



## Report And Accounts June 2017

**SUMMIT**  
Germany Ltd

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Carrée Seestraße GbR, Berlin

# Financial Highlights

## **Summit Germany Limited**

### **2017 Half Year Results**

We are pleased to present the interim results for the six months ended 30 June 2017 (“the Reporting Period”) for Summit Germany Limited and its subsidiaries (“the Group”).

#### **HY 2017 Highlights:**

#### **Financial Results**

##### **Profits**

- Net profit up 57.3% to €12.9 million (HY 2016: €8.2 million, FY 2016: €55.6 million)
- Profit Before Tax (PBT) increased by 46.9% to €14.1 million (HY 2016: €9.6 million, FY 2016: €63.9 million)
- Earnings Per Share (EPS) of 2.6 cents (HY 2016: 1.6 cents, FY 2016: 10.5 cents)

##### **NAV**

- EPRA NAV of €474.4 million (FY 2016: €466.3 million)
- EPRA NAV per share of €1.02 (FY 2016: €1.00)
- Group’s NAV increased 2.0% to €446.8 million (FY 2016: €437.9 million)

##### **Rent**

- Rental income of €28.4 million (HY 2016: €28.9, FY 2016: €57.2 million)
- Funds from Operations (FFO) of €17.5 million (HY 2016: €18.2 million, FY 2016: €34.9 million)

#### **Substantial portfolio expansion**

- €100 million new acquisition of a property portfolio located in Wolfsburg; 80,000 sqm of fully let properties with net rent of approximately €7.9 million p.a.; the contribution of this acquisition will benefit the results going forward
- Following recent acquisition, the portfolio increased to €896.5 million with 103 properties; 933,000 sqm of net lettable space (FY 2016: 100 properties at €797.8 million)
- Stable performance notwithstanding recent disposal of properties in comparison to 2016:
  - €67 million net rent p.a., equivalent to 7.5% rental yield
  - 92% occupancy over the portfolio’s majority (88% including properties for re-development)
- Further disposals of non-strategic assets enhance average portfolio quality: €2.5 million during the Reporting Period and additional €15.1 million post Reporting Period
- New joint venture projects for development of 95 residential units in Berlin

**Financing activities to enhance cash flows**

- 48% LTV with duration of 6 years. Intention to refinance some of the Group's debt
- €19.5 million of debt acquisition after the end of the Reporting Period financed by shareholder's loan and expected to generate cash flow savings of €1.3 million p.a.
- Shareholder's loan will be repaid upon refinancing of the acquired debt

**Dividend**

- Total dividend distributions of €4.75 million were paid in February 2017, reflecting 1.02 cents per share
- Additional €4.65 million paid in August 2017, reflecting 1.00 cents per share

**Harry Hyman, Chairman commented:** "In addition to the very reliable performance of the Group portfolio during the first half of the year, the acquisition and financing activity towards and shortly post the period end have further secured basis for a strong full year. We believe these very positive transactions will immediately contribute to the Group's profit and earnings and provide the potential for further growth."

**Zohar Levy, Managing Director commented:** "We keep improving the portfolio by disposal of non-strategic assets and acquisition of well-located assets with strong cash flow and high occupancy. We believe there's a substantial upside potential at the portfolio valuation and cash flow, at improving our financing and at accretive acquisitions and we are constantly working to achieve this".





Rahmhof, Schillestrasse 5, Frankfurt

# Chairman's and Managing Director's Report

## Chairman's and Managing Director's Report

We are pleased to present the interim results of Summit Germany Limited and its subsidiaries ("the Group") for the six months ended 30 June 2017.

This has been another positive period, during which we secured a material increase in the overall scale and quality of our commercial property portfolio and enhanced the tenant and geographical spread.

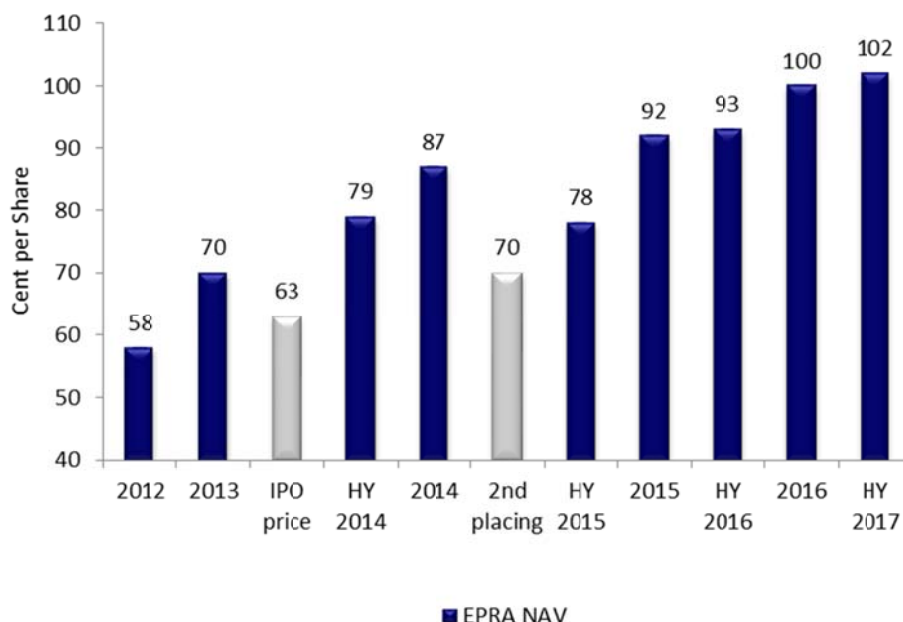
The key transaction was a €100 million acquisition of a commercial property portfolio in Wolfsburg ("the Wolfsburg Portfolio"), supplemented by disposal of non-strategic assets and a €19.5 million debt acquisition. These three transactions, which should immediately benefit cash flow and net reported earnings, were completed just prior and shortly post the Reporting Period and hence are not fully reflected in the interim results.

