Summit Germany Limited
("Summit" or "the Company" or "the Group")

<u>Refinancing and Trading Update</u>

Summit Germany, the German commercial real estate company, is pleased to provide a trading update.

Refinancing of main debt facility

- The Company has agreed the terms of the refinancing of €268m of its €309m debt facilities. The proposed refinancing includes a new debt facility of €240m, provided by two German lenders with a loan duration of seven years at a 3.4%interest rate compared to 3.9% in the remaining term of the existing loan. The refinancing would extend the duration of the company's major debt from 3 to 7 years, would save interest costs and would fix the relatively low interest rates for the long term. It is currently expected that the refinancing will be completed by year end.

- The uncovered loan amount which is the difference between the new debt net of costs and the existing debt is ca. €33m. This tranche of debt would be acquired by the Company for ca. €21m which would be financed from the Company's existing resources. The refinancing will result in a NAV uplift of €12m.

Refinancing of acquired portfolio

- In April 2014, the Company announced the acquisition of a portfolio of 11 properties across Germany for €46m. The acquisition was financed by equity with no bank debt. As of June 30, 2014 this portfolio was valued at €75m. The Company has agreed a term sheet to finance 9 of the 11 properties in this portfolio with a 7 year term facility of €30-35m. The Company expects to complete the financing in January 2015.

Trading Update

The Company is trading in line with management expectations with increasing rental income, ongoing signing of new leases and active portfolio management.

Update on Portfolio and Leases

- **Increasing rent per sqm**: Signing 173 new leases and renewals in 2014 for 99,000 sqm with rental value of €8.2m p.a. at a 7% higher rent per sqm.
- **Increasing income:** Annual net rent on a like for like ("LFL") basis has increased by 2.65% to €46.5 million (12.2013-€45.3m; 6.2014-€45.7m). In addition, the Company is in advanced negotiations regarding additional leases with a net rental value of €1.0m p.a. (after expiry of leases with rental value of €0.4 million). Required tenant improvements for all new leases is ca. €2 million.
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- **Increasing occupancy:** The Company decided to classify its portfolio of properties to the core portfolio ("Core Portfolio") which includes the vast majority of the assets with a long term hold strategy (€540m) and to a smaller portfolio of assets which are designated for sale and redevelopment ("Sale and Redevelopment Portfolio") and are classified as a separate sub-portfolio (€36m).
- Occupancy rate across the Core Portfolio on LFL basis has increased to 90% compared to 87% in 2013 (92% if all additional leases under negotiation are signed). Blended occupancy rate across the two portfolios is 85.4% (84.3% in 2013) or 87.6% after signing expected new leases.
- **Pre sales in the residential Joint Venture:** Continued strong momentum in pre-sales of our Joint Venture's residential development in Berlin with 80% pre sales in the first project and 43% in the second project; marketing of the third project will start in January 2015. Negotiation to acquire land sites for additional residential developments in Berlin.
- Developing additional pipeline of further attractive acquisitions

Balance Sheet and Leverage

- In October the legacy swaps finally expired and the impact of the reduced interest rate will amount to a ca. €7 million increase in annual cash flow.
- Bank LTV as at 30 June 2014 was 54% (50% net of cash). Following the proposed refinancing of the main Company's facility and of the acquired portfolio, Bank LTV is estimated to remain at 54% but LTV net of cash shall decrease to 47%.
- Summit Germany has a €43.3m loan from Summit Israel, its parent company, which bears an annual coupon of 9.5%. This loan is backed by a listed bond with mirror terms issued by Summit Israel on the Tel Aviv stock exchange. While the mirror listed bonds trade at a 20% premium, Summit Israel has granted the Company a 3 month option for an early repayment of the loan for a 10% premium (€47.6m). The repayment of the loan would result in a €4.1m annual interest saving. Under the assumption of using the proceeds of the acquired portfolio financing for early repayment of the shareholder loan, 65%-75% of the loan amount would be repaid, resulting in €2.7-3.1m annual interest saving. The option is valid until end of February 2015 and the board has not yet resolved whether to exercise this option.

Dividends

- As announced on 25 November the dividend for Q3 is 0.6 cents, compared to 0.5 cents for Q1 and 0.55 cents for Q2. The dividend will be paid on December 30.
- The dividend for the 4^{th} quarter is expected to be paid in Q1 2015.
- Given the expiry of the legacy swaps in Q4 and the increase in cash flow since then, the next quarterly dividend is expected to reflect a ca. 7% annual yield on the current market capitalisation.

Market Outlook

The German investment market is moving ahead towards its best year since 2007. The current increase in demand is strongly dominated by the 'interest free environment' with the fresh cut in the base rate to a new historic low of 0.05%. The strong interest in investments in commercial properties that was evident before the end of the first half of 2014 proved itself at the end of the first three quarters: after nine months, the volume reached €17 billion across Germany, equating to a year-on-year rise of 65%. Single asset transactions amounted to €11 billion, which also represented an increase of 23%.

Demand for Summit's properties continues to be strong and is increasing as we see an increase in rental income and decrease in vacancy. The Board is confident that the Company is very well positioned to benefit from the strong current market trends by executing on new acquisition opportunities; by continuing to enhance the rental income from its properties and by realising value from its substantial portfolio over time.

Harry Hyman, Chairman, commented:

"The refinancing of the majority of our debt is improving our financial stability and our ability to project a continuous and growing dividend stream. I am pleased that we continue to successfully implement our business plan."

Zohar Levy, CEO, commented:

"We have had great success in improving our rental income both from letting of vacancies and from increasing rent levels. The increase in rents and occupancy is demonstrating the Company's potential to achieve further growth from our active asset management programme and we intend to keep our focus on that."

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