Summit Germany Limited
("Summit" or "the Company" or "the Group")
Half Year results

Summit Germany, the German commercial real estate company, is pleased to announce its interim results for the six months ended 30 June 2014.

Highlights

This has been a successful and significant half year for the Company reflected in:

- Admission to AIM and a €35 million gross placing in February 2014
- Acquisition of a €73.5 million loan facility at a cost of €46 million regaining control of a portfolio of 11 properties across Germany:
    - Net annual rental income of c. €6.3 million and implied yield of 13.7%
    - €28 million valuation surplus compared to acquisition price
- Post acquisition, Summit has a €576 million portfolio generating net rent of €45.7 million per annum representing a yield of 7.9%

Results

- Net profit of €43.4 million including a valuation surplus on acquisition of €28 million (30 June 2013: €17.2 million)
- Annual net rent increased to €45.7 million (2013: €39.5 million) following portfolio acquisition in April 2014 and new lettings
- NAV per share increase by 17% to 75c in the period (31 December 2013: 64c)
- EPRA NAV[1] per share increased to 79c (31 December 2013: 70c)
- Total bank debt decreased to 54% LTV (50% net of liquid assets) compared to 63% in 2013
- Ongoing discussions regarding the refinancing of the Company's major credit facility

Operations

- Signing of 99 new leases and renewals (rent of €4.5 million p.a.)
- Occupancy rate at 86% in line with 2013
- Disposal of interest in property in Berlin at a yield of 5.2% generating €600,000 gain as part of ongoing portfolio management strategy. Successful progress in JV's residential development in Berlin. Approximately 65% of first development is pre sold
- Identifying and pursuing accretive opportunities from the existing portfolio for office conversion to residential
- Developing substantial pipeline of further attractive acquisitions

[1] EPRA NAV is calculated based on the IFRS NAV excluding the effect of deferred tax and the value of hedging instruments

Dividends

- Quarterly dividend payments
- First dividend of 0.5 cents per share paid in June 2014
- Second dividend of 0.55 cents per share announced in August 2014 to be paid on 30 September 2014
- Next dividend to be paid in December 2014

Outlook

Purchases of commercial real estate and development sites in the second quarter of 2014 in Germany marks far and away the best second quarter since 2007 and underscores the excellent market conditions for Summit to develop and expand its activity.

The Board is confident that the Group`s portfolio can benefit from short and mid-term market trends by executing on its well-developed pipeline of opportunities; by continuing to maximise the rental income from its properties and by realising value from its substantial portfolio over time.

Zohar Levy, Managing director, commented: "We had a great achievement with our latest acquisition and we are looking forward to meeting additional targets such as the refinancing and extension of our major debt. We have a pipeline of accretive acquisitions opportunities available to us subject to adequate capital resources."

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Summit Germany Ltd.

Interim report as of June 30, 2014

In this report

Overview

Financial Statements

Financial Highlights

- Annual net rent has increased to €45.7 million (2013: €39.5 million) following the portfolio acquisition in April 2014 and new lettings.

- Profit before tax increase by 147% to €44.5 million including a valuation surplus on acquisition of €28 million (30 June 2013: €18 million).

- Earnings per share increase by 108% to 15.2c per share (30 June 2013: 7.3c per share).

- EPRA NAV per share increased to 79c (25% higher than the IPO share price). NAV per share increase by 17% to 75c in 6 months (31 December 2013: 64c).

- Total bank debt decreased to 54% LTV (50% net of liquid assets) compared to 63% in December 2013.

Chairman's and Managing Director's Report

We are pleased to present the half year report for the six months ended 30 June 2014 and the Group's Management report.

It was a successful and significant half year for Summit, joining AIM in February and raising €35 million in new equity. The successful fund raising was followed by the acquisition of 11 commercial properties which were previously owned by the Group. Due to a breach of covenants in 2012 the Group lost control of this portfolio and ceased to consolidate it within the financial statements. Control was re-established during the period via the acquisition of a loan facility for €46 million reflecting an actual yield of 13.7%. The total lettable area of 11 commercial properties is sqm 90,000. This acquisition was made without external financing reducing the Group leverage to 54% (50% net of liquid assets) (2013: 63%). Following this acquisition the Group is fully invested again.

As part of our ongoing portfolio management strategy, we continue to look for opportunities to optimize further value from our properties and during the period, we disposed of an interest in a property in Berlin at a yield of 5.2% generating a €600,000 gain.

The period ended in growth in the NAV per share of 17% from 64c at the beginning of 2014 to 75c at the reporting date, despite the dilutive effect of 55 million shares issued in February 2014. The acquisition of the loan facility contributed a €28 million in profit. The net profit for the half year ended 30 June 2014 was €43.4 million (2013: €23.8 million).

At June 30 2014, the Group's EPRA Net Asset Value ("EPRA NAV")[2] was 79c per share (2013: 70c), an increase of 13%. The EPRA NAV, as at June 30 2014, reflects a premium of 25% on the share price of 63c at the time of the issuance.

Operations and asset management

We have ended the reporting period with 97 properties in our portfolio with a market value of €576 million. Demand for rental space, which we generate through our internal marketing channels is strong and the trading performance of the portfolio reflects this.

Since the beginning of 2014 we achieved new lettings of ca. 24,000 sqm. We have signed ca. 36,000 sqm of renewals, which reflects the excellent relationships with our tenants. In addition, we saw tenants moving out from 11,000 sqm of space.

As a result, together with the acquisition of the new portfolio, the rent roll increased from €39.5m to €45.7m a year.

The Rental income for the period totaled €20.3m (2013: 39.5 million, 30 June 2013: €20.4 million). Decrease in rental revenues resulted mainly from sale of investment properties and termination of rental agreement in one of company's assets in 2013, which was offset by increase in rental revenues which resulted from re-consolidation of the 11 commercial properties.

[2] EPRA NAV is calculated based on the IFRS NAV excluding the effect of deferred tax and the value of hedging instruments

Property Portfolio

In total, the portfolio which was valued at €576 million at June 30, 2014 generates net rent of €45.7 million per annum linked to CPI/with fixed rent uplifts, representing a yield of 7.9%. The portfolio includes 97 properties with lettable area of ca. 730,000 sqm on ca. 1,200,000 sqm of land and has a current vacancy rate of 14%. The current rent derives from ca. 560 tenants and the annual net rental income of the portfolio on full occupancy is estimated at ca. €53 million which would reflect a yield of 9.2% on current book value.

The current portfolio, excluding the recent acquisition in April 2014, was acquired in 2006-7 with 80% of the income deriving from strong tenants. The portfolio is multi-let, with no dependency on key tenants while the tenant retention rate has risen to an average of above 80% in the last 3 years.