In addition to the above mentioned transactions, we have seen progress on other meaningful measures of portfolio performance. Ongoing asset management initiatives have underpinned occupancy and improved overall tenant quality to support income certainty and stability.

The portfolio's geographical and sector spread has continued to strengthen and we believe that a greater portfolio scale should enhance net returns and will enable us to leverage our existing asset management platform. It is our intention to continue to actively manage the portfolio to unlock steady, incremental improvements in asset performance.

### Financial Review

EPRA NAV increased by 1.7% to €474.4 million as at 30 June 2017 (FY 2016: €466.3 million). This is mainly due to a €17.5 million FFO<sup>1</sup> contribution, which was partly offset by €3.8 million revaluation expense (due to capex) and €4.7 million dividends distributed during the period. EPRA NAV per share was correspondingly approximately 2% higher at €1.02 (FY 2016: €1.00). The Group's IFRS NAV increased 2.0% to €446.8 million (FY 2016: €437.9 million).



<sup>1</sup> As presented on page 4

As at 30 June 2017 the portfolio consisted of 103 assets, with a Net Market Value (“NMV”) of €896.5 million (FY 2016: 100 properties at €797.8 million), including €15.1 million in respect of properties held for sale (FY 2016: one property at €2.2 million). The increase in NMV mainly reflects the recent €100 million portfolio acquisition described in detail below. See Note 5.

### Strong and stable performance

During the Reporting Period, we continued our active asset management approach to secure lettings and maintain the rental income and high occupancy rate of the portfolio.

The acquisition of the Wolfsburg Portfolio was completed at period end, therefore not impacting on the Reporting Period’s rental income and the respective profit and loss measures. It was due to our excellent landlord and tenant relationships, which have enabled us to keep rental income level stable, despite the disposal of properties in recent periods.

As a result, rental income amounted to €28.4 million (HY 2016 €28.9 million, FY 2016: €57.2 million), reflecting only a minor decrease, mainly due to the disposal of a property in Hamburg in the final quarter of last year.

That minor change in the rental income affected the Gross Profit which amounted to €26.2 million as of period end (HY 2016: €26.7 million, FY 2016: €52.7 million). FFO was correspondingly 3.8% lower at €17.5 million (HY 2016: €18.2 million, FY 2016: €34.9 million), as set out in the table below:

FFO (€'mm)	30.6.2017	30.6.2016	31.12.2016
Gross profit	26.2	26.7	52.7
G&A expenses	-3.5	-3.5	-7.4
Interest expenses, net	-5.2	-5.0	-10.4
<b>FFO</b>	<b>17.5</b>	<b>18.2</b>	<b>34.9</b>
Weighted ave. amount of shares (million)	465	465	465
<b>FFO per share (cents)</b>	<b>3.8</b>	<b>3.9</b>	<b>7.5</b>

PBT was 47% ahead of the comparable figure for the first half of last year and amounted to €14.1 million as of the end of the Reporting Period (HY 2016: €9.6 million, FY 2016: €63.9 million). Whereas most of the expenses remain broadly in line, the increase in PBT was attributable to revaluation expense, which was approximately 60% lower compared to prior period. This revaluation expense is a result of capital expenditure and tenant improvements, which are not reflected in the portfolio’s NMV as of period end but improved the properties and are expected to increase the respective properties’ value by year end valuation.

PBT (€'mm)	30.6.2017	30.6.2016	31.12.2016
Gross profit	26.2	26.7	52.7
G&A expenses	-3.5	-3.5	-7.4
Fair value adjustments of investment properties	-3.8	-8.8	28.2
Financial expenses (net)	-5.2	-5.1	-10.0
Other	0.5	0.3	0.5
<b>Profit Before Taxes</b>	<b>14.1</b>	<b>9.6</b>	<b>63.9</b>



The increase in PBT contributed to the Net Profit which was 57% higher at €12.9 million (HY 2016: €8.2 million, FY 2016: €55.6 million), resulting in EPS of 2.6 cents (HY 2016: 1.6 cents, FY 2016: 10.5 cents).

EPS (€'mm)	30.6.2017	30.6.2016	31.12.2016
Profit attributable to ordinary shareholders	12.0	7.7	49.0
No. of shares	465	465	465
<b>Earnings Per Share (cents)</b>	<b>2.6</b>	<b>1.6</b>	<b>10.5</b>

## Financing activities underpin stable cash flows

Our ongoing intensive financing activities are well reflected in the Group's success in locking interest rates and stabilising essential cash flows over the long term. We took an active approach towards financing and succeeded in optimising capital structure by keeping leverage level low at 48% (FY 2016: 46%) while maintaining the weighted average term of the Group's aggregated debt at almost 6 years.

The table below sets out the main details of the Group debt facilities as of 30 June 2017, which include among others the €70 million credit facility of the Wolfsburg Portfolio, which was recently acquired by way of a share purchase. Further detail on the Group's credit facilities are provided in Note 7 of the Group's financial statements.

