



ANNUAL REPORT AND ACCOUNTS 2017

SUMMIT
Germany Ltd



Hafenstr. 16, Saarbrücken

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Summit Germany Limited

2017 Full Year Results

We are pleased to present the audited results for the year ended 31 December 2017 ("the Reporting Period") of Summit Germany Limited and its subsidiaries ("the Group").

Profits

- Net profit more than doubled to €113.0 million (FY 2016: €55.6 million)
- Earnings Per Share (EPS) of 21.6 cents (FY 2016: 10.5 cents)
- Profit Before Tax (PBT) of €128.7 million (FY 2016: €63.9 million)
- EBITDA up 93.9% to €146.0 million (FY 2016: €75.3 million) of which Revaluation Profit is €88.0 million (FY 2016: €28.2 million)

NAV

- EPRA NAV of €572.9 million increased by 22.9% compared with €466.3 million in 2016
- EPRA NAV per share of €1.23 (FY 2016: €1.00)
- Group's NAV increased 21.8% to €533.3 million (FY 2016: €437.9 million)
- NAV per share of €1.15 (FY 2016: €0.94)
- Total Assets of €1,057.1 million (FY 2016: €882.3 million)

Rent

- Rental income increased by 5.8% to €60.5 million (FY 2016: €57.2 million)
- €64.7 million annualised net rent, equivalent to 6.9% rental yield
- Funds From Operations (FFO) up 4.6% to €36.5 million (FY 2016: €34.9 million)
- Average rent per sqm per month of €6.6 across the portfolio is lower than ERV

Portfolio

- Portfolio of 84 properties with a Net Market Value (NMV) of €939 million (FY 2016: 100 properties at €798 million NMV)
- In addition, €51.4 million is due following the sale of an office building at 2.3% yield, 24% above last valuation.
- Substantial further value in the portfolio due to:
 - Rent lower than ERV
 - 93,000 sqm of vacancy
 - Additional building rights and surplus of land in many properties
- 92% occupancy over the portfolio's majority (90% including properties for re-development)

Main Developments

- €100 million acquisition of a new portfolio; 80,000 sqm of fully let properties with net rent of approximately €7.9 million p.a.
- €17.6 million disposals of 19 non-strategic assets enhance average portfolio quality.
- New leases and renewals for approximately 162,000 sqm; representing total rental income of ca. €9.6 million p.a.

- Further activities to capitalise upon on-going demand for German residential:
 - Two residential development projects for 132 apartments are under process on surplus land in two Group's properties in Frankfurt
 - Two JV projects for 95 residential units in Berlin
 - Acquisition of 865,000 sqm of land for future development

Financing

- €300 million bond placement post Reporting Period mainly refinanced medium term existing secured debt facilities; Senior fixed rate notes bear 2.00% p.a. for seven year term.
- Deployment of bond proceeds post Reporting Period to refinance existing secured debt facilities:
 - Repayment of ca. €220 million of debt facilities bearing average 3.62% interest p.a.; Interest saving of approximately €3.4 million p.a
 - Acquisition of €12.2 million of existing debt bearing 3.7% interest p.a.; Interest savings of approximately €0.3 million p.a.
- Following refinancing activities, average interest rate on Group facilities decreased to 2.17% with an average duration of seven years.

Dividend

- Total dividend distributions of €14.1 million were paid in 2017, reflecting 3.02 cents per share.
- Additional €4.65 million was paid post Reporting Period, reflecting 1.00 cents per share.

Harry Hyman, Chairman commented: "In 2017 we succeeded to increase and improve our portfolio. In the beginning of 2018 we also restructured our financing. The impact of these actions was partly reflected in FY 2017 earnings and net asset value. The group is well positioned for 2018, as the full benefit of those transactions and intensive asset management will flow this year. With funds available for portfolio growth and debt refinance, we will pursue opportunities to further improve the stability and visibility of net rent and underlying earnings."

Zohar Levy, Managing Director commented: "The German real estate market remains very attractive, underpinned by strong tenant demand and a limited pipeline of new development. This plays well to our portfolio and skills. Our portfolio is under rented and almost every lease renewal is signed at substantially higher rent, increasing our cash flow and potential valuation. In addition, we are actively engaged in several developments using surplus building rights in our properties which we believe will have a significant upside. We expect that the combination of the under rented portfolio with the upside potential in our properties would have a massive contribution to our NAV in the near future."



Gladbacher Wall 5, Cologne

Chairman's and Managing Director's Report

Chairman's and Managing Director's Report

We are pleased to present the results for the financial year ended 31 December 2017.

We have made progress against all key Group strategic criteria during the period. We have built long term stable income and secured lower interest cost with a better financing blend. This will underpin the sustainability of long term shareholder value and returns.

The two key drivers for these results were portfolio investment activities and further refinancing of existing debt on improved terms. In June we acquired a high quality, fully let commercial portfolio in Wolfsburg, which contributed notably to Portfolio rental income. In parallel, we generated surplus cash by selling 19 small, non-strategic properties at prices close to their last valuation, and disposed of one office building at a price significantly above its valuation.