The portfolio includes some assets which have the potential to be converted into much higher-value residential use. For some of these assets the conversion process has commenced already. Our surplus land adjacent to our existing properties, mainly the logistics assets, offers potential for other uses and development.

Geographically, half of the portfolio's income is derived from the three major cities, Berlin (21%), Hamburg (15%) and Frankfurt (11%) with a further 9% in Cologne, Dusseldorf, Stuttgart and Munich. 80% of the lettable area is in former West Germany. The largest 10 properties account for 37% of the portfolio's income.

Portfolio acquisition via loan acquisition

In April 2014, the Company completed the purchase of a loan facility on a portfolio of 11 commercial properties in Germany, previously controlled by the Group. . The total cost of the acquisition was ca. €45 million plus deal expenses, while the loan facility has a face value of €73.5 million.

On the acquisition of the loan facility, Summit regained full control over the properties and it commenced consolidating them from the second quarter of 2014. This has positively affected the Group's equity and profit for the period by ca. €28 million.

On acquisition, this Portfolio comprised mainly office properties throughout Germany. It has an aggregate Net Lettable Area of ca. 90,000 sqm and an occupancy rate of 71%. The properties generate an aggregate Net Annual Rent of approximately €6.3 million, reflecting a gross rental yield of 13.7% on the acquisition cost.

Additional information on the acquired portfolio:

Type	No. of assets	Land size ('000 sqm)	Lettable ('000 sqm)	Vacancy ('000 sqm)	Net rent (€'000)	Rent/SQM/ month
Office	8	57	74	16	5,836	8.1
Retail	3	44	16	10	471	6.7
Total	**11**	**101**	**90**	**26**	**6,306**	**7.9**

This acquisition is in line with our strategic objectives of continuing to acquire high yielding German assets while taking advantage of the market opportunities.

Financing

The majority of the interest expenses are hedged by fixed interest rate swap agreements, and amounted to €12.7 million in the reporting period, representing a decrease from last year following expiry of part of the legacy swap agreements.

The Group is engaged in several credit facilities, which include several covenants. As at the date of this report the Group complies with all of them.

Changes in the market interest rates through the period as well as coming maturity of legacy swap agreements have led to an overall decrease of gross €4.2 million in the revaluation of interest rate swaps. The composition of the Group's swap portfolio means that a surplus of €9 million is recognised in profit for the period, with a deficit €4.4 million taken directly to reserves net of share of non-controlling interest and applicable deferred taxes.

Bank debt to property value decreased during the six month ended in June, 30 2014 to 54% (2013: 63%).

Creditor	Maturity date	Loan Amount (€mn)	Market Value (€mn)	Interest Rate	Loan to Value
RBS[1]	12.2017	269.1	440.7	3.65%	61%
DG Hyp	11.2018	23.2	32.9	2.66%	71%
HASPA 1	12.2021	5.3	11.3	e+1.75%	47%
HASPA 2	12.2019	11.4	14.8	e+1.75%	77%
Unpledged Assets	N/A	N/A	76.3		
		309.0	**576.1**		**54%**

(1) On average.

As at the date of this report, the Company has one major debt facility with Royal Bank of Scotland ("RBS") in amount of ca. €270 million maturing at the end of 2017.
The Company is in a negotiations with the German banks on providing co-financing to replace the main RBS credit facility of the Company. There is no certainly regarding the completion of the funding, time of completion or its final terms.

Shares and Equity

Net assets attributable to equity shareholders at 30 June 2014 were €220 million (2013: €153 million). The net profit contributed €42 million to the increase (2013: €22 million profit) in net assets. The total comprehensive income attributable to the Equity shareholders was €38 million (2013: €42 million). There were ca. 294 million shares in issue at 30 June 2014 (2013: 239 million shares). At admission to AIM a further 54,971,291 new ordinary shares were issued raising €31 million net of costs.

Following the fund raising and the latest debt acquisition the EPRA NAV per shares is 79 cents (2013: 70c; 2012: 58c).

Placing

In February 2014, the Company successfully completed a placing of shares and Admission to trading on the AIM market of the London Stock Exchange issuing 54,971,291 new shares at a share price of 63c. Costs incurred for the admission and placing amounted to €4.3 million which resulted in net proceeds of €31 million.

Residential projects

The Group has an agreement to provide funding for three residential projects in Berlin up to a sum of €6.2 million at annual interest rate of 15% plus a share in the projects' profits. The loans and accrued interest are repayable from the revenues of the projects, no later than May 2016. Up to the reporting date, the Group had lent €6 million including accrued interest of €0.8 million. The projects are in different stages of development with one project recently reporting ca. 65% presale.

Sale of participation

On March 27, 2014 a subsidiary of the company signed an agreement to sell its 50% participation in a JV that holds a property in Berlin for €1.1 million. The sale reflects 5.2% exit yield and overall profit of ca. €600,000. The sale was completed in the reporting period.

The German market

The German economy remains strong, experiencing its fastest growth in three years. The transaction volume for the first half of the year amounted to €16.9 billion, which is approximately 29% higher than the corresponding period of the previous year.

The European Central Bank's decision to cut the benchmark interest rate further to 0.15% strengthens the transactions scene in Germany and acts as a driving force for increased investment in the property asset class.

Investors continued to focus on the office asset class in the first half of2014. With a 40% share of the transaction volume (corresponding to €6.8 billion), this segment is clearly ahead of the retail property segment with its 29% share (€4.85 billion).

Foreign capital boosted its share of the transaction volume from 31% in 2013 to slightly above 47% in Q2 2014. In total foreign investors invested around €7.7bn in commercial real estate and development sites in the first half of 2014 and confirmed the German market's good position and strong competitiveness in both a European and an international setting.

Dividends

The Board of Directors acknowledges the importance of dividends to shareholders, and being confident in the Group's performance, it has resolved on a quarterly dividend distribution policy. Following the first dividend of 0.5c per share paid in June 2014, a second dividend of 0.55c per share was resolved to be paid on 30 September 2014 to shareholders on the register at the close of business on 12 September 2014. A further dividend is expected to be paid at the end of 2014.

Going concern

Set out above and in the financial statements are details of the Group's business activities, financial development, performance and position including its cash flows, liquidity position and borrowing facilities. The Directors believe that the Group is well placed to manage its business risks successfully. Having reviewed the Group's current position and cash flow projections, actual and prospective debt facilities and covenant cover, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Directors continue to adopt the going concern basis of accounting in preparing the financial statements. This is discussed further in note 2 to the financial statements.

Outlook

We have successfully continued to extend and enhance the Group's portfolio in the first six months of 2014 and combined this with raising further funds for investment. The incremental cost of managing the Group together with the average cost of debt have both been reduced, enabling us to maintain a satisfactory yield gap as values have increased in investment markets. The attractiveness of the Group's property assets has been highlighted once again as capital growth has been achieved and we continue to generate additional value from the active management of our properties.

