Middle and Eastern Europe-wide. The second tier is a stabilising the direct income which is important to support the dividend policy and the value development. The management expects that the second half of 2012 will bring new opportunities for The Fund, which were not possible since 2008.

3.4.2 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, 31 August 2012

The management, Palmer Capital Fondsenbeheer B.V.

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

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

H.H.Kloos RBA, Managing director

CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2012

4. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>EUR thousands</i>	Notes	30-06-2012	31-12-2011
Assets			
Investment property	9.10	59,092	63,973
Other investments	9.11	1,293	1,286
Goodwill	9.12	-	-
Deferred tax assets		903	976
Trade and other receivables	9.13	498	421
Total non-current assets		61,786	66,656
Trade and other receivables	9.13	951	730
Cash and cash equivalents		2,019	1,682
Total current assets		2,970	2,412
Total assets		64,756	69,068
Shareholders' equity			
	9.14		
Issued capital		6,429	5,905
Share premium		16,338	14,628
Revaluation reserve		4,601	4,798
Reserve for currency translation differences		2,790	2,732
Retained earnings		-/- 3,498	-/- 4,393
Total shareholders' equity (attributable to parent company shareholders)		26,660	23,670
Liabilities			
Interest-bearing loans and borrowings	9.16	26,958	32,935
Deferred tax liabilities		4,248	4,018
Trade and other payables	9.17	-	1,035
Total non-current liabilities		31,206	37,988
Interest-bearing loans and borrowings	9.16	3,699	4,114
Trade and other payables	9.17	3,191	3,296
Total current liabilities		6,890	7,410
Total liabilities		38,096	45,398
Total shareholders' equity and liabilities		64,756	69,068

5. CONSOLIDATED INCOME STATEMENT

<i>EUR thousands</i>	<i>Notes</i>	01-01-2012 to 30-06-2012	01-01-2011 to 30-06-2011
Gross rental income		3,609	4,198
Service charge income		628	668
Service charge expenses		-/- 1,340	-/- 1,354
Property operating expenses	9.21	-/- 931	-/- 1,179
Net rental and related income		1,966	2,333
Valuation gains on investment property		928	801
Valuation losses on investment property		-/- 591	-/- 907
Net valuation gains on investment property	9.22	337	-/- 106
Financial income	9.24	82	169
Other operating income		7	7
Other income		89	176
Total income		2,392	2,403
Administrative expenses	9.25	513	573
Amortisation of goodwill		-	205
Other operating expenses		256	254
Total expenses		769	1,032
Net operating result before financial expenses		1,623	1,371
Financial expenses	9.27	643	760
Profit before income tax		980	611
Income tax expense		-/- 282	-/- 191
Profit for the period		698	420
Attributable to:			
Parent company shareholders		698	420
Non-controlling interest		-	-
Profit for the period		698	420
Basic earnings per (ordinary and registered) share (EUR)	9.28.1	0.56	0.36
Diluted earnings per (ordinary and registered) share (EUR)	9.28.4	0.56	0.36

6. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>EUR thousands</i>	<i>Notes</i>	01-01-2012 to 30-06-2012	01-01-2011 to 30-06-2011
Items never reclassified subsequently to profit or loss:		-	-
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences on net investment in group companies		76	340
Income tax on foreign currency translation differences on net investments in group companies		-/- 18	-/- 94
		58	246
Net gain / loss (-/-) recognized directly in shareholders' equity		58	246
Profit for the period	5	698	420
Total comprehensive income for the period		756	666
Attributable to:			
Parent company shareholders		756	666
Non-controlling interest		-	-
Total comprehensive income for the period		756	666

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 2011	5,905	14,628	7,196	3,023	-/- 2,158	28,594
Total comprehensive income	-	-	-/- 2,398	-/- 291	-/- 2,235	-/- 4,924
Own shares issued	498	169	-	-	-	667
Own shares redeemed	-/- 498	-/- 169	-	-	-	-/- 667
Balance as at 31 December 2011	5,905	14,628	4,798	2,732	-/- 4,393	23,670
Balance as at 1 January 2012	5,905	14,628	4,798	2,732	-/- 4,393	23,670
Total comprehensive income	-	-	-/- 197	58	895	756
Own shares issued	532	1,713	-	-	-	2,245
Own shares redeemed	-/- 8	-/- 3	-	-	-	-/- 11
Balance as at 30 June 2012	6,429	16,338	4,601	2,790	-/- 3,498	26,660