Credit Facility	Financing Date		Loan Amount (€mn)	Interest	Amort'	Market Value (€mn)	Loan to Value		DSCR Ratio	
	Start	Maturity					Cov'	Actual	Cov'	Actual
1	12.2014	12.2021	61	3.14%	3.42%	160.7	70%	38%	NR	NR
2	12.2014	12.2021	143	3.14%	3.42%	296.3	75%	48%	NR	NR
3	03.2015	3.2022	31	2.00%	3.00%	66.1	65%	47%	125%	272%
4	11.2013	11.2018	22	2.66%	2.00%	38.0	75%	57%	145%	157%
5	10.2012	12.2021	5	e+1.75%	3.00%	11.8	NR	NR	125%	292%
6	10.2012	2.2019	10	e+1.75%	2.65%	17.8	NR	NR	125%	234%
7	6.2014	5.2024	70	5.00%	3.12%	101.2	NR	NR	NR	NR
8	1.2016	1.2026	10	1.80%	3.00%	16.7	NR	NR	NR	NR
9	3.2016	3.2026	18	2.26%	2.50%	27.5	NR	NR	NR	NR
10	4.2016	3.2026	38	2.25%	4.15%	59.7	NR	NR	NR	NR
11	9.2016	8.2026	4	2.10%	3.50%		NR	NR	NR	NR
12	12.2016	12.2026	16	1.76%	3.00%	21.4	NR	NR	NR	NR
Other			1			0.0	NR	NR	NR	NR
Unpledged Properties						79.2				
			<b>429</b>			<b>896.5</b>	<b>48%</b>			

Shortly after the Reporting Period, we succeeded in further enhancing cash flows when we entered into an agreement with one of our lenders to acquire, for €19.5 million, a debt secured over existing Group assets. The acquired debt has a remaining term of approximately five years, with annual debt service costs of €2.9 million, which is payable to the Group following the transaction.

This transaction was funded via a new loan agreement between the Group and its majority shareholder, Summit Real Estate Holdings Ltd (SREH). SREH provided the Group with a matching €19.5 million unsecured bridge loan at 8% per annum, with no amortisation, resulting in a net annual benefit of approximately €1.3 million to the Group's future cash flow savings. Further details are set out on Note 7.

The Group intends to refinance the properties upon which the acquired debt is secured and to use the funds to repay the shareholder loan within three to sixteen months.

## Accretive acquisitions

Notwithstanding the attractive additions to the Group's portfolio, we constantly examine and evaluate potential additions to our portfolio, while strictly maintaining our acquisitions criteria. Focusing on high quality assets with strong income characteristics and strong tenants, we completed the acquisition of the Wolfsburg Portfolio before the Reporting Period end.

The total purchase price of approximately €100 million including acquisition costs, and net of liabilities of €70 million, was financed out of the Group's existing cash of €30 million.

The portfolio is well-located in four different sites in the city of Wolfsburg, the location of Volkswagen headquarters and the world's biggest car plant. It generates €7.9 million contracted annual net rent from strong tenants, which is equivalent to a 7.9% p.a. net initial rental yield.

It comprises 80,000 sqm of lettable space constructed between 1999 and 2014, on sites which cover, in aggregate, over 130,000 sqm. It is fully let, with approximately 60% to the Volkswagen group via 15 different leases, and the balance to other leading automotive industry companies.

The above mentioned quality characteristics of the acquired portfolio and the potential to apply our asset management skills to unlock further latent value made it an excellent strategic addition to the Group's portfolio. Apart from increasing the Company's NMV to €896.5 million, the acquisition also increased the Group's contracted net rent roll from €58 million to €67 million. The effect of the later, however, will be reflected in future reporting periods.

## Property portfolio overview

At the end of June 2017, the Group's aggregate portfolio comprised 103 assets, ca. 933,000 sqm of net lettable space, located on approximately 1,520,000 sqm of land.

The net annualised contracted income of the portfolio at Reporting Period end was €67 million. That is equivalent to a 7.5% p.a. net yield, receivable from ca. 650 tenants. Rent uplifts are either linked to CPI, or subject to agreed fixed annual increases.

Type	No. of Assets	Land Size (sqm'000)	Lettable (sqm'000)	Vacant (sqm'000)	Net Rent (€mn)	Rent/sqm /month	Capital Value (€/sqm)	Yield
Office	52	728	558	60	49	8.1	1,195	7.3%
Retail	32	206	85	16	7	8.0	948	8.2%
Logistic	19	587	290	32	12	3.8	512	8.0%
<b>All segments</b>	<b>103</b>	<b>1,520</b>	<b>933</b>	<b>108</b>	<b>67</b>	<b>6.8</b>	<b>961</b>	<b>7.5%</b>

80% of the Portfolio's income is derived from strong tenants. It is multi-let with no dependency on key tenants and is also well diversified from sector and geographical perspectives, as illustrated overleaf.

Over 50% of group rent is generated from assets located in Germany's five main cities, Berlin (18%), Frankfurt (13%), Stuttgart (9%), Hamburg (8%) and Dusseldorf (3%). Another 36% is derived from Cologne, Munich and other major cities combined resulting with more than 88% in Germany's major cities. The largest ten properties account for 40% of portfolio income, and 83% of the lettable area is in the former West Germany.

The average rent/sqm per month for the year-end portfolio is set out in the table below, with comparison between distinct commercial sectors.

	Offices		Logistic		Retail	
	6.2017	12.2016	6.2017	12.2016	6.2017	12.2016
€/sqm/month	8.1	7.9	3.8	3.6	8.0	8.0
Range in €	(4.8-20.7)	(4.7-20.5)	(2.3-7.0)	(2.3-5.9)	(3.0-25.7)	(4.0-25.7)

Aggregate portfolio occupancy is currently approximately 88%. The vacancy rate reflects, among others, assets held for future redevelopment. Assuming the portfolio was fully occupied, annualised net rent would be approximately €74.1m p.a., equivalent to an 8.3% p.a. yield on current book value.

Portfolio occupancy and income, adjusted for acquisitions and disposals, have both been stable over the last years. Net of disposals during the Reporting Period, lettings were steady and occupancy was maintained at around 92% for the majority of the portfolio.

This stability reflects the Group's strong landlord and tenant relationships, as well as the success of our experienced asset management team and direct approaches made by our marketing unit. During the Reporting Period, we signed new leases for approximately 26,000 sqm, and renewed existing lease agreements for another 68,000 sqm. This is worth a total of approximately €5.8 million p.a.