We are confident that the German market positive trends and our in house successful management team will maintain the demand for Summit properties and support delivery of capital growth as well as rental increase. The work of the first six months of 2014 has further strengthened the Group's balance sheet and we will continue to pursue implementation of our acquisition and asset management strategies to generate further earnings and value enhancing opportunities increasing total return to our shareholders. We look forward to the second half of 2014.

Harry Hyman	Zohar Levy
Chairman	Managing Director

17 September 2014

INDEPENDENT REVIEW REPORT TO SUMMIT GERMANY LIMITED

We have been engaged by the Company to review the condensed consolidated set of financial statements in the half-yearly financial report for the six months ended 30 June 2014 which comprises the condensed consolidated statement of financial position, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and related notes 1 to 13. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly report in accordance with the AIM rules of the London Stock Exchange.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European union and the AIM rules of the London Stock Exchange.

Deloitte LLP

Chartered Accountants

Guernsey, Channel Islands

September 17, 2014

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	June 30 2014 (Unaudited)	June 30 2013 (Unaudited)	December 31, 2013 (Audited)
		Euro (in thousands)		
ASSETS				
NON-CURRENT ASSETS:				
Property, plant and equipment		122	123	124
Investment properties	6	576,115	506,234	501,154
Intangible assets		9	30	12
Other long-term financial assets	4	10,931	8,692	9,918
Financial instruments assets		-	1,342	407
Deferred tax asset		626	681	690
Total non-current assets		587,803	517,102	512,305
CURRENT ASSETS:				
Trade receivables		1,939	2,143	1,777
Prepaid expenses and other current assets		10,302	9,767	9,060
Receivables from related parties	7	289	21,377	271
Investment in marketable securities at fair value through profit or loss	8	10,719	10,862	9,345
Cash and cash equivalents		10,258	18,985	24,192
Property held for sale		-	10,600	-
Total current assets		33,507	73,734	44,645
Total assets		621,310	590,836	556,950

The accompanying notes are an integral part of the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	June 30		December 31,
		2014	2013	2013
		(Unaudited)		(Audited)
		Euro (in thousands)		
EQUITY AND LIABILITIES				
EQUITY:				
Share capital	11	-	(*) -	(*) -
Distributable reserve		300,023	292,007	270,569
Reserves due to transactions with principal shareholder		2,216	2,216	2,216
Net unrealized gain reserve		(8,208)	(2,008)	(3,768)
Retained loses		(74,056)	(118,471)	(116,249)
Equity attributable to the owners of the Company		219,975	173,744	152,768
Non-controlling interests		7,913	3,210	7,363
Total equity		227,888	176,954	160,131
NON-CURRENT LIABILITIES:				
Interest-bearing loans and borrowings	5	296,875	287,524	307,199
Shareholders' loans	7	40,329	45,159	41,920
Other long-term financial liabilities		2,208	2,237	2,226
Financial instrument derivatives	8	3,551	16,889	-
Deferred tax liability		4,059	3,628	3,396
Total non-current liabilities		347,022	355,437	354,741
CURRENT LIABILITIES:				
Interest-bearing loans and borrowings	5	13,511	36,385	6,260
Financial instrument derivatives	8	4,151	-	12,316
Payables to related parties	7	1,325	143	225
Current tax liabilities		4,231	4,649	4,609
Trade and other payables		23,182	17,268	18,668
Total current liabilities		46,400	58,445	42,078
Total liabilities		393,422	413,882	396,819
Total equity and liabilities		621,310	590,836	556,950
NAV/Share (cent)	11(e)	75	63	64
EPRA NAV/Share (cent)	11(e)	79	71	70

(*) No par value.

The accompanying notes are an integral part of the consolidated financial statements.

September 17, 2014		
Date of approval of the financial statements	Zohar Levy Managing Director	Sharon Marckado Erez Finance Director

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended June 30 2014	Six months ended June 30 2013	Year ended December 31, 2013
		(Unaudited)	(Unaudited)	(Audited)
		Euro (in thousands)		
Rental income		20,269	20,386	39,523
Operating expenses		(1,462)	(1,308)	(2,674)
Gross profit		18,807	19,078	36,849
General and administrative expenses		(2,516)	(1,963)	(4,658)
Fair value adjustments of investment properties	6	28,433	(1,302)	(5,058)
Other income (expenses)		130	658	(1,155)
Operating profit		44,854	16,471	25,978
Financial income	9	12,323	34,982	35,928
Financial expenses	9	(12,680)	(33,479)	(38,016)
Total financial (expenses) income		(357)	1,502	(2,088)
Profit before taxes on income		44,497	17,973	23,890
Tax expenses		(1,121)	(816)	(65)
Profit for the period/year		**43,376**	**17,157**	**23,825**
Other comprehensive income and expenses:				
Items that may be reclassified subsequently to profit or loss:				
Net loss arising on revaluation of available-for-sale financial assets during the period		(238)	(30)	(290)
Reclassified to profit and loss of ineffective hedging reserve, net		-	23,070	23,681
Net (loss) gain on hedging instruments entered into for cash flow hedges		(4,835)	2,080	(227)
Other comprehensive (loss) income for the period/year, net of tax		(5,073)	25,120	23,164
Total comprehensive income for the period/year		**38,303**	**42,277**	**46,989**
Profit attributable to:				
Owners of the Company		42,193	19,985	22,207
Non-controlling interests		1,183	(2,828)	1,618
		43,376	17,157	23,825
Total comprehensive income attributable to:				
Equity shareholders		37,753	41,197	41,659
Minority interests		550	1,080	5,330
		38,303	42,277	46,989
Earnings per share:	10			
Basic (Euro per share)		0.152	0.073	0.081
Diluted (Euro per share)		0.152	0.073	0.081

The accompanying notes are an integral part of the consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the Company								
	Issued capital (Note 11)	Share premium	Distribution Reserve (Note 11)	Reserves due to transactions with principal shareholder	Net unrealized gain reserve	Retained Earnings (Deficit)	Total equity attributable to owners of the Parent company	Non-Controlling interests	Total equity
	Euro in thousands								
Balance at January 1, 2014	**(*) -**	**-**	**270,569**	**2,216**	**(3,768)**	**(116,249)**	**152,768**	**7,363**	**160,131**
Profit for the period	-	-	-	-	-	42,193	42,193	1,183	43,376
Other comprehensive loss for the period, net of income tax	-	-	-	-	(4,440)	-	(4,440)	(633)	(5,073)
Total comprehensive profit (loss)	-	-	-	-	(4,440)	42,193	37,753	550	38,303
Dividend distribution	-	-	(1,470)	-	-	-	(1,470)	-	(1,470)
Issue of shares, net of expenses	-	-	30,924	-	-	-	30,924	-	30,924
Balance at June 30, 2014	**(*) -**	**-**	**300,023**	**2,216**	**(8,208)**	**(74,056)**	**219,975**	**7,913**	**227,888**

(*) No par value.