8. CONSOLIDATED STATEMENT OF CASH FLOW

<i>EUR thousands</i>	<i>Notes</i>	01-01-2012 to 30-06-2012	01-01-2011 to 30-06-2011
Cash flow from operating activities			
Profit for the period	5	698	420
<i>Adjustments for:</i>			
Net valuation gains on investment property	9.22	-/- 642	106
Net valuation gains on other investments ¹	9.27	-	15
Amortisation of goodwill		-	205
Exchange and currency translation results		-/- 167	-/- 8
Interest income	9.24	-/- 82	-/- 169
Interest received		6	3
Interest expensed	9.27	643	661
Income tax expensed		300	285
Change in trade and other receivables		-/- 222	204
Change in trade and other payables		1,060	-/- 223
Net cash from / used in (-/-) operating activities		1,594	1,499
Interest paid		-/- 559	-/- 624
Income tax paid		-	-/- 72
Net cash from / used in (-/-) operating activities		1,035	803
Cash flow from investment activities			
Proceeds from the sale of investment properties		5,853	52
Acquisitions of / additions to investment properties		-/- 250	-/- 98
Net cash from / used in (-/-) investment activities		5,603	-/- 46
Cash flow from financing activities			
Proceeds from loans and borrowings		2	4
Repayments of loans and borrowings		-/- 6,310	-/- 1,757
Net cash from / used in (-/-) financing activities		-/- 6,312	-/- 1,753
Net increase / decrease (-/-) in cash and cash equivalents		330	-/- 996
Cash and cash equivalents as at 1 January		1,682	2,966
Effect of exchange and currency translation result on cash held		7	39
Cash and cash equivalents as at 30 June		2,019	2,009

¹ Transaction costs and transfer tax excluded.

9. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9.1 GENERAL

At the General Meeting of Shareholders (GM) dated 21 June 2012, the GM approved with the proposal of the Managing Board to change the name of the Fund. By a notarial deed executed before Prof. Mr. D.F.M.M. Zaman, civil-law notary in Rotterdam on 26 June 2012 the name of the Fund has been changed in Palmer Capital Emerging Europe Property Fund N.V.

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

At the Extraordinary General Meeting of Shareholders (EGM) dated 7 July 2011 the EGM decided to transform MEI-Real Estate N.V. (currently PCEEPF N.V.) into a closed-end company. Prior the change of structure to a closed-end company, shareholders had the opportunity to sell their ordinary shares for redemption as of 3 October 2011 until 3 January 2012. The EGM approved that the share price during this three-month period is fixed at EUR 6.70 per ordinary share. As of 4 January 2012 PCEEPF N.V. operates as a closed-end company. As of 5 January 2012 ordinary shares continuously can be traded through NYSE Euronext Amsterdam.

As of 21 October 2009 (certificates of) ordinary shares of PCEEPF N.V. can also be traded on Nederlandsche Participatie Exchange (NPEX), an alternative trading platform. The ordinary shares of PCEEPF N.V. remain listed on NYSE Euronext Amsterdam.

The consolidated financial statements of PCEEPF N.V. for the semi-annual report 2012 comprise PCEEPF N.V. and its subsidiaries (together referred to as PCEEPF).

9.2 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The consolidated 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 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).

9.3 STATEMENT OF COMPLIANCE AND FUTURE RELATED ASSUMPTIONS

PCEEPF has applied the significant accounting principles. The consolidated financial statements were authorized for issue by the Managing Board on 31 August 2012.

As at 30 June 2012, shareholders' equity of Palmer Capital Emerging Europe Property Fund N.V. (PCEEPF N.V.) 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 N.V. 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 FINANCIAL STATEMENTS

9.4.1 General

The consolidated financial statements are presented in Euros, rounded to the nearest thousand. The financial statements have been prepared on the historical cost basis, except for investment property, which is recognised at fair value.

The accounting policies are equal to those applied in the annual report 2011. These accounting policies have been consistently applied for all periods presented in this semi-annual report.

9.4.2 New standards and amendments

No new standards, amendments to standards and interpretations are applied for the first time for the financial period beginning 1 January 2012.

