



Report And Accounts June 2015

SUMMIT
Germany Ltd

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Deutsche Med, Rostock

Financial highlights

Summit Germany Limited**2015 Half Year results**

We are pleased to present the interim results for the six months ended 30 June 2015 of Summit Germany Limited and its subsidiaries (together: the “Group”).

Highlights

- Secondary fund raising of €120 m, through a placing of new ordinary shares at 70 cents per share
- Repayment of €50 m of shareholder loan resulting in approximately €4.75 m interest saving p.a.
- €33 m new 7 year debt facility at 1.96% interest rate p.a.
- Acquisitions totalling €95 m of office properties in Germany were completed post reporting period. Average net initial yield of 10.5%

Results

- Rental income of €22.14 m (H1 2014: €20.27 m)
- Gross profit of €20.85m (H1 2014: €18.8 m)
- Operating profit: €17.59m (H1 2014: €16.29m) (excluding fair value adjustments of investment properties)
- Statutory results (€2.8m loss) affected by non-recurring costs from repayment of shareholder loan including an early repayment penalty of €4.5 m and impact of currency devaluation of €7.1 m.
- Underlying positive performance adjusted for non-recurring costs (H1 2014 adjusted for revaluation and refinancing gains):
 - Net Profit of €8.8 m (H1: €5.8 m)
 - Profit Before Tax (PBT) of €9.3 m (H1 2014: €6.9 m)
 - Earnings Per Share (EPS) of 1.8c (H1 2014: 1.7 cents)
- Funds from Operations (FFO) increased 308% to €12.3 m compared to €4.0 m in the first half of 2014. FFO per share following the admission of new shares is 2.8 cents compared to 1.5 cents for the equivalent period in 2014.
- EPRA Net Asset Value (NAV¹) increased during the reporting period to €364.5 m compared to €255.4 m in 2014 mainly due to placing at 70 cent per share. EPRA NAV per share post dilution and dividends is 78.3 cents (31 December 2014: 87 cents).

Improving Cash Flow through Financing

- Refinancing of debt and expiry of legacy swaps resulted in a decrease in cost of debt.
- Early repayment of ca. €50 m of shareholders loan resulted in €4.75 m of interest savings p.a.
- New €33 m financing of 9 of 11 properties acquired in 2014, on a seven years term, provided at a low interest rate of 1.96% per annum. Two properties remained unpledged.
- Following the above, interest expenses amounted to €5.3 m for the reporting period compared to €12.3 m in June 2014.

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

Strong portfolio prior to expansion

- Investment portfolio of 95 properties with a gross asset value of €582 m, generating expected net rent of €47 m per annum, reflecting a rental yield of 8%.
- Signing of 98 new leases and renewals for approximately 80,000 sqm (rent of €6.3 m p.a.). Significant renewals have increased the Weighted Average Lease Length ("WALL") to 4.1 and further new lettings are expected to be signed in H2 2015.
- Occupancy rate has been maintained at a level of 90.5% across majority of the Group's portfolio (87% across the whole portfolio) despite the expiration of some leases.
- First JV's residential development project in Berlin is 98% sold. Other projects are 51% and 17% presold respectively.

Portfolio's expansion post reporting period

- Two attractive acquisitions were completed:
 - Portfolio of six commercial properties acquired through the acquisition of a €78 m loan facility at a total cost of ca. €40 m. Following the transaction, the Group regained control over the properties with net rental income of €5.5 m, reflecting 13.8% yield on acquisition costs.
 - Acquisition of a multi let complex of office buildings in Stuttgart. Net Annual Rent of approx. €4.5 m reflecting 8.1% yield on the total acquisition costs of ca. €55 m.
 - Following the acquisitions post period end gross assets have increased to approximately €670 m and rental income has increased to €56.5 m.
- Further acquisitions in various stages of negotiations.

Dividends

- Dividend of 1.2 cents per share was distributed in January 2015 to shareholders before the secondary placing.
- Two quarterly dividends of 0.77 cents per share each were distributed in April and August 2015.

Zohar Levy, Managing director, commented: "We are delighted with our achievements during the last periods and are very excited by the recent additions to our portfolio. With a strong team and a stable growing portfolio we look positively to the future, confident in further delivering an enhanced value to our shareholders. Following a directors' assessment of the portfolio at the half year and the strong investment market for well let commercial properties, we believe the Summit's portfolio has performed robustly in 2015 and look forward to an improve in valuation for the full year, enhanced by recent acquisitions."

For further information please contact:

Summit Germany Limited

Tel: +44 (0)20 7451 7050

Zohar Levy, Managing Director

Itay Braun, Finance Director

Carey Group, Company Secretary

Tel: +44 (0)1481 700 300

Sara Bourne

Cenkos Securities, Nominated Advisor and Joint Broker

Tel: +44 (0)20 7397 8900

Ivonne Cantu (Nomad)

Russell Kerr / Selwyn Jones (Broking)

Liberum Capital Limited, Joint Broker

Tel: +44 (0)20 3100 2222

Broker Profile

Simon Courtenay / Harry Rippon

Tel: +44 (0) 20 3763 3400



Rahmhof, Schillestrasse 5, Frankfurt

Chairman's and Managing Director's Report

Chairman's and Managing Director's Report

We are very pleased to present the Group's results for the six months ended 30, June 2015.