The accompanying notes are an integral part of the consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the Company								
	Issued capital (Note 11)	Share premium	Distribution Reserve	Reserves due to transactions with principal shareholder	Net unrealized gain reserve	Retained Earnings (Deficit)	Total equity attributable to owners of the Parent company	Non-Controlling interests	Total equity
	Euro in thousands								
Balance at January 1, 2013	**(*) -**	**-**	**292,007**	**2,216**	**(23,220)**	**(138,456)**	**132,547**	**2,130**	**134,677**
Profit (loss) for the year	-	-	-	-	-	19,985	19,985	(2,828)	17,157
Other comprehensive profit for the period, net of income tax (**)	-	-	-	-	21,212	-	21,212	3,908	25,120
Total comprehensive profit	-	-	-	-	21,212	19,985	41,197	1,080	42,277
Balance at June 30, 2013	**(*) -**	**-**	**292,007**	**2,216**	**(2,008)**	**(118,471)**	**173,744**	**3,210**	**176,954**

(*) No par value.
(**) Other comprehensive profit is as a result from the ineffectiveness of certain derivatives for more information see note 9.

The accompanying notes are an integral part of the consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the Company								
	Issued capital (Note 11)	Share premium	Distribution Reserve	Reserves due to transactions with principal shareholder	Net unrealized gain reserve	Retained Earnings (Deficit)	Total equity attributable to owners of the Parent company	Non-Controlling interests	Total equity
	Euro in thousands								
Balance at December 31, 2012	**(*) -**	**-**	**292,007**	**2,216**	**(23,220)**	**(138,456)**	**132,547**	**2,130**	**134,677**
Profit for the year	-	-	-	-	-	22,207	22,207	1,618	23,825
Other comprehensive profit for the year, net of income tax (**)	-	-	-	-	19,452	-	19,452	3,712	23,164
Total comprehensive profit	-	-	-	-	19,452	22,207	41,659	5,330	46,989
Buy back	-	-	(21,438)	-	-	-	(21,438)	-	(21,438)
Other	-	-	-	-	-	-	-	(97)	(97)
Balance at December 31, 2013	**(*) -**	**-**	**270,569**	**2,216**	**(3,768)**	**(116,249)**	**152,768**	**7,363**	**160,131**

(*) No par value.
(**) Other comprehensive profit is as a result from the ineffectiveness of certain derivatives for more information see note 9.

The accompanying notes are an integral part of the consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended June 30		Year ended December 31,
	2014	2013	2013
	(Unaudited)		(Audited)
	Euro (in thousands)		
Cash flows from operating activities:			
Profit for the period/year	43,376	17,157	23,825
Adjustments for:			
Deferred taxes	1,048	808	39
Sale of subsidiaries	-	(430)	-
Financial expenses (income), net	357	(1,060)	1,593
Fair value adjustment of investment properties	(28,433)	1,302	5,058
Gain from disposal of property	-	-	(430)
(Profit) loss from available for sale financial assets	-	(443)	495
Depreciation of property, plant and equipment	24	30	64
Amortization and impairment of intangible assets	(127)	113	316
	(27,131)	320	7,135
Changes in operating assets and liabilities:			
(Increase) decrease in trade receivables	(162)	(170)	196
Increase in trade and other payables	4,665	38	408
Increase (decrease) in payables to related parties and shareholders	574	(50)	(253)
Increase in prepaid expenses and other current assets	(5,961)	(5,035)	(7,221)
(Decrease) increase in other non-current liabilities	(694)	3	(11)
	(1,578)	(5,214)	(6,881)
Net cash flows provided by operating activities	14,667	12,263	24,079
Cash flows from investing activities:			
Payments of property, plant and equipment	(23)	(6)	(41)
Payments of intangible assets	-	(3)	(5)
Proceeds from sale of Marketable securities	(136)	30,954	35,520
Proceeds from the sale of financial participations	1,075	-	-
Change in deposits	2,012	(119)	(566)
Increase in loan to third party	(689)	(2,977)	(4,607)
Payments to acquire investment properties	(46,528)	(1,096)	(2,532)
Proceeds from sale of investment property	-	-	11,955
Interest income received	29	60	61
Decrease from sale of financial instruments	-	(30)	-
Net cash flows (used) provided by investing activities	(44,260)	26,783	39,785
Cash flows from financing activities:			
Proceeds from borrowings from banks	-	281,149	281,173
Net proceeds from borrowings from related parties	(2,229)	42,364	42,523
Repayment of borrowings	(3,223)	(372,419)	(383,035)
Interest expense paid	(8,343)	(12,343)	(21,564)
Net proceeds from issue of shares	30,924	-	-
Dividend distribution	(1,470)	-	-
Cost of raising loans paid	-	(385)	(342)
Net cash flows provided (used) by financing activities	15,659	(61,634)	(81,245)
Decrease in cash and cash equivalents	(13,934)	(22,588)	(17,381)
Cash and cash equivalents at beginning of period	24,192	41,573	41,573
Cash and cash equivalents at end of period	10,258	18,985	24,192

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

NOTE 1: GENERAL

Summit Germany Limited (the “Company”) and its subsidiaries (together: the “Group”) is a German property specialist Company. The Company was incorporated and registered in Guernsey on April 19, 2006. The controlling shareholder of the Group is Summit Real Estate Holdings Ltd (hereinafter: “SHL”), a company registered in Israel.

The Group owns, enhances and operates commercial real estate assets in Germany including office buildings, logistic centers and others, which are leased to numerous commercial and industrial tenants. The Group invests primarily in such properties that provide substantial income flows and potential for value increase through asset management. The Group does not acquire properties for speculative purposes.

In December 2013 the Company resolved to admit its shares to trading on the AIM market of the London Stock exchange ("LSE"). The process successfully completed on February 26, 2014 when the placing took place and a further 54,971,291 new ordinary shares were issued at a price of 63c. The proceeds, net of costs, amounted to €31 million.

The Company was a closed ended authorised investment scheme registered under The Protection of Investors (Bailiwick of Guernsey) Law 1987. In December 2013, the Company and its shareholders approved to apply to the Guernsey Financial Services Commission (the “GFSC”) for consent to deregister as a closed ended authorised investment scheme under The Protection of Investors Law (Bailiwick of Guernsey) 1987. This request was approved by the GFSC on January 21, 2014.