9.5 BASIS OF CONSOLIDATION

9.5.1 Subsidiaries

Subsidiaries are those entities controlled by PCEEPF N.V. Control exists when PCEEPF N.V. 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 financial statements of subsidiaries have been included in the consolidated 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 N.V. have been included in the consolidation. This relates to the following companies:

Company	Registered office	Country of incorporation	Holding as at 30 June 2012	Holding as at 31 December 2011
A MERE Bohemia s.r.o.	Prague	Czech Republic	100%	100%
B MERE Slovakia s.r.o.	Bratislava	Slovak Republic	100%	100%
C Vitosha Property I EOOD	Sofia	Bulgaria	100%	100%

Vitosha Property I EOOD concerns a dormant company.

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 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 includes 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 N.V.'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 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

	30-06-2012	31-12-2011	30-06-2011
Czech Koruna (EUR / CZK)	25.6400	25.7870	24.3450
Bulgarian Lev (EUR / BGN)	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 are regularly reviewed by PCEEPF's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; 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 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. The Slovak Republic;
- 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 is based on the business location of the company PCEEPF invests in;
- the allocation of other assets (bank accounts, cash, receivables, etc.) are based on the geographic location of the debtor.

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 income		Service charge income		Service charge expenses		Property operating expenses		Realized valuation gains		Unrealized valuation gains		Other operating income		Other operating expenses		Total segment result			
	01-01-12	01-01-11	01-01-12	01-01-11	01-01-12	01-01-11	01-01-12	01-01-11	01-01-12	01-01-11	01-01-12	01-01-11	01-01-12	01-01-11	01-01-12	01-01-11	01-01-12	01-01-11	01-01-12	
	to	to	to	to	to	to	to	to	to	to	to	to	to	to	to	to	to	to	to	
	30-06-12	30-06-11	30-06-12	30-06-11	30-06-12	30-06-11	30-06-12	30-06-11	30-06-12	30-06-11	30-06-12	30-06-11	30-06-12	30-06-11	30-06-12	30-06-11	30-06-12	30-06-11	30-06-12	
Czech Republic (CR):																				
Drahobejlova	57	81	22	-/-48	-/-38	-/-28	-/-38	-/-38	-	12	2	93	-	-	-	5	132	-	-	
Palmovka	125	132	65	-/-31	-/-26	-/-15	-/-21	-/-21	-	-	16	92	-	-	-	160	216	-	-	
Karlin	232	234	87	-/-41	-/-45	-/-21	-/-23	-/-23	-	-	-/-146	91	-	-	-	111	334	-	-	
GITy	221	277	106	-/-185	-/-167	-/-74	-/-183	-/-183	-	-	-/-59	78	-	-	-	9	97	-	-	
VUP	137	155	117	-/-95	-/-69	-/-38	-/-65	-/-65	-	-	23	51	-	-	-	144	184	-	-	
Newton House	159	162	46	-/-56	-/-59	-/-26	-/-53	-/-53	-	-	-/-12	164	-	-	-	111	267	-	-	
Štefánikova	157	367	87	-/-75	-/-127	-/-45	-/-43	-/-43	395	-	72	119	-	-	-	591	483	-	-	
Total Czech Republic	1,088	1,408	530	-/-531	-/-531	-/-247	-/-426	-/-426	395	12	-/-104	688	-	-	-	1,131	1,713	-	-	
Slovak Republic (SR):																				
Račianska	67	76	6	-/-41	-/-45	-/-52	-/-29	-/-29	-	-	-	-/-189	-	-	-	-/-20	-/-183	-	-	
Záhradnícka	163	247	4	-/-34	-/-43	-/-45	-/-52	-/-52	-	-	70	-/-520	-	-	-	158	-/-363	-	-	
Pražská 2	248	246	5	-/-80	-/-87	-/-50	-/-53	-/-53	-	-	30	10	-	-	-	153	122	-	-	
Pražská 4	191	207	1	-/-50	-/-49	-/-43	-/-62	-/-62	-	-	-/-20	10	-	-	-	79	106	-	-	
Krivá 18	195	213	2	-/-56	-/-54	-/-56	-/-63	-/-63	-	-	-/-60	3	-	-	-	25	101	-	-	
Krivá 23	224	237	4	-/-58	-/-54	-/-62	-/-55	-/-55	-	-	-/-100	8	-	-	-	8	140	-	-	
Gemerská	143	156	4	-/-64	-/-66	-/-33	-/-40	-/-40	-	-	-/-50	10	-	-	-	-	65	-	-	
Letná	509	510	13	-/-79	-/-74	-/-121	-/-113	-/-113	-	-	100	-/-10	-	-	-	422	328	-	-	
Šaca	67	105	4	-/-47	-/-44	-/-29	-/-32	-/-32	-	-	-/-14	-/-1	-	-	-	-/-19	33	-	-	
Vural	227	245	50	-/-130	-/-137	-/-65	-/-90	-/-90	-	-	220	-/-187	-	-	-	302	-/-111	-	-	
Kosmailt	487	548	5	-/-170	-/-170	-/-128	-/-164	-/-164	-	-	-/-130	60	-	-	-	64	276	-	-	
Total Slovak Republic	2,521	2,790	98	-/-809	-/-823	-/-684	-/-753	-/-753	-	-	46	-/-806	-	-	-	1,172	514	-	-	
Total CR + SR	3,609	4,198	628	-/-1,340	-/-1,354	-/-931	-/-1,179	-/-1,179	395	12	-/-58	-/-118	-	-	-	2,303	2,227	-	-	