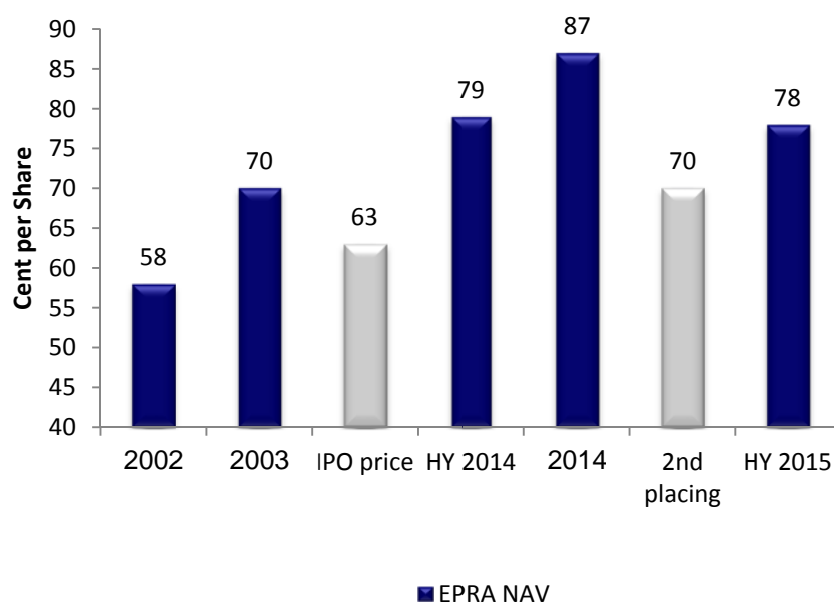
This has been a very strong period for the Group, prominent especially by a successful completion of a second fund raising. Following our actions both on the operational and the financial levels of the portfolio, the Group took a major step towards fulfilling its targets and acquired new properties post the reporting period.

Increase in NAV and profit from on-going operations

Due to a successful fund raising and an elevated profit from on-going operations, the Group's EPRA NAV has increased in more than 40% reaching €364.5 million for the six months ended 30 June 2015 compared to €255.4 in 2014. The Group's NAV reached €356.1 million at the end of the reporting period (31 December 2014: €244.7 million).

In February 2015, the Company issued 171,428,571 new ordinary shares at a price of 70c by way of placing on AIM. The successful admission of shares had a positive effect on the Group's EPRA NAV and has contributed €120 million (excluding raising costs) to its EPRA NAV.

Despite the dilutive effect of the shares issued in February 2015 and dividend distributions in 2015, the period ended with an EPRA NAV per share of 78 cents, reflecting a premium of more than 11% on the share price of 70 cents at the time of the second placing.



During the reporting period, the profit from ongoing operations has almost doubled in annual terms contributing further €14.2 million to the increase in the EPRA NAV (2014: €14.9 million; €7.5 million on comparable basis). The increase in profit from ongoing operation reflects the Group's achievements in both the financial and operational aspects of the portfolio, as further detailed hereinafter.

Financing activities affecting the Group's results

Cutting interest expenses in half

Our intensive refinancing activities – started in 2014 - bore fruits, when interest expenses were cut in half during the reporting period and amounted to €5.3 million (2014: €20.9 million per annum; €10.5 million on comparable basis). Compared to the interest expenses of €12.3 million in the equivalent period of 2014, it reflects a decrease of almost 60%, which has significantly contributed to the Group's profit from on-going operations.

The sharp cut in the Group's interest expenses compared to 2014 was made possible mainly due to the refinancing of the Group's main debt facility of €268 million, which took place shortly before the beginning of the reporting period. The new seven years debt facility provided by two German Banks, set an interest rate which was 0.76% lower than the previous rate, resulting in interest expense savings of approximately €1 million during the reporting period. The expiration of the legacy swaps of the previous financings has contributed an additional €3.5 million to the savings in interest expenses during the first half of 2015. An early repayment of the Group's Shareholders Loan added €1.1 million to the interest expense savings, as further explained.

The steep decrease in the Group's interest expenses has positively affected the Group's FFO that has reached €12.3 million in the first 6 months of 2015, reflecting more than 300% increase compared to €4.0 million for 6 months to 30 June 2014 (2014: €13.6 million). Despite the dilutive effect of the issuance of new shares during the reporting period, the FFO per share showed an annualized increase of 17% compared to 31 December 2014, reaching a level of 2.8 cents as of 30 June 2015 (2014: 4.8 cents; 1.5 cents for the 6 months to 30 June 2014).

FFO	€'mn
Gross profit	20.9
G&A expenses	-3.3
Interest expenses, net	-5.3
FFO	12.3
Weight. Ave. amount of shares	435
FFO per share (cent)	2.8

Group's performance is positive excluding non-recurring financial item

The positive nature of the Group's performance indicators for the six months ended 30 June 2015 has been obscured by non-recurring financial expense resulting from the Euro devaluation and its impact on the shareholders loan that was repaid in the first half of 2015, as further explained below:

PBT	€'mn
Gross profit	20.9
G&A expenses	-3.3
Capex	-3.4
Financing expenses (net)	-16.5
Loss before taxes	-2.3
Adjustment one time financing expenses items	11.6
Profit before taxes (exc. one off items)	9.3

EPS	1-6.2015
Earnings Per Share	-0.8
Financing expenses - one off items	2.6
Earnings Per Share (exc. one off items)	1.8

As of the date of repayment, the Group had a Shareholder Loan amounting to approximately €50 million (including foreign exchange costs), which bore an annual coupon of 9.5%. The Shareholders Loan was backed by a listed bond with mirror terms issued by Summit Real Estate Holdings Ltd., the parent company, on the Tel Aviv stock exchange. Since the mirror listed bonds had been trading at a 20% premium, the Group used the opportunity and exercised the option granted by its parent company for an early repayment of the Shareholders Loan at a 10% premium (€4.5 million). In the interest of improving the Group's future cash flows by reducing interest expenses, the Group has fully repaid its Shareholders Loan during the reporting period.

While the repayment itself had a positive impact of €1.1 million on the interest savings during the reporting period (€4.2 million on an annual basis), the Group's half year results absorbed an additional non-recurring finance expense of €7.1 million from the associated foreign exchange costs.

Further refinancing strengthens cash flows

In March 2015, we took advantage of the market's low interest rate environment to finance 9 out of the 11 commercial properties, acquired in April 2014. The seven years facility was provided by a German bank at an interest rate of 1.96% and amounted to €33 million, out of which €2.5 million is subject to the future extension of certain leases. The loan bears an amortization rate of 3% per annum.