NOTE 2: ACCOUNTING POLICIES

Basis of preparation:

The annual financial statements of Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting", as adopted by the European Union.

Going concern

As of 30 June 2014, the Group had negative working capital of €12.9 million (the working capital as of 31 December 2013 was €2.6 million). The working capital deficiency at the end of the current reporting period resulted mainly from the acquisition of a portfolio of investment properties, for a consideration of €45 million plus deal expenses (see note 6), which was partially financed by the proceeds of the placing of shares (€31 million, see note 11C) and partially by the Group’s own funds, and not by external debt. The Group is negotiating financing for the portfolio of 11 commercial properties reacquired during the period and it believes, based on the current evolvement of these negotiations, that it will be able to raise the funds. €9 million of the negative working capital amount relates to the presentation in current liabilities of a bank loan debt. The Group is required to dispose of €13 million of investment property until January 2015 under its banking covenants (as described in note 9A(2)(e) to the Group annual accounts for the year 2013) and this €9 million represents the related debt which would be required to be repaid. Note that no asset is presented in current assets in this respect as there is no current management plan in regard to sale of specific properties which would trigger application of IFRS 5. In this regard, see also note 13 which details the progress on the current negotiations with the lenders.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

NOTE 2: ACCOUNTING POLICIES (Cont.)

Going concern (cont.)

Given the significant events which occurred during the reporting period and subsequently, up to the date of this report (as described in note 12 and 13), the position of the Group substantially strengthened, and certain liquidity exposures which existed in the past were successfully mitigated.
The Group's property portfolio continues to generate a positive and stable cash flow that enables the Group to meet all of its obligations. In addition, the expiry of the legacy swaps in the second half of 2014 is expected to positively affect further the cash flow and provide headroom in respect of the Group's liquidity. Management reviews the covenants ahead, and their sensitivity (including SHL loan covenants) and monitors the Group's position and cash flow forecasts in light of the market indicators and Group developments, on an ongoing basis. On the basis of the events above, the potential to leverage the newly acquired portfolio and the aforesaid analysis, the management and the Directors believe that the Group maintains sufficient resources to continue its operations and the going concern assumption remains pertinent. The Directors believe the Group benefits from a strong platform to continue its activity to enhance value.

New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments (1)
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures (1)
IFRS 15	Revenue from Contracts with Customers

(1) Effective for annual periods beginning on or after 1 January 2018, subject to EU endorsement with earlier application permitted.

IFRS 9 Financial Instruments

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition. The final standard was issued in July 2014.

Key requirements of IFRS 9:

All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit of loss.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

NOTE 2: ACCOUNTING POLICIES (Cont.)

IFRS 9 Financial Instruments (Cont.)

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

The directors of the Company anticipate that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities (e.g. the Group's financial liabilities in redeemable notes that are currently classified as available-for-sale investments will have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss). However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

Adoption of new and revised standards and interpretations

The Group has applied the following new and revised IFRSs that have been issued:

IFRS 10, IFRS 12 and IAS 27	Investment Entities
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
IAS 28	Investments in Associate and Joint Ventures
IFRIC 21	Levies

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- Obtain funds from one or more investors for the purpose of providing them with professional investment management services.
- Commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both.
- Measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

The directors of the Company do not anticipate that the investment entities amendments will have any effect of the Group's consolidated financial statements as the Company is not an investment entity.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

NOTE 2: ACCOUNTING POLICIES (Cont.)

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarifies the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no material impact on the Group.

IFRIC 21 'Levies'

IFRIC 21 'Levies' addresses the accounting for a liability to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy, and when should a liability be recognised. The Group is not currently subject to significant levies. These amendments have no material impact on the Group.

NOTE 3: CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of Group's accounting policies which are described in Note 2 above, management is required to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities that are not readily apparent from other sources. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. See note 3 to the Group annual financial statements for additional information,

In addition, in respect with these condensed consolidated financial statements:

Revaluation of investment properties:
The Group carries its investment properties at fair value, with changes in fair values being recognised in the profit or loss. The Group engages independent valuation specialists to determine fair value of investment properties on an annual basis. The valuation technique used to determine fair value of investment properties is based on a discounted cash flow model as well as comparable market data.
No external valuations (except of the recently acquired portfolio (see note 6) for which external valuation was performed) have been carried out for the six month period ended 30 June 2014 and the directors have carried out their own assessment.

Acquisition of assets:
In regard to the transaction detailed in note 6, the Group management and the Directors have reviewed the characteristics of the transaction and the properties over which control was regained by the Group, in accordance with the requirements of IFRS3(R). Although control over corporate entities was gained as a result of the transaction, these entities were special purpose vehicles for holding properties rather than separate business entities - this judgment was made mainly due to the absence of business processes inherent in these entities. Consequently, the Directors consider that the transaction meets the criteria of acquisition of assets and liabilities rather than business combination, and accounted for the transaction as such.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

NOTE 4: OTHER LONG TERM FINANCIAL ASSETS

a. Long-term loans receivable

As described in note 8(3) to the Group annual accounts, a subsidiary of the Group has an agreement to provide funding for three residential projects in Berlin up to a sum of €6.2 million.
Up to the reporting date, the Group provided to the entrepreneurs €6 million including accrued interest.
To secure the recoverability of these loans, the Group received a lien over the shares of the entrepreneurial companies and lien rights over the projects and their income. In addition, the loans are secured by personal guarantees of shareholders of the entrepreneurial companies and the developers have obliged not to grant a lien naming rights over the project, except a lien in favour of the financing bank, and not to allot any securities of the entrepreneurial companies without the consent of the Group.

During the reporting period the Group agreed to subordinate the loan provided in favour of bank financing essential for the projects.
The projects are in different stages of development. One has reported pre-selling ca. 65% of its available units. The other 2 projects are in advanced planning and permit stages.

b. Sale of participation

On March 27, 2014 a subsidiary of the Company signed an agreement to sell its 50% participation in a JV that holds a property in Berlin for a consideration of €1.1 million. The transaction was completed in April 2014. The carrying amount of the investment was €0.7 million.

NOTE 5: INTEREST-BEARING LOANS AND BORROWING

a. The Group is required to comply with a number of covenants associated with its borrowings. In addition, the Group's parent, SHL, is required to comply with certain covenants in relation to the E debentures it has issued, as detailed further below.
As at 30 June 2014, the Group complied with all of its covenants, including the terms below.