9.8.4 Reconciliation segment result with profit for the period

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

EUR thousands	01-01-2012 to 30-06-2012	01-01-2011 to 30-06-2011
Total segment result (overview A)	2,303	2,227
Unallocated income	89	176
Unallocated expenses	-/- 1,412	-/- 1,792
Profit before income tax	980	611
Income tax expense	-/- 282	-/- 191
Profit for the period	698	420

9.8.5 Overview of geographic assets (overview B)

EUR thousands	Czech Republic		Slovak Republic		Bulgaria		The Netherlands		Subtotal		Unallocated		Total assets	
	30-06-12	31-12-11	30-06-12	31-12-11	30-06-12	31-12-11	30-06-12	31-12-11	30-06-12	31-12-11	30-06-12	31-12-11	30-06-12	31-12-11
Investment property	21,212	26,339	37,880	37,634	-	-	-	-	59,092	63,973	-	-	59,092	63,973
Other investments	1,293	1,286	-	-	-	-	-	-	1,293	1,286	-	-	1,293	1,286
Goodwill	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	133	179	770	797	-	-	-	-	903	976	-	-	903	976
Trade and other receivables	1,020	834	429	317	-	-	-	-	1,449	1,151	-	-	1,449	1,151
Cash and cash equivalents	1,123	1,132	794	545	2	2	100	3	2,019	1,682	-	-	2,019	1,682
Total geographic assets	24,781	29,770	39,873	39,293	2	2	100	3	64,756	69,068	-	-	64,756	69,068

9.9 ACQUISITION OF SUBSIDIARIES

9.9.1 Analysis of acquired subsidiaries

During 2012, to semi-annual report date PCEEPF N.V. 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
				30-06-12	31-12-11	30-06-12	31-12-11
<i>EUR thousands</i>							
1	Drahobejlova	Drahobejlova 27, Prague	MERE Bohemia s.r.o.	1,801	1,788	100%	100%
2	Palmovka	Na Žertvách 34, Prague	MERE Bohemia s.r.o.	2,892	2,854	100%	100%
3	Karlin	Prvního Pluku 621/8a, Prague	MERE Bohemia s.r.o.	4,194	4,314	100%	100%
4	GiTy	Mariánské Náměstí 617/1, Brno	MERE Bohemia s.r.o.	4,408	4,407	100%	100%
5	VUP	Šujanovo náměstí 3, Brno	MERE Bohemia s.r.o.	2,746	2,701	100%	100%
6	Newton House	Politických Vězňů 10, Prague	MERE Bohemia s.r.o.	5,171	5,154	100%	100%
7	Štefánikova	Štefánikova 167, Žilina	MERE Bohemia s.r.o.	n.a.	5,121	n.a.	100%
8	Račianska	Račianska 71, Bratislava	MERE Slovakia s.r.o.	860	860	100%	100%
9	Záhradnícka	Záhradnícka 46, Bratislava	MERE Slovakia s.r.o.	4,240	4,170	100%	100%
10	Pražská 2	Pražská 2, Košice	MERE Slovakia s.r.o.	2,830	2,800	100%	100%
11	Pražská 4	Pražská 4, Košice	MERE Slovakia s.r.o.	2,530	2,550	100%	100%
12	Krivá 18	Krivá 18, Košice	MERE Slovakia s.r.o.	2,930	2,990	100%	100%
13	Krivá 23	Krivá 23, Košice	MERE Slovakia s.r.o.	2,990	3,090	100%	100%
14	Gemerská	Gemerská 3, Košice	MERE Slovakia s.r.o.	1,650	1,700	100%	100%
15	Letná	Letná 45, Košice	MERE Slovakia s.r.o.	8,710	8,410	100%	100%
16	Šaca	Šaca, Železiarska 49, Košice	MERE Slovakia s.r.o.	910	924	100%	100%
17	Vural	Alexandra Rudnaya 21, Žilina	MERE Slovakia s.r.o.	3,930	3,710	100%	100%
18	Kosmalt	Kysucká 16, Košice	MERE Slovakia s.r.o.	6,300	6,430	100%	100%
Total fair value				59,092	63,973		