The outcome of our intensive refinancing activities over the last periods is reflected in the Group's accomplishments to enhance the current and future cash flows. This has been achieved by locking in a low average interest rate of 2.92% over the long term, while still keeping a low LTV level of 53% as of 30 June 2015 (31 December 2014: 48%) and 35% net of cash.

An overview of the Group's credit facilities and their implied covenants as of the end of the reporting period is presented in the table below:

Credit Facility	Financing Date		Loan Amount (€mn)	Interest	Amort'	Market Value (€mn)	Loan to Value		Rent to Debt		DSCR Ratio		WAULT Ratio	
	Start	Maturity					Cov'	Actual	Covenant	Actual	Cov'	Actual	Cov'	Actual
1	12.2014	12.2021	86	3.14%	2.00%	181.7	70%	47%	7.7	6.0	NR	NR	3.0	4.5
2	12.2014	12.2021	151	3.14%	2.00%	262.9	75%	57%	8.4	7.9	NR	NR	3.0	3.7
3	03.2015	03.2022	31	1.96%	3.00%	62.6	65%	49%	NR	NR	125%	245%	3.0	4.0
4	11.2013	11.2018	23	2.66%	2.00%	34.3	75%	66%	NR	NR	145%	169%	NR	NR
5	10.2012	12.2021	5	e+1.75%	3.00%	11.3	NR	46%	NR	NR	125%	279%	NR	NR
6	10.2012	02.2019	11	e+1.75%	2.65%	15.0	NR	73%	NR	NR	125%	219%	NR	NR
Other			2			0.0	NR	NR	NR	NR	NR	NR	NR	NR
Unpledged Properties			0			14.5								
			308			582.4		53%						

As at the date of this report the Group complies with all of the loan covenants.

Strong portfolio provides a stable ground for intended expansion

Maintaining the strong performance of the existing portfolio

We believe that a strong platform is a crucial foundation in order to achieve a successful portfolio expansion. Therefore, parallel to the actions taken on the financing level, our asset management and marketing teams invested enormous efforts to further improve the operations of the existing portfolio prior to its targeted extension.

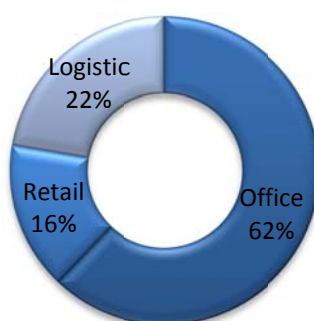
Having a strong asset management team coupled with the direct approach of our marketing team, we signed new lease agreements for 12,485 sqm and renewed existing lease agreements for an additional 67,636 sqm worth a total of approximately €6.3 million. Though the expiration of some leases during the reporting period, we preserved the success of our intensive letting and re-letting activities during 2014 and maintained an occupancy rate of 90.5% across the majority of the portfolio and approximately 87% across the whole portfolio.

Our excellent relationships with our tenants have further enabled us to achieve stabilization of the portfolio's rental income as well and the rental income level has been maintained, despite the disposal of a few properties during the reporting period. This has been demonstrated by the steady rental income recorded in the Group's Profit and Loss Statement. At €22.14 million for the period ended 30 June 2015 (€44.28 on an annual basis), it reflects only a minor change compared to the Group's rental income at year end (2014: approximately €45 million on a comparable basis, due to acquisition of a portfolio in April 2014).

The rental income presented in the Group's Profit and Loss Statement includes only part of the current lease agreements. Taking the current leases into full consideration while adding leases which are under advanced negotiation stages and leases which are about to expire, the Group's portfolio generates €47 million of rental income.

The Net Operating Income ("NOI") amounted to €20.9 million for the six months ended 30 June 2015, reflecting €41.8 million on an annual basis (2014: €39.9 million; €18.8 million for the 6 months to 30 June 2014). It was contributed to by all of the portfolio's sectors as follows:

NOI By Use



Property portfolio overview

The portfolio generates net rental income of €47 million per annum linked to CPI or with fixed rent uplifts. It comprises net lettable area of approx. 725,000 sqm on approx. 1,200,000 sqm of land with a yield of 8% generated from 95 properties with approx. 600 tenants. The current occupancy rate across the portfolio is 87%. The annual net rental income of the portfolio on full occupancy is estimated at €54 million, which would reflect a yield of 9.2% on current book value.

Type	No. of Assets	Land Size (sqm'000)	Lettable (sqm'000)	Vacant (sqm'000)	Net Rent (€'mm)	Rent/sqm/month	Capital Value (€/sqm)	Yield (%)
Office	42	395	375	68	29.5	8.0	1,027	7.7%
Retail	36	234	93	12	7.6	7.7	903	9.0%
Logistic	17	540	257	14	9.7	3.3	441	8.6%
Total	95	1,169	725	95	46.8	6.2	803	8.0%

The current portfolio 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 and a retention rate of 80%. The average monthly rental income varies between the properties within the portfolio as presented in the following table:

	Offices		Logistic		Retail	
	6.2015	2014	6.2015	2014	6.2015	2014
€/sqm/month	8.0	8.0	3.3	3.3	7.7	7.9
Range in €	(4.1-20.1)	(3.5-21.6)	(2.3-15.7)	(2.3-15.7)	(3.5-25.7)	(3.9-25.7)

Geographically, half of the portfolio's income is derived from the three major cities, Berlin (21%), Hamburg (15%) and Frankfurt (13%) with a further 10% in Cologne, Dusseldorf, Stuttgart and Munich. 80% of the lettable area is in former West Germany. The largest 10 properties account for 40% of the portfolio's income.

As of 30 June 2015, the Net Market Value of the portfolio was €582.4 million (2014: €582.6 million), as set in the table below:

As of 30 June 2015			
Offices	Logistic	Retail	Total
384.9	113.3	84.2	582.4
66%	19%	14%	100%

During the reporting period, the Group sold three small properties at their book value of €1.8 million. The properties were previously classified as hold for sale as of 31 December 2014.