The terms and conditions of Shareholder loan and Bonds are described as follows:
To finance the Shareholder Loan, SHL issued bonds (the: "Bonds") to the public. The issued bonds are denominated in New Israeli Shekel (NIS) and bear an annual interest rate of 9.5%. Consequently, the Shareholder Loan received from SHL is denominated in NIS and bears interest of 9.5%, being back to back to the Bonds terms. The Group has acquired a currency hedging instrument to mitigate the cash flow currency exposure of this loan. The shareholder loan interest is paid twice a year, and semiannual principal payments of around 6%-8% in 2014 to 2018, with remaining principal payment in 2019 as back to back to the bonds repayments terms.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

NOTE 5: INTEREST-BEARING LOANS AND BORROWING (Cont.)

The Group granted the following securities to the bonds holders to secure the payments:

a. Assignment of all the Junior Tranche's rights under the RBS Facilities, including its right to be paid interest and principal.

b. Assignment of all assets held, including cash, and all rights regarding the bank accounts held by Gallia and another special purpose subsidiary, Summit LoanCo Ltd ("LoanCo") which receive surplus rental income from the RBS facilities asset portfolio after repayment of the Senior Tranche under the RBS Facilities. The Debenture Trustee (of the Bond Holders) has signing rights over the bank accounts which receive surplus rental income from the RBS facilities portfolio after repayments under the RBS Facilities.

c. Bonds interest is paid from these accounts and upon meeting the conditions detailed below, the Debenture Trustee gives its consent to release any surplus funds to the Group:
   - The Gallia and Loanco dedicated accounts are "Assigned Accounts". At all times the amounts deposited in the Assigned Accounts, together with a bank guarantee provided to the Debenture Holders, shall not be less than 10% of the outstanding debt to the Bond Holders ("Guaranteed Amount").
   - In the event that:
     i. The amounts accumulated in the Assigned Accounts exceed the Guaranteed Amount and –

     ii. The ratio of:

        (a) The gross profits from the real estate properties in the Clara, Z3 and Z6 portfolios for the 6 months ending prior to the date of calculation (NOI), less principal and interest payments to RBS on account of the Clara, Z3 and Z6 credit facilities during same 6 month period; and

        (b) The aggregate outstanding principal and interest due to the Bond Holders for the period of 6 months beginning on the date of calculation.

        Is not less than 1.3, after the release of the requested funds, SHL may request the debenture trustee to release surplus amounts.

d. Pledges and assignment over shares and rights in Gallia and LoanCo (subsidiary companies), together with the right to all present and future dividends and distributions of any kind and any other sums received or receivable in respect of such shares.

e. An undertaking by SHL that, except in connection with a refinancing of such assets under terms agreed with RBS, the property companies owning the properties within the Group's Z3, Z6 and Clara portfolios, will not grant any further pledges, enter into additional loans, incur new liabilities or grant any guarantees other than immaterial liabilities towards authorities, suppliers etc. in the ordinary course of business.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

NOTE 5: INTEREST-BEARING LOANS AND BORROWING (Cont.)

Further SHL undertook in favor of the Debenture Holders to meet certain covenants which are checked twice a year:

a) SHL's equity capital, less minority rights, according to its consolidated financial reports, shall not be less than NIS 300 million (approximately €64 million).

b) The Debt Coverage Ratio is equal to or higher than 1.15. "Debt Cover Ratio" is defined as the ratio of (a) the gross profits from the real estate properties in the Clara, Z3 and Z6 portfolios for the 6 months ending prior to the date of calculation (NOI), plus the Guaranteed Amount, less principal and interest payments to RBS on account of the Clara, Z3 and Z6 credit facilities during same 6 month period; and (b) the aggregate outstanding principal and interest due to the Debenture Holders for the period of 6 months beginning on the date of calculation.

c) The ratio between the Calculated Equity Capital (as defined hereunder) and the total assets of SHL shall not be less than 15%. "Calculated Equity Capital" - the equity capital (including minority rights), plus the amount of obligations in connection to SWAP transactions made in connection with the RBS facilities, as appearing in SHL's financial reports.

In the event that conditions a), b) or c) are not met, the interest charged on the debentures (and consequently – the SHL loan) will increase by not more than 1% until the breach is cured. The increase of the interest will be done once for breach of each covenant above.

The debentures (and consequently – SHL loan) will be immediately payable if:

1. Condition a) is not met for two consecutive quarters

2. The debt coverage ratio is less than 1.05 for four consecutive quarters

3. The ratio between the Calculated Equity Capital and the total assets of SHL is less than 13% for two consecutive quarters.

4. The debentures and consequently the shareholders loan will be due to payment upon occurrence of other events, such as - the amount in the Assigned Accounts plus the Bank Guarantee is less than the Guaranteed Amount and breach not cured during two consecutive quarters, failure to comply with payments schedules, material deterioration of SHL's financial position such that raises significant concerns on its ability to comply with the debenture payment terms, significant deterioration of the Bonds rating, foreclosure/liquidation proceedings of SHL , Material change of business activity (i.e – if SHL is no longer engaged in real estate).
   To the date of this report, the Company and SHL comply with all the covenants described above.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

NOTE 5: INTEREST-BEARING LOANS AND BORROWING (Cont.)

In order to mitigate the uncertainty involved with the Covenants of the Debentures, Zohar Levy and Summit Holding Ltd. have committed to:

- Zohar Levy committed not to sell shares in SHL which would result in him losing control of SHL, unless such sale does not trigger a breach of covenant in relation to the E Debenture/B Note or an acceleration of any of the SGL's debt to SHL
- SHL committed to exercise the rights attaching to its shares in SGL in a manner consistent with procuring that all required actions needed in order to release funds from the E debentures trustee account will be performed
- For the period ending 24 months after the date of Admission: SHL undertake to SGL that direct property acquisitions (at the level of SHL) in excess of 100 million Euros, would require a prior approval from the board of SGL

b. After the end of the reporting period, pursuant to the approval of the E Debentures trustee, the Group has reduced the guarantee associated with the E debentures by €0.3 million to €4.6 million (see above) for further details about the Guarantee.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

NOTE 6: INVESTMENT PROPERTIES

	Euro in thousands
Balance at January 1, 2013	515,205
Disposal during the year	(11,525)
Additions during the year	2,532
Fair value adjustments during the year	(5,058)
Balance at December 31, 2013	501,154
Additions during the period (*)	46,528
Fair value adjustments during the year	28,433
Balance at June 30, 2014	576,115

The investment properties are stated at fair value. The fair value represents the amount at which the assets could be exchanged between a willing buyer and willing seller in an arm's length transaction at the date of valuation, after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. Valuations are prepared by external valuators at least once a year and more frequently when significant changes to properties' value are identified. The valuations are performed using the income capitalization method, which is a valuation based model on the present value of expected Net Operating Income per property. Real estate valuations are based on the net annual cash flows after capitalisation by discounted rates that reflect the specific risks inherent in property activity.