9.10.2 Statement of changes in investment properties

EUR thousands

	01-01-2012 to 30-06-2012	01-01-2011 to 31-12-2011
Balance as at 1 January	63,973	70,518
Purchases and additions	250	405
Exchange rate differences	363	-/- 799
Fair value adjustments	642	-/- 6,151
Sales	-/- 6,136	-
Balance as at 30 June / 31 December	59,092	63,973
Cost of investment properties	58,851	64,938

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 period under review. The fair value of the investment properties were determined by the Managing Board as at 30 June 2012 on the basis of the company's internal valuation models. The valuations are based on the 'core valuation model' that applies a capitalization yield to the current annual rental income and a slightly higher capitalization yield to the difference between the current annual rental income and the total estimated annual rental income of each property.

9.10.4 Sales of investment properties

The sales of investment properties stated under section 9.10.2 "Statement of changes in investment properties" concern the following premises:

No.	Name of premises	Notes
1	Štefánikova	This investment property was sold in April 2012 for the amount of CZK 151,077,500 (EUR 6,136,000). For the realized value adjustments see section 9.22.3.

9.10.5 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 Managing 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 30-06-12	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.	CZK 32,000	1,310	12%	Dec 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, a.s.	Total 30-06-2012	Total 31-12-2011
Balance as at 1 January	45	1,241	1,286	1,347
Exchange rate differences	-	7	7	-/- 38
Fair value adjustments	-	-	-	-/- 23
Balance as at 30 June / 31 December	<u>45</u>	<u>1,248</u>	<u>1,293</u>	<u>1,286</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) 30-06-2012	(revaluated) 30-06-2012	30-06-12	31-12-11
<i>EUR thousands</i>					
1	CTP Real a.s. (currently MERE Bohemia sro)	-	-	-	-
2	Kobyť a.s. (currently MERE Slovakia sro)	391	-/- 391	-	-
	Total	391	-/- 391	-	-

9.12.3 Statement of changes in goodwill

	01-01-2012 to 30-06-2012	01-01-2011 to 31-12-2011
<i>EUR thousands</i>		
Cost		
Balance as at 1 January	982	982
Cost of disposals	-/- 631	-
Balance as at 30 June / 31 December	351	982
Impairment		
Balance as at 1 January	1,046	676
Impairment	-	370
Impairment on disposals	-/- 695	-
Balance as at 30 June / 31 December	351	1,046
Exchange rate results		
Balance as at 1 January	64	75
Exchange rate results	-	-/- 11
Exchange rate results on disposals	-/- 64	-
Balance as at 30 June / 31 December	-	64
Net as at 30 June / 31 December	-	-

9.12.4 Cost of disposals of goodwill

The cost of disposal of the goodwill can be allocated fully to the investment property Štefánikova. This investment property was sold in April 2012 (see also section 9.10.4 "Sales of investment properties").