Residential projects under development

Spotting the increasing demand in the residential market, the Group has been engaged through a joint venture in the development of three residential projects in Berlin and is further negotiating to acquire land sites for additional residential developments.

The three projects are located in residential neighborhoods with high demand and are currently at different stages of development. While the first project is already 98% sold, the second and third projects have already reported 51% and 17% pre-sales respectively.

Successful deployment of placing proceeds post reporting period

Being confident in the level of the stability of our portfolio and equipped with the necessary funds from the recent capital raise, we took a further major step towards our targeted goal of expansion and acquired attractive properties after the end of the reporting period.

Striving to acquire high yielding properties while taking advantages of the market opportunities, the two acquisitions perfectly match our strategic objectives and constitute a superb addition to our strong property portfolio.

Portfolio acquisition via loan acquisition

In July 2015, we completed the purchase of a loan facility on a portfolio of six commercial properties in Germany, previously controlled by the Group. The total cost of the acquisition was approximately €40 million plus minor deal expenses, while the loan facility had a face value of €78 million.

The Portfolio consists of six office properties in good locations in Germany such as Düsseldorf, Heidelberg and Potsdam. It has an aggregate Net Lettable Area of 63,000 sqm and occupancy rate of 72%. The properties currently generate an aggregate Net Annual Rent of approximately €5.5 million, reflecting a rental yield of 13.8% on the acquisition cost.

The six properties were previously owned by the Group, but due to a breach of LTV covenants the Group de-consolidated them from December 31, 2012. As a result of the acquisition of the loan facility, we regained full control over the properties and will consolidate them commencing from the third quarter of 2015.

Apart from the considerable contribution to the Group's future cash flows, we believe that there are several opportunities to further enhance the value of the acquired properties through the letting of vacancies, part conversion to residential uses and development of surplus land.

Acquisition of an office building complex in Stuttgart

In August 2015, we acquired an office building complex in Stuttgart, at a total purchase price of approximately €55 million including acquisition cost.

The site of 135,000 sqm includes 63,000 sqm of lettable area at a current occupancy rate of 95% and bears rights for further development of additional 55,000 sqm. It is multi let to strong tenants with a current WALL of 9 years and aggregates a current rental income of approximately € 4.5 million. The expected NOI of € 4.1 million reflects an average net yield of 7.5% on acquisition costs.

As of the date of this report, the Group has already completed the acquisition of 90% of the properties and the completion of the binding agreement concerning 10% of the properties is expected to take place during the second half of 2015.

Dividend

Since listing on AIM, the Company has paid quarterly dividends at increasing rates.

In January 2015, prior to the Group's second fund raising, the Group has distributed dividend of 1.2 cents per share, reflecting an annual yield of 7.6% on the IPO price of 63 cent and on the amount of shares prior to the second fund raising.

In April 2015, shortly after the Group's second admission of shares, the Group distributed the next quarterly dividend. While the same amount of cash has been distributed to the shareholders, the dilutive effect of the new shares resulted in a dividend rate of 0.77 cents per share, reflecting an annual yield of 4.4% on the new amount of shares and on the higher placing price of 70 cents.

Whilst not having the placing proceeds fully deployed as of July 2015, but still acknowledging the importance of dividend to its shareholders, the Group has resolved to retain the July dividend distribution at the same level and announced dividend of 0.77 cents per share after the end of the reporting period. The dividend was paid to the shareholders in August 2015.

The board of directors believes that the deployment of the placing proceeds via new acquisitions of properties after the end of the reporting period and the improvement in the Group's FFO will enable the Group to increase its future dividends thus generating higher dividend yield to its shareholders.

Outlook

It has been an exciting period for the Group delivering on its strategy of growth and accomplishing great milestones. Keeping an eye on the horizon, we continued to devote all of our efforts in further strengthening our portfolio both operationally and financially.

Our strong asset management and marketing platform stabilized the improved rental income and occupancy of the properties and set a firm base for a healthy and successful expansion to come. In Parallel, our efforts to attain the most benefit of the current low interest environment in the financial markets has been clearly proven to be the right approach, as we managed to cut the cost of debt in half in the long term, creating an even more attractive secured yield gap.

While current yields for office and commercial properties keep swinging around 5%-7%, we have established a strong portfolio, which generates an average rental yield of 8%, securing a firm base for the Group from which to generate the designated expansion.

Acknowledging the positive contribution of a fast deployment of the proceeds, we pushed deals actively forward and were delighted to invest most of the proceeds shortly after the end of the reporting period. Both of the recent acquisitions fit perfectly to the nature of our portfolio and we are confident that they will enhance our stable cash flows and enable us to secure higher dividend yields to our investors.

We are aware that the current competition between credit providers and the ever increasing demand in the German real estate market will continue to cause prices to be pushed up steadily. Keeping an open eye over the situation we believe that there are still opportunities in the German real estate market from which the Group can benefit and sustain a cautious approach towards new accretive acquisitions opportunities that are currently in our pipeline.

Relying on our strong portfolio and focusing on the future we are confident to continue to deliver exceptional value to our shareholders by securing long term enhanced returns and attractive dividend yields.