Offices are the largest component of the portfolio as at 30 June 2017 and comprised 74.4% of the NMV and 73.1% of Net Rent (FY 2016: 73.2% and 70.7% respectively). This is fully in line with our long-term strategy to focus on this segment, as it is where we see interesting and attractive prospects. It is an area in which we can capitalise upon management depth of experience and one where we have a proven competitive advantage.

Offices	Logistic	Retail	Total NMV
667.1	148.6	80.8	896.5
74.4%	16.6%	9.0%	100%



**NMV By Sector**

We remain confident regarding the prospects for German commercial property, which we believe are characterised by steady demand and positive economic outlook.



## New residential development in Berlin

The Group has been engaged through joint ventures in residential development projects to benefit from the ongoing demand for such property in Berlin. The projects are at different stages of progress and are all located in high demand residential neighbourhoods.

During the Reporting Period, the Group has been engaged in two new projects for development of 95 residential units in Berlin. More detail on this is set out in Note 6.

## Disposal of non-strategic assets

As part of our strategy to improve the overall quality of the Group's portfolio by focusing on substantial properties in strong locations, we disposed of a portfolio of 18 smaller non-strategic properties shortly after the end of the Reporting Period.

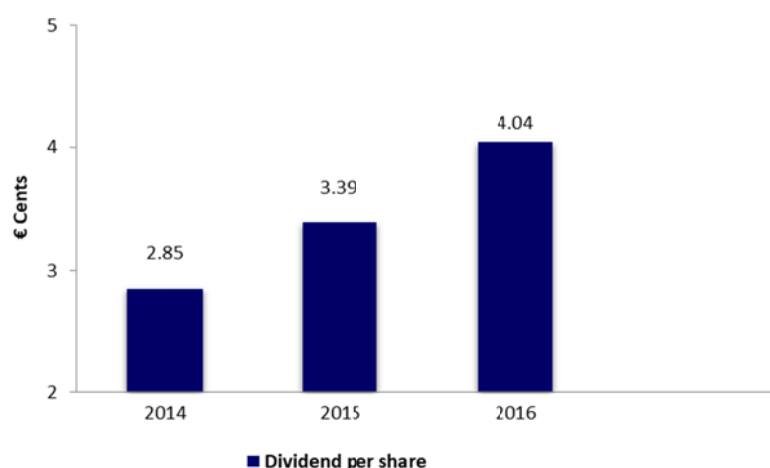
The sale price was in line with the assets' 2016 year-end NMV of approximately €15 Million and was settled by €9.1 million in cash, and the balance left outstanding on a five-year loan. The loan bears an average annual interest rate of 3% and is secured over the assets and the shares of the companies in which they are held.

The Group used most of the cash proceeds to repay part of its existing debt facilities, which further improves the underlying strength of the Group portfolio.

## Dividend

During the Reporting Period the Group announced a 1.00 cent per share in relation to the fourth dividend of 2016. The total amount of €4.65 million was paid to shareholders post Reporting Period, in August 2017.

The Group intends to continue and pay quarterly dividends to its shareholders.



## Outlook

The portfolio performed steadily in the Reporting Period, underpinned by the benefits of ongoing asset management on net rent and FFO, offsetting to the impact of asset sales in 2016. We expect further progress in this respect in the second half of the year, as transactions completed just prior to the period end will further enhance portfolio returns.

The successful acquisition of the Wolfsburg portfolio again demonstrates our ability to continue to source and conclude deals on attractive, cash flow and earnings enhancing terms. We believe it improves the spread and diversity of the Group portfolio, adding strong tenants in a vibrant commercial location.

Our core strategic focus is intensive management of existing assets and improvements to the terms of supporting finance. We actively manage tenant relationships, and continue to allocate resources where we see opportunities to enhance net rent and revenue certainty. This includes capital expenditure and tenant improvements, renegotiation of leases and tenancy agreements.

We remain committed to building portfolio scale via acquisitions and also plan to continue to dispose of assets with inferior growth prospects in order to strengthen the portfolio by using the net proceeds to fulfill strategic plans.

We will continue to review potential acquisitions under our strict criteria, and pursue those which are well located and let to strong tenants. We expect this to remain a driver of portfolio growth over the next periods and to be funded principally from proceeds of asset sales, and new debt which still available at attractive rates.

Germany's attractions as a relatively stable investment market remain intact. It has a growing economy and a real estate market underpinned by a shortage of quality lettable space, declining vacancy rates and strong investment flows. We strongly believe that this environment will further complements our core objectives and enable us to focus on earnings enhancing initiatives to continue to deliver attractive income and capital returns for our shareholders.

Harry Hyman  
Chairman

Zohar Levy  
Managing Director

26 September 2017



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 2017 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 flow 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 financial report in accordance with the AIM Rules of the London Stock Exchange.

As disclosed in note 2, 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 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 2017 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**

Guernsey, Channel Islands

26 September 2017

Summit Germany Limited Half Year Report: 30 June 2017

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

		30 June		31 December
		2017	2016	2016
		(Unaudited)		(Audited)
	Note	Euro (in thousands)		
ASSETS				
NON-CURRENT ASSETS:				
Investment properties	5	881,457	770,960	795,579
Other long-term assets	6	20,272	7,266	12,093
Deferred tax asset		553	875	655
Total non-current assets		902,282	779,101	808,327
CURRENT ASSETS:				
Cash and cash equivalents		24,614	40,461	54,158
Trade receivables, net		1,316	1,562	1,297
Prepaid expenses and other current assets		18,034	19,524	16,133
Receivables from related parties	8	165	80	169
Investment property held for sale	5	15,060	1,338	2,242
Total current assets		59,189	62,965	73,999
Total assets		961,471	842,066	882,326