9.13 TRADE AND OTHER RECEIVABLES

9.13.1 Analysis of trade and other receivables

<i>EUR thousands</i>	30-06-2012	31-12-2011
Non-current part of trade and other receivables	498	421
Current part of trade and other receivables	951	730
	<u>1,449</u>	<u>1,151</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>	30-06-2012	31-12-2011
Trade receivables from lessees	661	520
Prepayments and deferred expenses	199	103
Interest	498	421
Arrangement fees	82	96
Value Added Tax and other taxes	3	3
Other receivables	6	8
	<u>1,449</u>	<u>1,151</u>

9.14 SHAREHOLDERS' EQUITY

9.14.1 Comparative statement

	30-06-2012	31-12-2011	30-06-2011
Shareholders' equity (in EUR thousands)	26,660	23,670	29,260
Number of ordinary shares in issue	1,180,943	1,180,943	1,180,943
Number of registered shares in issue	104,782	-	-
Total number of shares in issue entitled to profit	1,285,725	1,180,943	1,180,943
Net Asset Value per (ordinary and registered share (in EUR)	20.74	20.04	24.78

9.14.2 Share capital

	Ordinary shares 2012	Registered shares 2012	Priority shares 2012
In issue as at 1 January	1,180,943	-	1
Issued without payment in cash	1,519	104,782	-
Redeemed without payment in cash	-/- 1,519	-	-
In issue as at 30 June – fully paid up	1,180,943	104,782	1

	Ordinary shares 2011	Registered shares 2011	Priority shares 2011
In issue as at 1 January	1,180,943	-	1
Issued without payment in cash	99,666	-	-
Redeemed without payment in cash	-/- 99,666	-	-
In issue as at 31 December – fully paid up	1,180,943	-	1

At 27 February 2012 MEI-Fondsenbeheer B.V. (currently Palmer Capital Fondsenbeheer B.V.) partly transferred its amount receivable amounting to EUR 3,386,000 from PCEEPF N.V. to Middle Europe Investments N.V. (currently Palmer Capital Nederland N.V.). From this amount receivable, Palmer Capital Nederland N.V. converted an amount of EUR 2,234,000 to 104,782 registered shares PCEEPF N.V. The conversion is set on at 27 February 2012 at Net Asset Value per ordinary share at conversion date (EUR 21.32). Registered shares are currently restricted from trading on NYSE Euronext Amsterdam N.V.

9.15 CALCULATION OF NET ASSET VALUE

For the calculation of the Net Asset Value (NAV), used as basis for the listing price in 2012, 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.

	30-06-2012	31-12-2011
Shareholders' equity in accordance with IFRS (EUR thousands)	26,660	23,670
Deferred tax liabilities concerning revaluation of investment property and development property held for investment (EUR thousands)	537	533
Shareholders' equity in accordance with NAV (EUR thousands)	27,197	24,203
Number of shares in issue entitled to profit	1,285,725	1,180,943
Net Asset Value (in Euro)	21.15	20.49

9.16 INTEREST-BEARING LOANS AND BORROWINGS

9.16.1 Analysis of interest-bearing loans and borrowings

<i>EUR thousands</i>	30-06-2012	31-12-2011
Long-term liabilities		
Secured bank loans	26,958	32,661
Other long-term liabilities	-	274
	26,958	32,935
Current liabilities		
Current portion of secured bank loans	3,699	4,105
Current portion of other long-term liabilities	-	9
	3,699	4,114
Total interest-bearing loans and borrowings	30,657	37,049

9.16.2 Statement of changes in secured bank loans

<i>EUR thousands</i>	30-06-2012	31-12-2011
Balance as at 1 January	36,766	40,028
Loans advanced	2	4
Redemptions	-/- 6,309	-/- 2,796
Exchange rate differences	198	-/- 470
Balance as at 30 June / 31 December	30,657	36,766

9.16.3 Analysis of other long-term liabilities

<i>EUR thousands</i>	30-06-2012	31-12-2011
Long-term advance payments from tenants	-	283

9.16.4 Statement of changes in other long-term liabilities

<i>EUR thousands</i>	30-06-2012	31-12-2011
Balance as at 1 January	283	300
Redemptions	-/- 284	-/- 9
Exchange rate differences	1	-/- 8
Balance as at 30 June / 31 December	-	283

The other long-term liabilities relates to the long-term advance payments from tenants for the rent of parking places Štefánikova. During the negotiations for the sale of the investment property Štefánikova was agreed that the new owner will receive no income for the parking places for the first coming years. Therefore the other long-term liabilities were reclassified under the selling price of the investment property Štefánikova.