Harry Hyman
Chairman

Zohar Levy
Managing Director

10 September 2015



Hafenstr. 16. Saarbrücken

Group Financial statements

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 2015 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 12. 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 2015 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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		June 30		December 31,
		2015	2014	2014
		(Unaudited)		(Audited)
Note		Euro (in thousands)		
ASSETS				
NON-CURRENT ASSETS:				
Investment properties	6	582,394	576,115	582,572
Other long-term assets	4	10,867	11,062	10,898
Deferred tax asset		506	626	565
Total non-current assets		593,767	587,803	594,035
CURRENT ASSETS:				
Trade receivables, net		1,350	1,939	2,347
Prepaid expenses and other current assets		8,634	10,302	4,915
Receivables from related parties	7	220	289	191
Investment in marketable securities at fair value through profit or loss	8	-	10,719	1
Cash and cash equivalents		97,182	10,258	9,736
Investment property held for sale		-	-	1,760
Total current assets		107,386	33,507	18,950
Total assets		701,153	621,310	612,985

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		June 30		December 31,
		2015	2014	2014
		(Unaudited)		(Audited)
	Note	Euro (in thousands)		
EQUITY AND LIABILITIES				
EQUITY:				
Share capital	11	(*) -	(*) -	(*) -
Distributable reserve		405,756	300,023	296,643
Reserves due to transactions with principal shareholder		2,216	2,216	2,216
Net unrealized gain reserve		351	(8,208)	(5,562)
Retained loses		(52,150)	(74,056)	(48,594)
Equity attributable to the owners of the Company		356,173	219,975	244,703
Non-controlling interests		11,382	7,913	10,326
Total equity		367,555	227,888	255,029
NON-CURRENT LIABILITIES:				
Interest-bearing loans and borrowings	5	297,189	296,875	272,594
Shareholders' loans	7	-	40,329	36,232
Other long-term financial liabilities		2,156	2,208	2,220
Derivative financial liabilities	8	649	3,551	3,969
Deferred tax liability		7,024	4,059	6,188
Total non-current liabilities		307,018	347,022	321,203
CURRENT LIABILITIES:				
Interest-bearing loans and borrowings	5	6,073	13,511	4,007
Derivative financial liabilities	8	1,197	4,151	1,086
Payables to related parties	7	3,420	1,325	8,438
Current tax liabilities		67	4,231	60
Trade and other payables		15,823	23,182	23,162
Total current liabilities		26,580	46,400	36,753
Total liabilities		333,598	393,422	357,956
Total equity and liabilities		701,153	621,310	612,985
NAV/Share (cent)	11(f)	77	75	83
EPRA NAV/Share (cent)	11(f)	78	79	87

(*) No par value.

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

10 September, 2015

Date of approval of the
financial statementsZohar Levy
Managing DirectorItay Braun
Finance Director

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended June 30		Year ended December 31,
		2015	2014	2014
		(Unaudited)		(Audited)
		Euro (in thousands)		
Rental income		22,140	20,269	43,363
Operating expenses		(1,285)	(1,462)	(3,505)
Gross profit		20,855	18,807	39,858
General and administrative expenses		(3,258)	(2,516)	(6,289)
Fair value adjustments of investment properties	6	(3,366)	28,433	34,669
Other (expenses) income		(4)	130	5,106
Operating profit		14,227	44,854	73,344
Financial income	9	925	12,323	30,085
Financial expenses	9	(17,402)	(12,680)	(29,450)
Total financial (expenses) income		(16,477)	(357)	635
(Loss) profit before taxes on income		(2,250)	44,497	73,979
Tax expenses		(602)	(1,121)	(3,098)
(Loss) profit for the period/year		(2,852)	43,376	70,881
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		(170)	(238)	(23)
Reclassified to profit and loss of ineffective hedging reserve, net		3,596	-	7,220
Net gain (loss) on hedging instruments entered into for cash flow hedges		2,839	(4,835)	(9,254)
Other comprehensive income (loss) for the period/year, net of tax		6,265	(5,073)	(2,057)
Total comprehensive income for the period/year		3,413	38,303	68,824
(Loss) profit attributable to:				
Owners of the Company		(3,556)	42,193	67,655
Non-controlling interests		704	1,183	3,226
		(2,852)	43,376	70,881
Total comprehensive income attributable to:				
Owners of the Company		2,357	37,753	65,861
Non-controlling interests		1,056	550	2,963
		3,413	38,303	68,824
(Loss) earnings per share:				
Basic (Euro per share)	10	(0.008)	0.152	0.237
Diluted (Euro per share)		(0.008)	0.152	0.237

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	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, 2015	(*) -	-	296,643	2,216	(5,562)	(48,594)	244,703	10,326	255,029
Profit (Loss) for the period	-	-	-	-	-	(3,556)	(3,556)	704	(2,852)
Other comprehensive profit for the period, net of income tax (**)	-	-	-	-	5,913	-	5,913	352	6,265
Total comprehensive profit (loss)	-	-	-	-	5,913	(3,556)	2,357	1,056	3,413
Dividend distribution (Note 11e)	-	-	(7,111)	-	-	-	(7,111)	-	(7,111)
Issue of shares, net of expenses (Note 11d)	-	-	116,224	-	-	-	116,224	-	116,224
Balance at June 30, 2015	(*) -	-	405,756	2,216	351	(52,150)	356,173	11,382	367,555

(*) No par value.

(**) Other comprehensive profit result mainly from the ineffectiveness hedging reserve. 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	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 (note 11C)	-	-	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

	Issued	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 December 31, 2013	(*) -	-	270,569	2,216	(3,768)	(116,249)	152,768	7,363	160,131
Profit for the year	-	-	-	-	-	67,655	67,655	3,226	70,881
Other comprehensive loss for the year, net of income tax (**)	-	-	-	-	(1,794)	-	(1,794)	(263)	(2,057)
Total comprehensive profit (loss)	-	-	-	-	(1,794)	67,655	65,861	2,963	68,824
Dividend distribution	-	-	(4,850)	-	-	-	(4,850)	-	(4,850)
Issue of shares, net of expenses (note 11c)	-	-	30,924	-	-	-	30,924	-	30,924
Balance at December 31, 2014	(*) -	-	296,643	2,216	(5,562)	(48,594)	244,703	10,326	255,029

(*) No par value.