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

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

		30 June		31 December
		2017	2016	2016
		(Unaudited)		(Audited)
	Note	Euro (in thousands)		
EQUITY AND LIABILITIES				
EQUITY:				
Share capital	12	(*) -	(*) -	(*) -
Other reserve		374,242	389,430	377,378
Retained gain		72,512	19,142	60,514
Equity attributable to the owners of the Company		446,754	408,572	437,892
Non-controlling interests		23,841	15,410	21,787
Total equity		470,595	423,982	459,679
NON-CURRENT LIABILITIES:				
Interest-bearing loans and borrowings	7	409,707	353,107	349,526
Other long-term financial liabilities	6	3,893	1,942	1,972
Derivative financial liabilities	9	4,088	9,031	6,248
Deferred tax liability		22,467	14,109	21,127
Total non-current liabilities		440,155	378,189	378,873
CURRENT LIABILITIES:				
Interest-bearing loans and borrowings	7	15,508	10,050	11,804
Derivative financial liabilities	9	1,648	1,735	1,675
Payables to related parties	8	5,835	2,657	5,507
Current tax liabilities		73	65	65
Trade and other payables		27,657	25,388	24,723
Total current liabilities		50,721	39,895	43,774
Total liabilities		490,876	418,084	422,647
Total equity and liabilities		961,471	842,066	882,326
NAV/Share (cent)	12(d)	95.99	87.79	94.09
EPRA NAV/Share (cent)	12(d)	101.93	92.95	100.19

(\*) No par value.

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

26 September 2017

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



**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

		Six months ended 30 June		Year ended 31 December
		2017	2016	2016
		(Unaudited)		(Audited)
Note		Euro (in thousands)		
Rental income		28,402	28,909	57,168
Operating expenses		(2,211)	(2,226)	(4,485)
Gross profit		26,191	26,683	52,683
General and administrative expenses		(3,541)	(3,479)	(7,436)
Fair value adjustments of investment properties	5	(3,786)	(8,816)	28,203
Other income		473	330	486
Operating profit		19,337	14,718	73,936
Financial income	10	935	612	1,779
Financial expenses	10	(6,161)	(5,736)	(11,815)
Total financial expenses		(5,226)	(5,124)	(10,036)
Profit before taxes on income		14,111	9,594	63,900
Taxation		(1,212)	(1,425)	(8,353)
Profit for the period/year		12,899	8,169	55,547
Other comprehensive income and expenses:				
Items that may be reclassified subsequently to profit or loss:				
Net gain arising on revaluation of available-for-sale financial assets		-	-	123
Net gain (loss) on hedging instruments entered into for cash flow hedges		1,789	(4,816)	(2,472)
Other comprehensive (loss) income for the period/year, net of tax		1,789	(4,816)	(2,349)
Total comprehensive income for the period/year		14,688	3,353	53,198
Profit for the period/year attributable to:				
Owners of the Company		11,998	7,665	49,037
Non-controlling interests		901	504	6,510
		12,899	8,169	55,547
Total comprehensive income attributable to:				
Owners of the Company		13,516	3,511	46,973
Non-controlling interests		1,172	(158)	6,225
		14,688	3,353	53,198
Earnings per share:				
Basic (Euro per share)	11	0.026	0.016	0.105
Diluted (Euro per share)		0.026	0.016	0.105

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

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Equity attributable to owners of the Company					Total equity
	Issued capital	Other Reserve (Note 12)	Retained Earnings	Total equity attributable to owners of the parent Company	Non-Controlling interests	
	Euro in thousands					
Balance at 1 January 2017	(*) -	377,378	60,514	437,892	21,787	459,679
Profit for the period	-	-	11,998	11,998	901	12,899
Other comprehensive profit for the period, net of income tax	-	1,518	-	1,518	271	1,789
<b>Total comprehensive profit</b>	-	1,518	11,998	13,516	1,172	14,688
Dividend distribution (Note 12c)	-	(4,654)	-	(4,654)	-	(4,654)
Additional non-controlling interest on acquisition of subsidiary	-	-	-	-	882	882
<b>Balance at 30 June 2017</b>	(*) -	<b>374,242</b>	<b>72,512</b>	<b>446,754</b>	<b>23,841</b>	<b>470,595</b>

(\*) No par value.

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

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Equity attributable to owners of the Company				Non-Controlling interests	Total equity
	Issued capital	Other Reserve (Note 12)	Retained Earnings	Total equity attributable to owners of the parent Company		
	Euro in thousands					
Balance at 1 January 2016	(*) -	398,007	11,477	409,484	15,218	424,702
Profit for the period	-	-	7,665	7,665	504	8,169
Other comprehensive loss for the period, net of income tax	-	(4,154)	-	(4,154)	(662)	(4,816)
<b>Total comprehensive profit (loss)</b>	-	(4,154)	7,665	3,511	(158)	3,353
Dividend distribution	-	(4,423)	-	(4,423)	-	(4,423)
Additional non-controlling interest on acquisition of subsidiary	-	-	-	-	350	350
<b>Balance at 30 June 2016</b>	(*) -	<b>389,430</b>	<b>19,142</b>	<b>408,572</b>	<b>15,410</b>	<b>423,982</b>

(\*) No par value.

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

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Equity attributable to owners of the Company					Total equity
	Issued capital	Other Reserve (Note 12)	Retained Earnings	Total equity attributable to owners of the parent Company	Non-Controlling interests	
	Euro in thousands					
<b>Balance at 1 January 2016</b>	(*) -	398,007	11,477	409,484	15,218	424,702
Profit for the year	-	-	49,037	49,037	6,510	55,547
Other comprehensive loss for the year, net of income tax	-	(2,064)	-	(2,064)	(285)	(2,349)
<b>Total comprehensive profit (loss)</b>	-	(2,064)	49,037	46,973	6,225	53,198
Dividend distribution	-	(18,565)	-	(18,565)	-	(18,565)
Additional non-controlling interest on acquisition of subsidiary	-	-	-	-	344	344
<b>Balance at 31 December 2016</b>	(*) -	377,378	60,514	437,892	21,787	459,679

(\*) No par value.