(*) Additions during the period

In April 2014, the Group completed the purchase of a loan facility on a previously owned portfolio of 11 commercial properties in Germany. The total cost of the acquisition was ca. €45 million plus deal expenses, while the loan facility has a face value of €73.5 million.

On acquisition of the loan facility, the Group gained full control over the properties and it consolidated them commencing the second quarter of 2014. The portfolio was previously owned by the Group, however the portfolio breached its covenants in 2012 due to their very high LTV ratios. As a result, since December 31 2012, the Group has no longer consolidated these portfolios which have been structurally ring-fenced.

On acquisition, the Portfolio comprised mainly office properties throughout Germany. It has an aggregate Net Lettable Area of ca. 90,000 sqm and a current occupancy rate of 71%. The properties generate an aggregate Net Annual Rent of approximately €6.3 million, reflecting a gross rental yield of 13.7% on the acquisition cost.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

NOTE 7: BALANCES AND TRANSACTIONS WITH RELATED PARTIES

	Amounts owed by related parties			Amounts owed to related parties		
	June 30		December 31	June 30		December 31
	2014	2013	2013	2014	2013	2013
Loan to/from related party (*)	-	21,242	-	45,804 (*)	46,518	44,675
Other balances	289	135	271	1,325	143	225
	289	21,377	271	47,129	46,661	44,900

(*) The loan is a loan due to SHL, which was taken out to finance the acquisition of part of RBS debt and bears 9.5% interest as disclosed in note 5a. Current maturities of €5.5 million (€2.8 million as of 31 December, 2013) are presented in trade and other payables. The change in the balance during the period, due to exchange rate (NIS/Euro) difference, is recorded in the financing expenses and offset by the amounts charges to the income statement due to revaluation of the currency swap.

On April 28, 2014 the Company Board of Directors approved a one-time bonus to the Company`s Finance Director and to one of the Company`s Directors in amount of 50 thousand Euros each, for their contribution to the IPO in February 2014.

Assets Management Company and ultimate controlling party

At the date of this report Summit Real Estate Holdings Ltd ("**SHL**") holds approximately 79.17% of the Ordinary shares in the Company. SHL is under the control of Mr. Zohar Levy, a Managing Director of the Group. Summit Management CO S.A. ("SMC"), a company controlled by Zohar Levy, was appointed as an Asset Manager on 19 May 2006. The terms of this appointment were revised in February 2014.

Terms and conditions of the management agreement

The management agreement was amended in February 14, 2014 in preparation for Admission to AIM. Accordingly, SMC, is responsible for providing certain public company services and advisory services to the Group, including the services of the Group's Managing Director and Finance Director, Zohar Levy and Sharon Marckado Erez respectively.
SMC will, from Admission, receives an advisory fee equal to €750,000 per annum, payable quarterly, and be entitled to a performance based bonus of up to €750,000 per annum depending on certain performance criteria. The amounts above will cover the salaries of Mr Levy and Ms Marckado Erez together with certain administrative and other costs of the Group.
The annual bonus may be payable in each accounting year, where the amount of €750,000 is the "**Maximum Bonus**", based on hurdles to be determined by the remuneration and nomination committee of the Group, save that in respect of the accounting year ending 31 December 2014 the bonus shall be payable if the Group's Funds From Operations ("**FFO**") is equal to or greater than 112% of the FFO for the year ending 31 December 2013 ("**Base FFO**"). Where the Company's FFO in the accounting year ending 31 December 2014 is above the Base FFO but less than 112% of the Base FFO, SMC shall be entitled to an amount equal to the pro-rata proportion of the Maximum Bonus. Any Bonus which SMC is entitled to receive in any relevant accounting year shall be reduced by an amount equal to any carried interest amount paid to SMC pursuant to the articles of association of SFL in respect of the same accounting year, provided that any Bonus shall not be reduced to less than zero. Based the Company analysis, the bonus should be €180 thousand for the half year.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

NOTE 7: BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Cont.)

Terms and conditions of the management agreement (Cont.)

The articles of association of SFL (“SFL Articles”) contain certain provisions which relate to SMC’s carried interest entitlement in respect of their services provided under the initial Portfolio Management Agreement from 2006. SMC holds special B shares in Summit Finance Limited which will give it the right to receive a carried interest if the Company distributes a cash return on shareholders' equity of at least 8% in any financial year ("**the Hurdle**"). SMC will be entitled to receive 25% of the cash return in that year in excess of the Hurdle after deducting the carried interest entitlement. If the Group has not achieved a cash return on shareholders' equity of at least 8% in any previous year ("a Shortfall"), the carried interest will not be paid until the Shortfall has been made up. Where such fees arise, they are charged to the consolidated statement of comprehensive income. No amounts were ever due in respect of aforementioned. As of 30 June 2014, the Shortfall is approximately €171.5 million. Therefore, the likelihood that SMC would be entitled to receive any carried interest is extremely low.

The SFL articles were amended so that SMC’s entitlement to receive any carried interest payable is by virtue of its ownership of B shares in SFL. The SFL Articles and the amended Portfolio Management Agreement provide that the B shares may be held by whoever is the appointed asset manager under the Portfolio Management Agreement or any other asset or portfolio management agreement to which the Group is a party from time to time.

NOTE 8: FINANCIAL INSTRUMENTS' FAIR VALUE

Fair value of financial instruments carried at amortised cost:

The directors consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

Fair value measurements recognised in the statement of financial position:

The fair value measurements are grouped into Levels 1, 2 and 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements marketable securities are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 fair value measurements (swaps transactions) are derived from inputs other than quoted prices that are observable for those instruments directly (i.e. as prices).

- Level 3 fair value measurements (available-for-sale investment - unquoted equity share) are derived from valuation techniques that include inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

NOTE 8: FINANCIAL INSTRUMENTS' FAIR VALUE (Cont.)

Fair value measurements recognised in the statement of financial position (Cont.):

	30 June 2014			
	Level 1	Level 2	Level 3	Total
	Euro in thousands			
Available-for-sale financial assets				
Unquoted equity shares [a]	-	-	2,242	2,242
Hedging instruments:				
Foreign currency exchange instruments	-	1,888	-	1,888
Financial Assets carried at fair value through profit and loss				
Marketable securities [b]	10,719	-	-	10,719
Total	10,719	1,888	2,242	14,849
Financial liabilities				
Derivative instruments - swaps [c]	-	(7,702)	-	(7,702)

(a) The change in unquoted equity shares from December 31, 2013 resulted mainly from the sale of a 50% financial participation for amount of € 1.1 million. During the six month ended June 30, 2014 the Group recorded an increase in value of investment in the unquoted equity in the amount of €355 thousand (presented in other comprehensive income – net profit (loss) arising on revaluation of available for sale financial asset), for more information refer to note 4b.