(**) Mainly other comprehensive profit 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,
	2015	2014	2014
	(Unaudited)		(Audited)
	Euro (in thousands)		
Cash flows from operating activities:			
Profit (loss) for the period/year	(2,852)	43,376	70,881
Adjustments for:			
Deferred taxes	595	1,048	2,928
Sale of subsidiaries	(170)	-	(593)
Financial expenses (income), net	16,647	357	(42)
Fair value adjustment of investment properties	3,366	(28,433)	(34,669)
Depreciation of property, plant and equipment	21	24	48
Amortization and impairment of intangible assets	(343)	(127)	(839)
	20,116	(27,131)	(33,167)
Changes in operating assets and liabilities:			
Decrease (increase) in trade receivables	997	(162)	(570)
(Decrease) increase in trade and other payables	(1,696)	4,665	(203)
Increase in payables to related parties and shareholders	3,033	574	3,545
(Increase) decrease in prepaid expenses and other current assets	(355)	(5,961)	807
Increase (decrease) in other non-current liabilities	1,012	(694)	(668)
	2,991	(1,578)	2,911
Net cash flows provided by operating activities	20,255	14,667	40,625
Cash flows from investing activities:			
Payments of property, plant and equipment	(8)	(23)	(34)
Payments in respect to acquisition of subsidiaries	(504)	-	-
Proceeds from sale of Marketable securities	-	(136)	3,973
Proceeds from the sale of financial participations	330	1,075	1,075
Change in deposits	(2,194)	2,012	5,795
Increase in loan to third party	33	(689)	(1,108)
Payments for acquisitions of investment properties	(3,403)	(46,528)	(48,509)
Proceeds from sale of investment property	1,975	-	-
Interest income received	4	29	105
Net cash flows used in investing activities	(3,767)	(44,260)	(38,703)
Cash flows from financing activities:			
Proceeds from borrowings from banks	30,731	-	240,000
Net (repayments) proceeds from borrowings from related parties	(62,634)	(2,229)	2,799
Repayment of borrowings	(3,863)	(3,223)	(265,666)
Interest expense paid	(4,317)	(8,343)	(16,741)
IPO expenses paid	(290)	-	-
Net proceeds from issue of shares	116,224	30,924	30,924
Dividend distribution	(4,340)	(1,470)	(3,465)
Cost of raising loans paid	(553)	-	(4,229)
Net cash flows provided by (used in) financing activities	70,958	15,659	(16,378)
Increase (decrease) in cash and cash equivalents	87,446	(13,934)	(14,456)
Cash and cash equivalents at the beginning of period/year	9,736	24,192	24,192
Cash and cash equivalents at the end of period/year	97,182	10,258	9,736

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 parent company 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 February 2014, the Company issued 54,971,291 new ordinary shares at a price of 63c on the AIM Market of London Stock Exchange. 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 amounted to €31 million.

In February 2015, the Company raised an additional €120 million (excluding raising costs of approximately €4 million) through a placing of 171,428,571 new ordinary shares which were issued at a price of 70c on the AIM market of London Stock Exchange.

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.

The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements.

Reportable segments – The Group operates in one segment, being a commercial real estate in Germany. Therefore, no further segments information is presented.

Going concern

As of June 30, 2015, the Group had positive working capital of €81 million (2014: €18 million negative working capital) resulting mainly from the capital raise of €120 million (excluding raising costs of approximately €4 million) through placing on the AIM market of the London Stock Exchange in February 2015.

During the reporting period, the Group used part of the funds raised on the AIM market of the London Stock Exchange to repay its shareholders' loans (SHL loan). For more information please see note 7.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

NOTE 2: ACCOUNTING POLICIES (Cont.)

Going concern (Cont.)

As a result of the above events, the Group managed to strengthen its equity. The Group's property portfolio continues to generate a positive and stable cash flow that enables the Group to meet all its obligations.

The Group has to comply with various covenants set in the financing agreements with the banks. Management regularly reviews covenants compliance and monitors the Group's financial position and cash flow forecasts in light of the market indicators and business plans. As at the date of this report, the Group is in compliance with the aforementioned covenants as detailed in note 7 to the Group annual accounts for the year 2014 and in note 5.

On the basis of 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.

Application of new and revised international Financial Reporting Standards (IFRSs)

1. Amendments to IFRSs and the new Interpretation that are mandatorily effective for the current year

- **Application to IFRS 13 - "Fair Value Measurement" (scope of the portfolio exception for measuring on a net basis)**

The amendments to IFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

- **Amendment to IFRS 24 - "Related Party Disclosures" (key management personnel)**

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

- **Amendment to IAS 40 – "Investment Property (determination between investment property and business combination)**

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

- a) The property meets the definition of investment property in terms of IAS 40; and
- b) The transaction meets the definition of a business combination under IFRS 3.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT**NOTE 2: ACCOUNTING POLICIES (Cont.)****Application of new and revised international Financial Reporting Standards (IFRSs) (Cont.)****2. 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 Instruments¹
- IFRS 15 Revenue from Contracts with Customers²

- 1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
- 2 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

IFRS 9 Financial Instrument

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS9, 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 or loss.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT**NOTE 2: ACCOUNTING POLICIES (Cont.)****Application of new and revised international Financial Reporting Standards (IFRSs) (Cont.)****2. New and revised IFRSs in issue but not yet effective (Cont.)****Key requirements of IFRS 9 (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.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of IFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Group undertakes a detailed review.

IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

NOTE 2: ACCOUNTING POLICIES (Cont.)

Application of new and revised international Financial Reporting Standards (IFRSs) (Cont.)

2. New and revised IFRSs in issue but not yet effective (Cont.)

IFRS 15 Revenue from Contracts with Customers (Cont.)

- Step 1: Identify the contracts(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Company anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

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:

Valuation 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 at least 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 have been carried out for the six month period ended 30 June 2015 and the directors have carried out their own assessment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT**NOTE 3: CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont.)****Acquisition of assets:**

In regard to the transaction detailed in note 5 to the Group annual financial statements, 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.

Taxation

Uncertainties might exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the Group's international business relationships and the nature of contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. In previous years, the Group established provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates.