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

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Six months ended 30 June</b>		<b>Year ended 31 December</b>
	<b>2017</b>	<b>2016</b>	<b>2016</b>
	<b>(Unaudited)</b>		<b>(Audited)</b>
	<b>Euro (in thousands)</b>		
<b>Cash flows from operating activities:</b>			
Profit for the period/year	12,899	8,169	55,547
Adjustments for:			
Deferred taxes	1,149	1,306	8,155
Financial expenses, net	5,226	5,124	10,036
Fair value adjustment of investment properties	3,786	8,816	(28,203)
Depreciation of property, plant and equipment	13	16	44
Amortization and impairment of intangible assets	(133)	(573)	54
	10,041	14,689	(9,914)
Changes in operating assets and liabilities:			
Decrease in trade receivables	45	82	348
Decrease in trade and other payables	(1,165)	(4,447)	(3,225)
Increase in payables to related parties and shareholders	252	470	858
Decrease (Increase) in prepaid expenses and other current assets	529	(51)	727
(Decrease) Increase in other non-current liabilities	(37)	1,523	20
	(376)	(2,423)	(1,272)
<b>Net cash flows from operating activities</b>	<b>22,564</b>	<b>20,435</b>	<b>44,361</b>
<b>Cash flows from investing activities:</b>			
Payments of property, plant and equipment	(270)	(5)	(31)
Net cash outflow on acquisition of asset companies	(25,961)	(38,499)	(38,506)
Change in deposits	1,057	(3,242)	(1,591)
Increase in loan to third party	(6,353)	(542)	(5,009)
Payments for acquisitions of investment properties	(6,631)	(4,217)	(10,917)
Proceeds from sale of investment property	2,500	3,297	18,597
Interest income received	972	-	1,528
<b>Net cash flows from investing activities</b>	<b>(34,686)</b>	<b>(43,208)</b>	<b>(35,929)</b>
<b>Cash flows from financing activities:</b>			
Proceeds from borrowings from banks	-	69,000	90,652
Repayment of borrowings	(7,264)	(29,426)	(54,101)
Interest expense paid	(5,430)	(5,500)	(10,590)
Dividend distribution	(4,728)	(4,423)	(13,818)
<b>Net cash flows from financing activities</b>	<b>(17,422)</b>	<b>29,651</b>	<b>12,143</b>
(Decrease) increase in cash and cash equivalents	(29,544)	6,878	20,575
Cash and cash equivalents at the beginning of period/year	54,158	33,583	33,583
Cash and cash equivalents at the end of period/year	24,614	40,461	54,158

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



**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****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 19 April 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.

**NOTE 2: ACCOUNTING POLICIES****Basis of preparation:**

The annual financial statements of Summit Germany Limited are prepared in accordance with IFRSs as adopted by the European Union. The same accounting policies and methods of computation have been applied to the Unaudited Condensed Interim Financial Statements as in the Annual Financial Report at 31 December 2016. The presentation of the Unaudited Condensed Interim Financial Statements is consistent with the Annual Financial Report.

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 and methods of computation have been applied to the Unaudited Condensed Interim Financial Statements as in the Annual Financial Report at 31 December 2016. The presentation of the Unaudited Condensed Interim Financial Statements is consistent with the Annual Financial Report.

**Going concern**

The directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the condensed financial statements.

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

**In the current financial year, the Group has adopted the following Amendments to IFRSs:**

- **IAS 34 "Interim Financial Reporting" (Disclosure of Information Elsewhere in the Financial Reporting):**

The Amendment clarifies that information appearing in the interim financial reporting, but not within the financial statements themselves, must be included by a reference from the interim financial statements to the other location in the interim financial reporting, available to the users of the reports, under the same terms and time as in the financial statements. The Amendment is implemented retrospectively for annual period commencing on 1 January 2016.

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

### **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 to the annual accounts, 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.

#### **Key sources of estimation uncertainty:**

The key assumptions concerning the future and other key sources of estimation uncertainty at the consolidated statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in the annual accounts.

#### **Revaluation of investment properties:**

The Group carries its investment properties at fair value, with changes in fair values being recognised in 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.

The determined fair value of the investment properties is sensitive to the estimated yield as well as the long term vacancy rate. See note 5 for further information.

#### **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.

#### **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 (See also note 17 to the annual accounts).

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

In regard to the transactions detailed in note 5, the Group management and the Directors have reviewed the characteristics of the transaction and the properties over which control was acquired by the Group, in accordance with the requirements of IFRS 3. 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.

**NOTE 4: ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS****A) Amendments to standards affecting the current period and / or previous reporting periods:****\* Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses**

The amendments clarify the following:

1. Decreases below cost in the carrying amount of a fixed-rate debt instrument measured at fair value for which the tax base remains at cost give rise to a deductible temporary difference, irrespective of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use, or whether it is probable that the issuer will pay all the contractual cash flows;
2. When an entity assesses whether taxable profits will be available against which it can utilise a deductible temporary difference, and the tax law restricts the utilisation of losses to deduction against income of a specific type (e.g. capital losses can only be set off against capital gains), an entity assesses a deductible temporary difference in combination with other deductible temporary differences of that type, but separately from other types of deductible temporary differences;
3. The estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and
4. In evaluating whether sufficient future taxable profits are available, an entity should compare the deductible temporary differences with future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****NOTE 4: ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS (Cont.)****B) New and revised IFRSs in issue but not yet effective****\* 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.