9.17 TRADE AND OTHER PAYABLES

9.17.1 Analysis of trade and other payables

<i>EUR thousands</i>	30-06-2012	31-12-2011
Non-current part of trade and other payables	-	1,035
Current part of trade and other payables	3,191	3,296
	3,191	4,331

9.17.2 Specification of trade and other payables

<i>EUR thousands</i>	30-06-2012	31-12-2011
Administrative expenses	1,334	3,270
Trade payables	699	568
Deposits received	791	375
Interest payables	34	-
Taxes	282	14
Other liabilities, accruals and deferred income	51	104
	3,191	4,331

9.17.3 Specification of administrative expenses

EUR thousands

	30-06-2012	31-12-2011
Administrative expenses as of 27 February 2012 (Palmer Capital Fondsenbeheer B.V.)	183	-
Administrative expenses till 27 February 2012 (MEI-Fondsenbeheer B.V.)	1,151	3,270
	<u>1,334</u>	<u>3,270</u>

At 27 February 2012 MEI-Fondsenbeheer B.V. (currently Palmer Capital Fondsenbeheer B.V.) was acquired by Palmer Capital Investments GmbH (Palmer Capital). During the negotiations was agreed that at latest 3 January 2013 the remainder of the administrative expenses MEI-Fondsenbeheer B.V. amounting to EUR 1,152,000 shall be converted into registered shares PCEEPF N.V., based on the Net Asset Value (NAV) of the ordinary shares on conversion date.

9.18 FINANCIAL INSTRUMENTS

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.

9.19 NON-CONTINGENT LIABILITIES

As at 30 June 2012 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.

9.20 CONTINGENT LIABILITIES

As at 30 June 2012 MERE 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 Raiffeisenbank a.s. for the amount of CZK 18,675,000 (EUR 724,000). MERE Bohemia s.r.o. guarantees 5% of this guarantee, corresponding to the pro rate shareholder structure of Yellow Properties s.r.o.

As at 30 June 2012 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.

9.21 PROPERTY OPERATING EXPENSES

	01-01-2012 to 30-06-2012	01-01-2011 to 30-06-2011
Property management	538	594
Maintenance expenses in respect of investment properties	267	454
Insurance premiums	16	19
Taxes on investment properties	108	106
Other direct operating expenses	2	6
	<u>931</u>	<u>1,179</u>

EUR thousands

9.22 NET VALUATION GAINS ON INVESTMENT PROPERTY

9.22.1 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).

9.22.2 Analysis of net valuation gains on investment property

<i>EUR thousands</i>	01-01-2012 to 30-06-2012	01-01-2011 to 30-06-2011
Realized value adjustments	395	12
Unrealized value adjustments	-/- 58	-/- 118
	<u>337</u>	<u>-/- 106</u>

9.22.3 Specification of realized value adjustments

The realized value adjustments are attributable as follows:

<i>EUR thousands</i>	01-01-2012 to 30-06-2012	01-01-2011 to 30-06-2011
Štefánikova 167, Žlín	395	-
Part of Drahobejlova 27, Prague	-	12
	<u>395</u>	<u>12</u>

The realized value adjustments consist 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>	01-01-2012 to 30-06-2012	01-01-2011 to 30-06-2011
Value adjustments booked in current year	772	12
Value adjustments booked in previous years	-/- 72	-
	<u>700</u>	<u>12</u>
Transaction costs on sale of investment property	-/- 115	-
Transfer tax	-/- 190	-
	<u>395</u>	<u>12</u>

9.23 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 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 2012 PCEEPF sold no investments in group companies.

9.24 FINANCIAL INCOME

<i>EUR thousands</i>	01-01-2012 to 30-06-2012	01-01-2011 to 30-06-2011
Interest income	82	82
Other exchange and currency translation results	-	87
	<u>82</u>	<u>169</u>

9.25 ADMINISTRATIVE EXPENSES

9.25.1 Administration 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 on the last day of each month. 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).

9.25.2 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 year and at the end of the relevant financial year, increased with the dividends distributed during that financial year; expressed as a percentage of the Net Asset Value of the ordinary share at the start of the year. The total performance-related remuneration is calculated on the total average number of outstanding ordinary shares in the relevant year multiplied by the Net Asset Value per ordinary share at the start of the relevant financial year. 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 year is lower than that of a preceding period for which the remuneration was deducted.

For the semi-annual report 2012 the Managing Board received no performance-related remuneration (2011: no).