Deferred taxes

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

NOTE 4: OTHER LONG TERM ASSETS**Long-term loans receivable**

Other long term asset of €10,867 thousand includes loans to fund residential projects of €7.8 million.

As described in note 6(3) to the Group's annual financial statements for the year 2014, 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 June 30, 2015, the Group provided the funding at its maximum amount and accrued the related interest so that at the end of the reporting period the amount receivable is €7.8 million.

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 committed 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.

In 2014 the Group agreed to subordinate the loan it provided, in favour of a bank financing which was required for the projects.

The projects are in different stages of development. While the first project is already 98% sold, the second and third projects have already reported 51% and 17% pre-sales respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT**NOTE 5: INTEREST-BEARING LOANS AND BORROWING**

- a. In December 2014, the Group refinanced the €268 million of RBS loans with two German banks. For further details please see Note 7B to the Group annual accounts for the year 2014.
- b. In March 2015, the Group financed 9 out of 11 commercial properties acquired in April 2014. The loan was provided by a German bank at an interest rate of 1.96% per annum and amounts to €33 million, of which €2.5 million are subject to the future extension of certain leases. The seven years facility bears an amortization rate of 3% resulting in a repayment amount of approximately €24 million in March 31, 2022. Throughout the term of the loan, the borrowing entities are obliged to comply with the following covenants:
- LTV (Loan to Value) of 65%.
 - Debt service coverage ratio ("DSCR") of 125%.
 - WAULT - a weighted average lease remaining term - of at least 3 years.
- c. To the date of this report the borrowing entities comply with all the covenants set in its financing agreements.
- d. During the reporting period the Group completed the early repayment of the shareholder loan. For further details please see note 7a and Note 9.

NOTE 6: INVESTMENT PROPERTIES

	Euro in thousands
Balance at January 1, 2014	501,154
Additions during the year	48,509
Reclassification to property for sale (*)	(1,760)
Fair value adjustments during the year	34,669
Balance at December 31, 2014	<u>582,572</u>
Additions during the period	3,403
Disposal during the period (*)	(215)
Fair value adjustments during the period	(3,366)
Balance at June 30, 2015	<u>582,394</u>

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 valuers at least once a year and more frequently when significant changes to properties' value are identified. The valuations are performed using the income capitalisation 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. No external valuations have been carried out for the six month period ended 30 June 2015 and the directors have carried out their own assessment which resulted in revaluation of (€3.3m).

- (*) As of 31 December, 2014 properties valued at approximately €1.8 million were classified as held for sale. During the reporting period three properties were sold at their book value for a consideration of ca. €2 million (of which €1.8 million related to properties held for sale as noted above).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT**NOTE 6: INVESTMENT PROPERTIES (Cont.)****Additions after the reporting period**

- a. In July, 2015 the Group completed the acquisition of a loan facility of a portfolio of 6 commercial properties in Germany. The total cost of the acquisition was ca. €40 million plus minor deal expenses, while the loan facility amounted to €78 million.

The 6 properties were previously owned by the Group, but due to a breach of covenants (LTV) the Group de-consolidated them since December 31, 2012. As a result of the acquisition of the loan facility, the Group regained full control over the properties and it will consolidate them commencing the third quarter of 2015.

At acquisition date, the Portfolio consists of 6 office properties in Germany with an aggregate Net Lettable Area is 63,000 sqm and occupancy rate is 72%. The properties generate an aggregate Net Annual Rent of approximately €5.5 million.

- b. In August, 2015 the Group completed an acquisition of 90% of a 135,000 sqm property complex in Stuttgart, for a total purchase price of ca. €55 million including acquisition costs.

The site includes 63,000 sqm of lettable area and rights for further development of an additional 55,000 sqm. The properties are multi let with a current occupancy rate of 95% and WAULT of 9 years. The aggregate current Net Annual Rent is approximately €4.5 million.

The Group expect the completion of the acquisition of the remaining 10% of the transaction for approximately €5 million to take place before the end of 2015.

The management is currently assessing the effect of these transactions on the financial statements.

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
	2015	2014	2014	2015	2014	2014
	Euro in thousands					
Loan from related party (a)	-	-	-	-	45,804	44,464
Related parties (b)	220	289	191	3,420	1,325	8,438
	<u>220</u>	<u>289</u>	<u>191</u>	<u>3,420</u>	<u>47,129</u>	<u>52,902</u>

- (a) At the beginning of the reporting period, the Company exercised an option for an early repayment of the loan from SHL, its parent company ("Shareholder Loan"). The loan was provided by SHL in 2013 in order to finance an acquisition of part of the RBS debt, as detailed in Note 7a and 7c to the 2014 financial statements. The annual loan interest was 9.5% and the loan agreement included various financial covenants.

Following exercise of the early repayment option, the Company has fully repaid the Shareholders Loan during the reporting period, including its outstanding interests as of day of repayment and an early repayment fee which amounted to approximately €4.5 million (recognised as financing expense in the profit and loss).

- (b) Provision for management fees to the assets management company, including a provision for a performance based compensation (according to management agreement detailed below) in the amount of €375 thousand.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT**NOTE 7: BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Cont.)****Assets Management Company and ultimate controlling party**

At the date of this report Summit Real Estate Holdings Ltd ("SHL") holds approximately 50.01% 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. For the terms and conditions of the management agreement please refer to Note 13d of the Group annual accounts for the year 2014.

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).

	30 June 2015			
	Level 1	Level 2	Level 3	Total
	Euro in thousands			
Non-financial assets				
Investment properties	-	-	582,394	582,394
Available-for-sale financial assets				
Unquoted equity shares ^(a)	-	-	2,126	2,126
Total	-	-	584,520	584,520
Financial liabilities				
Derivative instruments - swaps ^(b)	-	(1,846)	-	(1,846)

(a) The change in unquoted equity shares from December 31, 2014 resulted mainly from the sale of financial participation for amount of €330 thousand.