- 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 an 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. The standard is effective for annual reporting periods beginning on or after 1 January 2018.

**IFRS 16 Leases**

In January 2016, the IASB published IFRS 16 Leases. The new Standard supersedes IAS 17 Leases and its associated interpretative guidance.

IFRS 16 applies a control model to the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the customer.

IFRS 16 introduces significant changes to lessee accounting it removes the distinction between operating and finance leases under IAS 17 and requires a lessee to recognise a right-of-use asset and a lease liability at lease commencement for all leases, except for short-term leases and leases of low value assets.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****NOTE 4: ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS (Cont.)****B) New and revised IFRSs in issue but not yet effective (Cont.)****\* IFRS 16 Leases (Cont.)**

IFRS 16 is effective for reporting periods beginning on or after 1 January 2019 with early application permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16.

The Group does not expect that this standard will have a significant effect on its financial statements.

**NOTE 5: INVESTMENT PROPERTIES**

	<b>Euro in thousands</b>
Balance at 1 January 2016	731,748
Additions during the year	52,885
Disposals during the year	(15,015)
Reclassification to property held for sale (a)(1)	(2,242)
Fair value adjustments during the year	28,203
Balance at 31 December 2016	<u>795,579</u>
Additions during the period (b)	104,982
Disposals (a)(1)	(258)
Reclassification to property held for sale (a)(2)	(15,060)
Fair value adjustments during the period	(3,786)
Balance at 30 June 2017	<u>881,457</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.

For the reporting period, no independent external valuation was performed. The Company obtained an opinion letter from its external valuer indicating no major change in overall portfolio value.



## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

### **NOTE 5: INVESTMENT PROPERTIES (Cont.)**

#### **a. Disposal**

- (1)** As of 31 December 2016, property valued at approximately €2.2 million was classified as held for sale. During the reporting period, the property was sold for a consideration similar to their carrying amount.
- (2)** As of 30 June 2017, 18 properties valued at approximately €15.1 million were classified as held for sale. After the reporting period, these properties were sold for a consideration of €15 million, similar to their book value.

€9.1 million of the purchase price was paid in cash and was mostly used to part repay one of the Company's debt facilities. The remaining balance will be paid through a five-year loan bearing an average annual interest rate of 3% and secured by a first rank mortgage over the sold properties and the shares of the companies in which they are held.

#### **b. Additions**

In June 2017, the Group completed an acquisition of a portfolio of commercial properties located in four different sites in the city of Wolfsburg, Germany, at a total purchase price of approximately €100 million including acquisition costs.

The acquired portfolio has a lettable area of 80,000 sqm and is fully let, mainly to Volkswagen Group (approximately 60% of the lettable space through 15 different leases), as well as to other leading Companies in the automotive industry. The properties generate annual net rent of approximately €7.9 million.

The acquisition was carried out as a share deal transaction and the purchase price, net of liabilities of €70 million, was financed by the Company's existing cash of €30 million.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****NOTE 6: OTHER LONG TERM ASSETS AND LIABILITIES****Long-term loans receivable**

	<b>30 June</b>		<b>31 December</b>
	<b>2017</b>	<b>2016</b>	<b>2016</b>
	<b>Euro in thousands</b>		
<b><u>Other long-term financial assets:</u></b>			
Available-for-sale investment – unquoted equity shares	2,373	2,250	2,373
Long-term loans receivable (*)	17,085	4,399	9,135
Other financial assets	728	522	496
Total long term financial assets	<u>20,186</u>	<u>7,171</u>	<u>12,004</u>
<b><u>Other long-term non-financial assets</u></b>	<u>86</u>	<u>95</u>	<u>89</u>
<b><u>Other long-term financial liabilities:</u></b>			
Other Financial liabilities	<u>3,893</u>	<u>1,942</u>	<u>1,972</u>

**(\*) Long-term loans receivable**

- a. The Group has an agreement to provide funding for three residential projects in Berlin, see note 6 of the Group Consolidated Financial Statements as of 31 December 2016.

As of 30 June 2017:

- Loans that relate to two out of the three projects, amounting €3.8 million, which include accrued interest of €2.4 million, were classified to prepaid and other current assets due to their expected repayment date within the next 12 months.
  - The repayment date of the remaining loan and its accrued interest was extended to the second half of 2018 and as such it is included under long term loans receivable.
  - The projects are at different development stages: first and second projects are 100% sold and the third project is approximately 83 % sold.
- b. In May 2016 the Group engaged in a JV project for the development of 60 residential units in Berlin and provided approximately €4 million as loan by the Group, in terms similar to the previous projects.  
The loan and the accrued interest are repayable from the revenues of the project, expected in the second half of 2019.
- c. During the first quarter of 2017, the Group engaged in two additional projects for development of 95 residential units in Berlin and committed to provide funds of approximately €7 million as loan, in terms similar to the previous projects.  
The loan and the accrued interest are repayable from the revenues of the project, expected in the second half of 2020.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****NOTE 7: INTEREST-BEARING LOANS AND BORROWING**

The Company is engaged in financing agreements with several credit providers. To the date of this report the borrowing entities comply with all the covenants set in their financing agreements.

After the end of the reporting period, in July 2017, the Group acquired from a current lender a debt secured over Group's properties (the "Acquired Debt") for a consideration of €19.5 million. The remaining term of the Acquired Debt is approximately 5 years and the annual debt service costs (i.e. principal and interest) are €2.9 million, which will be payable to the Company following the transaction.

In order to fund the transaction, the Company has entered into a loan agreement with its majority shareholder, Summit Real Estate Holding Ltd. ("SREH"). SREH granted an unsecured shareholders loan of €19.5 million to the Company at an annual interest rate of 8%, with no amortisation. The Company can repay the shareholders loan within 3 to 16 months of drawdown.