9.26 OTHER OPERATING EXPENSES

9.26.1 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>	01-01-2012 to 30-06-2012	01-01-2011 to 30-06-2011
Transaction costs on purchase of investments	-	-
Transaction costs on sale of investments	305	-
	<u>305</u>	<u>-</u>

9.27 FINANCIAL EXPENSES

<i>EUR thousands</i>	01-01-2012 to 30-06-2012	01-01-2011 to 30-06-2011
Interest expense on loans taken up	593	661
Other exchange and currency translation results	17	-
Released from "reserve for currency translation differences"	33	84
Valuation losses on other investments	-	15
	<u>643</u>	<u>760</u>

9.28 EARNINGS PER (ORDINARY AND REGISTERED) SHARE

9.28.1 Calculation of earnings per (ordinary and registered) share

The 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.

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

<i>EUR thousands</i>	01-01-2012 to 30-06-2012	01-01-2011 to 30-06-2011
Profit for the financial period	<u>698</u>	<u>420</u>

9.28.3 Weighted average number of outstanding (ordinary and registered) shares

	01-01-2012 to 30-06-2012	01-01-2011 to 30-06-2011
Issued shares as at 1 January	1,180,943	1,180,943
Effect on issued shares during the financial period	72,881	-
Effect on redeemed shares during the financial period	-/- 1,491	-
Weighted average number of outstanding shares during financial period	<u>1,252,333</u>	<u>1,180,943</u>

9.28.4 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 year 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 earnings per (ordinary and registered) share.

9.29 RELATED PARTIES

9.29.1 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 Nederland N.V.” (“PC”);
- D. Investment trusts, investment funds and other investment companies, which are managed by an entity belonging to Palmer Capital Nederland N.V.;
- E. Investments undertaken by Middle Europe Investments, in which Palmer Capital Nederland N.V. has significant influence (more than 20% of voting rights).

9.29.2 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, other than mentioned in section 9.14.2. In addition, except the personal interest mentioned in section 10.3, neither the Managing Board nor the Supervisory Board held interests in PCEEPF or investments of PCEEPF.

9.29.3 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.

9.29.4 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 (2011: EUR 1,310,000). For this credit provision an annual average interest payment of 12.0% (2011: 12.0%) was received. As at 30 June 2012 the outstanding amounts are EUR 1,248,000 (31 December 2011: EUR 1,241,000) and the receivable interest is EUR 498,000 (31 December 2011: EUR 421,000);
- B. For performing property management, tenant management, due diligence research for acquisition of investments, acquisition support, the management of acquired investment properties and the administration of purchased participations. Related to these services an amount of approximately EUR 457,000 (30 June 2011: approximately EUR 480,000) was paid to MEI Property Services s.r.o.;
- C. Palmer Capital-related parties rented of PCEEPF properties (office) about 260 m²;
- D. PCEEPF paid wages and salaries for its statutory directors for the amount of EUR 12,000 (30 June 2011: EUR 11,000);
- E. Providing guarantee by MERE 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 Raiffeisenbank a.s. for the amount of CZK 18,675,000 (EUR 724,000) (31 December 2011: CZK 18,675,000).

9.29.5 Investments in other related parties (C-D-E)

Investment trusts, investment funds and other investment companies, which are managed by an entity belonging to PC 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 PC-companies hold of the outstanding shares in the companies as at 30 June 2012:

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

9.29.6 Agreements with related parties

PCEEPF has not entered into any agreements with parties affiliated with the Managing Board or PCEEPF N.V., other than as described in the Annual report 2011 section 12.46.3 “Agreement with MEI-Fondsenbeheer B.V.”.

9.30 EVENTS AFTER STATEMENT OF FINANCIAL POSITION’S DATE

Palmer Capital Nederland N.V. transferred 104,782 registered shares PCEEPF N.V. to Palmer Capital Investments GmbH.

9.31 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 26th June 2012, profits are determined and distributed as follows:

- 28.1 From the profit earned in a financial year 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 the Managing Board of PCEEPF N.V., 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 Financial Supervision (Wet op het financieel toezicht, the "Wft") to act as a management company of the PCEEPF N.V.

10.3 PERSONAL INTERESTS

During the financial period neither the Managing Board nor the Supervisory Board held interests in investments by PCEEPF N.V., except for B. Vos M.Sc. which had 2,000 ordinary shares (31 December 2011: 2,000) in private possession and 2,074 ordinary shares (31 December 2011: 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 entitles 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 16.1) 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 BALANCE SHEET DATE

Palmer Capital Nederland N.V. transferred 104,782 registered shares PCEEPF N.V. to Palmer Capital Investments GmbH.

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).