(b) During the six month ended June 30, 2014, the Group recorded income from Marketable Securities in the amount of €1.4 million.

(c) The change in derivative instruments from December 31, 2013 to June 30, 2014 was due to revaluations.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

NOTE 8: FINANCIAL INSTRUMENTS' FAIR VALUE DISCLOSURES (Cont.)

Fair value measurements recognised in the statement of financial position: (Cont.)

	31 December 2013			
	Level 1	Level 2	Level 3	Total
	Euro in thousands			
Available-for-sale financial assets				
Unquoted equity shares	-	-	2,962	2,962
Hedging instruments:				
Foreign currency exchange instruments	-	1,236	-	1,236
Derivative instruments	-	407	-	407
Financial Assets carried at fair value through profit and loss				
Marketable securities	9,345	-	-	9,345
Total	9,345	1,643	2,962	13,950
Financial liabilities				
Derivative instruments - swaps	-	(12,316)	-	(12,316)

	30 June 2013			
	Level 1	Level 2	Level 3	Total
	Euro in thousands			
Available-for-sale financial assets				
Unquoted equity shares	-	-	2,657	2,657
Hedging instruments:				
Foreign currency exchange instruments	-	2,099	-	2,099
Derivative instruments	-	1,342	-	1,342
Financial Assets carried at fair value through profit and loss				
Marketable securities	10,862	-	-	10,862
Total	10,862	3,441	2,657	16,960
Financial liabilities				
Derivative instruments - swaps	-	(18,792)	-	(18,792)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

NOTE 9: FINANCIAL EXPENSES (INCOME)

	Six months ended June 30		Year ended December 31
	2014	2013	2013
	Euro in thousands		
Financial expenses:			
Interest on borrowings	12,273	13,238	25,637
Cost of raising loans -amortization	124	938	1,048
Ineffective hedge instruments reserve (*)	-	18,790	10,887
Other	283	512	444
Total financial expenses	12,680	33,479	38,016
Financial income:			
Interest income on short-term deposits	29	60	64
Profit from refinancing	-	30,000	30,000
Ineffective hedge instruments reserve (*)	9,134	-	-
Income from marketable securities	1,421	-	4,426
Profit/loss for exchange	774	3,116	710
Other	965	1,806	728
Total financial income	12,323	34,982	35,928

(*) In February 2013, the interest rate swap arrangements that hedged the cash flow of the Bank loans' floating interest rate (the "Old Swap") became ineffective following the refinancing transaction described in note 4A of the financial statements for the year ended 31 December 2013. Therefore the hedging reserve related to the old swap (in the amount of €23 million) was recognized in profit and loss report (financial expenses) in 2013. Starting from the refinancing transaction date, the revaluation gain of the old swap has been recognized in profit and loss report (€9 million financial income at the half year ended in June 30, 2014).

NOTE 10: EARNINGS PER-SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	Six months ended June 30		Year ended December 31
	2014	2013	2013
	Euro in thousands		
Earnings			
Earnings for the purposes of basic earnings per share being net profit attributable to owners of the Company	42,193	19,985	22,207

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

NOTE 10: EARNINGS PER-SHARE (Cont.)

	Six months ended June 30		Year ended December 31
	2014	2013	2013
	in thousands		
Number of shares			
Weighted average number of ordinary shares for the purposes of the basic earnings per share	276,964	275,000	274,901

There is no difference between basic and diluted earnings per share over the periods.

NOTE 11: SHARE CAPITAL

a. The authorized share capital of the Group is represented by an unlimited number of Ordinary shares with no par value.

	Issued and outstanding Number of shares
At January 1, 2013	275,000,000
Change in the period	-
At June 2013	275,000,000
Buy back	(36,000,000)
At December 2013	239,000,000
Issue of shares	54,971,291
At June 2014	293,971,291

b. **Distributable reserve:**
The directors have elected to transfer all premium arising from the issue of ordinary shares by the Company to a distributable reserve. This type of reserve is not specifically recognised within the Companies (Guernsey) Law, 2008.
In accordance with the Companies (Guernsey) law, 2008, any distribution is subject to a solvency test to determine whether the Company is able to distribute funds to shareholders.

c. In December 2013 the Company resolved to admit its shares to trading on the AIM market of the LSE. The process successfully completed on February 26, 2014 when the placing took place and a further 54,971,291 new ordinary shares were issued at a price of 63c. Out of the new shares, 1,438,252 shares were issued to the Group's advisors for their services in connection with the admission. The net proceeds after costs amounted to €31 million.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

NOTE 11: SHARE CAPITAL (Cont.)

d. Distribution of Dividends

Following the Company's Admission to AIM, the Company has adopted a quarterly dividend policy.

On April 28, 2014 the board has resolved on dividend distribution of 0.5c per share which was paid on June 6, 2014 to shareholders according to register at May 15, 2014.

The Company announced the dividend payment dates for the remainder of 2014 will be September 30 and December 30.

After the reporting date, the board has resolved on dividend distribution of 0.55c per share to be paid on 30 September, 2014 to member of register on 12 September, 2014. Shares will be marked ex-dividend on 10 September, 2014.

e. NAV and EPRA NAV:

	As of 30 June 2014		As of 30 June 2013		As of 31 December 2013	
	€, thousands	€, per share	€, thousands	€, per share	€, thousands	€, per share
NAV (*)	219,975	0.75	173,744	0.63	152,736	0.64
Swaps	7,702		17,450		11,909	
Deferred Tax, net	3,433		2,947		2,707	
EPRA NAV (**)	231,110	0.79	194,141	0.71	167,352	0.70

(*) Net Asset Value
(**) EPRA NAV is calculated based on the NAV excluding the effect of deferred taxes and the value of hedging instruments.

NOTE 12: SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

a. Placing

On February 26, 2014 the Company successfully completed placing of its shares for trading on the AIM market of the London Stock Exchange. For further details please see note 11c.

b. Sale of participation

On March 27, 2014 a subsidiary of the company has signed an agreement to sell its 50% participation in a JV that holds a property in Berlin for €1.1 million. Please see note 4b for further details.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

NOTE 12: SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (Cont.)

c. Acquisition of assets

On April 11, 2014 the Company successfully completed the acquisition of a portfolio of 11 commercial properties. Please see note 6 for further details.

d. Distribution of Dividends

On April 28, 2014 the board has resolved to declare a dividend distribution of 0.5c per share. See also note 11(d).

NOTE 13: SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

a. Distribution of Dividends

After the reporting date, the board has resolved to declare a dividend distribution of 0.55c per share. See also note 11(d).

b. The Company is in a negotiations with the German banks on providing co-financing to replace the main RBS credit facility of the Company. There is no certainly regarding the completion of the funding, time of completion or its final terms.