**NOTE 8: BALANCES AND TRANSACTIONS WITH RELATED PARTIES**

	<b>Amounts owed by related parties</b>			<b>Amounts owed to related parties</b>		
	<b>30 June</b>		<b>31 December</b>	<b>30 June</b>		<b>31 December</b>
	<b>2017</b>	<b>2016</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>
	<b>Euro in thousands</b>					
Related parties	<u>165</u>	<u>80</u>	<u>169</u>	<u>5,835</u>	<u>2,657</u>	<u>5,507</u>

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, the 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 March 2017. For the terms and conditions of the management agreement, please refer to Note 13b to the Group annual financial statements for the year 2016.

The amounts owed to related parties as of 30 June 2017 include the provision for management fees to SMC (including a provision for a performance-based compensation in the amount of €375 thousand).

After the end of the reporting period, the Company has entered into a loan agreement with its majority shareholder, Summit Real Estate Holding Ltd. ("SREH") in order to fund a debt acquisition, as described in Note 7.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****NOTE 9: 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). Refer to Note 5 for valuation approach adopted on investment property.

	30 June 2017			
	Level 1	Level 2	Level 3	Total
	Euro in thousands			
<b>Non-financial assets</b>				
Investment properties (see note 5)	-	-	896,517	896,517
<b>Available-for-sale financial assets</b>				
Unquoted equity shares (a)	-	-	2,373	2,373
Total	-	-	898,890	898,890
<b>Financial liabilities</b>				
Derivative instruments – swaps (b)	-	(5,736)	-	(5,736)

(a) No change in unquoted equity shares from 31 December 2016.

(b) The change in derivative instruments from 31 December 2016 to 30 June 2017 was due to revaluations.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****NOTE 9: FAIR VALUE (Cont.)****Fair value measurements recognised in the statement of financial position (Cont.):**

	31 December 2016			
	Level 1	Level 2	Level 3	Total
	Euro in thousands			
<b>Non-financial assets</b>				
Investment properties	-	-	797,821	797,821
<b>Available-for-sale financial assets</b>				
Unquoted equity shares	-	-	2,373	2,373
Total	-	-	800,194	800,194
<b>Financial liabilities</b>				
Derivative instruments - swaps	-	(7,923)	-	(7,923)
	30 June 2016			
	Level 1	Level 2	Level 3	Total
	Euro in thousands			
<b>Non-financial assets</b>				
Investment properties	-	-	772,298	772,298
<b>Available-for-sale financial assets</b>				
Unquoted equity shares	-	-	2,250	2,250
Total	-	-	774,548	774,548
<b>Financial liabilities</b>				
Derivative instruments – swaps	-	(10,766)	-	(10,766)

**NOTE 10: FINANCIAL EXPENSES (INCOME)**

	Six months ended 30 June		Year ended 31 December
	2017	2016	2016
	Euro in thousands		
<b>Financial expenses:</b>			
Interest on bank borrowings	5,177	5,044	10,393
Amortization of cost of raising loans	531	412	842
Expenses on currency exchange	10	-	-
Other	443	280	580
Total financial expenses	6,161	5,736	11,815
<b>Financial income:</b>			
Interest income on short-term deposits	-	12	15
Income on currency exchange	-	99	132
Other	935	501	1,632
Total financial income	935	612	1,779





**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****NOTE 12: SHARE CAPITAL**

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

	<b>Issued and outstanding Number of shares</b>
<b>At 1 January 2016</b>	465,399,862
Change in the period	-
<b>At 30 June 2016</b>	465,399,862
Change in the period	-
<b>At 31 December 2016</b>	465,399,862
Change in the period	-
<b>At 30 June 2017</b>	465,399,862

- b. **Distributable reserve:**

The directors have elected to transfer the premium arising from the issue of ordinary shares by the Company to a distributable reserve, which balance of €375 million as of 30 June 2017 (as of 31 December 2016: €379.4 million) is included in other reserve. The change during the year was due to dividends distributed in the half year report that ended in 30 June 2017.

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. **Distribution of Dividends**

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

In December 2016, the Company declared a dividend of 1.02 cent per share. The total amount of €4,747 thousand was paid to the shareholders in February 2017.

In June 2017, the Company declared a dividend of 1.00 cent per share. The total amount of €4,654 thousand was paid to the shareholders after the end of the reporting period in August 2017.

- d. **NAV and EPRA NAV:**

	<b>As of 30 June 2017</b>		<b>As of 30 June 2016</b>		<b>As of 31 December 2016</b>	
	<b>€, thousands</b>	<b>€, per share</b>	<b>€, thousands</b>	<b>€, per share</b>	<b>€, thousands</b>	<b>€, per share</b>
NAV (*)	446,754	0.96	408,572	0.88	437,892	0.94
Financial derivative instruments	5,736		10,766		7,923	
Deferred Tax, net	21,914		13,234		20,472	
EPRA NAV (**)	474,404	1.02	432,572	0.93	466,287	1.00

(\*) Net Asset Value

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****NOTE 13: SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD**

- a.** In July 2017, the Company sold 18 small properties for a consideration of €15 million, similar to their book value. These properties were classified as held for sell as of 30 June 2017. See note 5.a.(2) for further information.
- b.** In July 2017, the Group acquired from a current lender a debt secured over Group's properties for a consideration of €19.5 million, as further described in Note 7. The Group has entered into a loan agreement with its majority shareholder, Summit Real Estate Holding Ltd. ("SREH") in order to fund the debt acquisition, as further described in Note 8.
- c.** In August 2017, Group's Finance Director and a director of a subsidiary of the Group purchased a total of 125,000 ordinary shares of the Company. The consideration for these share purchases was satisfied by the Company pursuant to the settlement of a bonus and a share award respectively.