(b) The change in derivative instruments from December 31, 2014 to June 30, 2015 was due to revaluations.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT**NOTE 8: FINANCIAL INSTRUMENTS' FAIR VALUE (Cont.)****Fair value measurements recognised in the statement of financial position (Con t.):**

	December 31, 2014			
	Level 1	Level 2	Level 3	Total
	Euro in thousands			
Non-financial assets				
Investment properties	-	-	584,332	584,332
Available-for-sale financial assets				
Unquoted equity shares	-	-	2,456	2,456
Hedging instruments:				
Foreign currency exchange instruments	-	774	-	774
Financial Assets carried at fair value through profit or loss				
Marketable securities	1	-	-	1
Total	1	774	586,788	587,563
Financial liabilities				
Derivative instruments - swaps	-	(5,055)	-	(5,055)
	30 June 2014			
	Level 1	Level 2	Level 3	Total
	Euro in thousands			
Non-financial assets				
Investment properties	-	-	576,115	576,115
Available-for-sale financial assets				
Unquoted equity shares	-	-	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	10,719	-	-	10,719
Total	10,719	1,888	578,357	590,964
Financial liabilities				
Derivative instruments - swaps	-	(7,702)	-	(7,702)

There were no movements between the levels during the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT**NOTE 9: FINANCIAL EXPENSES (INCOME)**

	Six months ended June 30		Year ended December 31
	2015	2014	2014
	Euro in thousands		
Financial expenses:			
Interest on bank borrowings	5,318	12,273	20,903
Cost of raising loans -amortization	369	124	690
Reclassification of hedging instruments reserve (**)	-	-	7,220
Expenses on currency exchange (*)	3,516	-	-
Release of Hedging reserve (*)	3,596	-	-
Early repayment penalty (*)	4,446	-	-
Other	157	283	637
Total financial expenses	17,402	12,680	29,450
Financial income:			
Interest income on short-term deposits	4	29	105
Income from refinancing	-	-	13,496
Hedging reserve	-	9,134	11,661
Income from marketable securities	-	1,421	1,340
Income on currency exchange	-	774	1,913
Other	921	965	1,570
Total financial income	925	12,323	30,085

(*) Non-recurring expenses as a result of the repayment of the Shareholders Loan, as described in Note 7a.

(**) As a result of new hedging agreements signed in December 2014 as part of the refinancing transaction (note 7B 3 in Group annual account for the year 2014) the hedging reserve which was outstanding as of the refinancing transaction date was reclassified to the profit and loss, in amount of €7.2 million. The total effect of the swap transactions detailed above on the financial statements ended December 2014 sum up to ca. €4.5 million financial income.

NOTE 10: (LOSS) EARNINGS PER-SHARE

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

	Six months ended June 30		Year ended December 31
	2015	2014	2014
	Euro in thousands		
(Loss) earnings			
(Loss) earnings for the purposes of basic earnings per share being net (loss) profit attributable to owners of the Company	(3,556)	42,193	67,655

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT**NOTE 10: (LOSS) EARNINGS PER-SHARE (Cont.)**

	Six months ended June 30		Year ended December 31
	2015	2014	2014
	in thousands		
Number of shares			
Weighted average number of ordinary shares for the purposes of the basic earnings per share	<u>434,924</u>	<u>276,964</u>	<u>285,514</u>
	Six months ended June 30		Year ended December 31,
	2015	2014	2014
	(Unaudited)		(Audited)
(Loss) earnings per share:			
Basic (Euro per share)	<u>(0.008)</u>	<u>0.152</u>	<u>0.237</u>
Diluted (Euro per share)	<u>(0.008)</u>	<u>0.152</u>	<u>0.237</u>

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, 2014	239,000,000
Issue of shares	<u>54,971,291</u>
At June 30, 2014	293,971,291
Change in the period	<u>-</u>
At December, 2014	293,971,291
Issue of shares	<u>171,428,571</u>
At June 30, 2015	<u>465,399,862</u>

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.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT**NOTE 11: SHARE CAPITAL (Cont.)**

- c. In February 2014, the Company issued 54,971,291 new ordinary shares at a price of 63c on the AIM Market of London Stock Exchange. 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 amounted to €31 million.
- d. In February 2015, the Company issued 171,428,571 ordinary shares at a price of 70c by way of placing on the AIM market of the London Stock Exchange resulting in a raise of €120 million (excluding raising costs of approximately €4 million).

e. Distribution of Dividends

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

In January 2015, the Company declared a dividend of 1.2 cent per share. The total amount of €3.528 million was paid to the shareholders in March 2015.

In April 2015, the Company declared a dividend of 0.77 cent per share. The total amount of €3,584 million was paid to the shareholders in June 2015.

After the reporting date, in July 2015, the Company declared a dividend of 0.77 cent per share. The total amount of €3,584 million was paid to the shareholders in August 2015.

f. NAV and EPRA NAV:

	As of 30 June 2015		As of 30 June 2014		As of 31 December 2014	
	€, thousands	€, per share	€, thousands	€, per share	€, thousands	€, per share
NAV (*)	356,173	0.77	219,975	0.75	244,703	0.83
Financial derivative instruments (***)	1,846		7,702		5,055	
Deferred Tax, net	6,518		3,433		5,623	
EPRA NAV (**)	364,537	0.78	231,110	0.79	255,381	0.87

(*) Net Asset Value

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

(***) 2014 excluding Forex in respect of the shareholder's loan repaid after the end of the reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT**NOTE 12: SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD**

- a.** In July 2015, the Company declared a dividend of 0.77 cent per share. For further details please see Note 11e.
- b.** In July 2015, the Group completed the acquisition of a loan facility on a portfolio of 6 commercial properties in Germany at total purchase price of ca. €40 million plus deal expenses. For further details please see note 6a.
- c.** In August 2015, the Group completed in an agreement to acquire a complex of office buildings in Stuttgart, at total purchase price of ca. €55 million including acquisition cost. For further details please see note 6b.