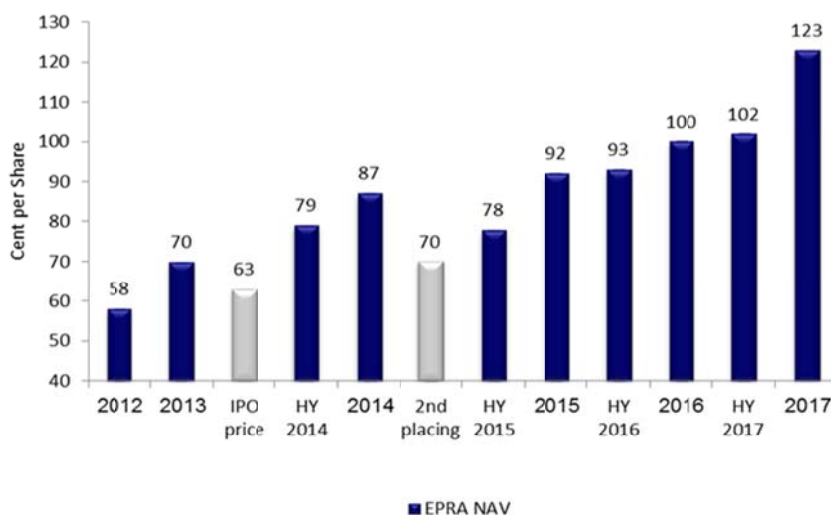
Group financing characteristics and underlying cash flows were both enhanced by the refinance of existing facilities and ongoing repayments. The process picked up momentum post the year end with the completion of a €300 million Senior Note issue in January 2018. This enabled us to refinance further facilities and repurchase existing debt and has secured another material reduction in ongoing debt service costs, both interest and amortisation.

As the above transactions are partially reflected in FY17 profit and FFO, the full benefit will be seen from 2018 onwards.

We remain confident about the prospects for German commercial property, which we believe are characterised by steady demand and a positive economic outlook. This should preserve the high level of demand for the lettable area of our portfolio.

EPRA NAV growth and valuation uplift

EPRA NAV increased by 22.9% to €572.9 million as at 31 December 2017 (FY 2016: €466.3 million) resulting in a corresponding increase in EPRA NAV per share to €1.23 (FY 2016: €1.00). The Group's NAV increased 21.8% to €533.3 million (FY 2016: €437.9 million).



The key component of the EPRA NAV increase in 2017 was the €88.0 net revaluation uplift. This was supplemented by the FFO contribution of €36.5 million, partly offset by a non-recurring financial expense of €7.0 million related to the intended bank debt repayment and €9.3 million of dividends distributed during the period.

As of the end of December 2017, the Group's portfolio consisted of 84 assets with a NMV of €938.7 million (FY 2016: 100 properties at NMV of €797.8 million, including a property held for sale).

The 18% increase in portfolio value during the Reporting Period demonstrates genuine advances in portfolio quality. This was mainly due to intensive ongoing asset management, which improved the quality of tenant covenants, average unexpired lease terms, rental income and occupancy rates throughout the portfolio. Other enhancements related to acquisitions and disposals of non-strategic properties, as well as the reassuring backdrop for both German real estate and the domestic economy.

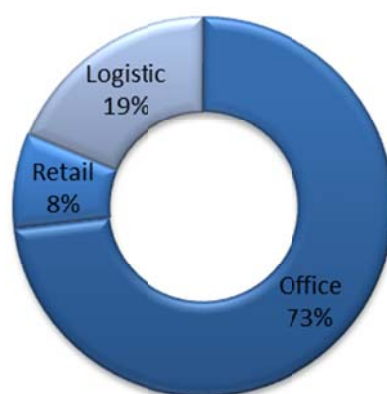
Financial Review

The results for the financial year ended 31 December 2017 reflect the positive impact of disposals and acquisitions made during the Reporting Period. The accretive acquisition of the property portfolio in Wolfsburg completed at the end of June 2017, enlarged the existing portfolio and has delivered additional cash flow growth. On an underlying basis, the results reflect the value of intensive asset management, which enabled us to further ensure the stable rental income of the portfolio, notwithstanding the impact of disposals and acquisitions.

Rental income was 5.8% ahead at €60.5 million (FY 2016: €57.2 million), mainly due to a six-month contribution of €3.9 million from the Wolfsburg portfolio. Property disposals had a minor impact on rental income, as rent from properties sold was offset by new lettings and lease extensions on the Group's retained portfolio. On a like-for-like basis underlying rental income increased 2.2%.

The increase in rental income generated corresponding growth in Net Operating Income ("NOI"), which was 5.9% ahead at €55.8 million (FY 2016: €52.7 million).

The contributions from portfolio sectors to the NOI were as follows:



NOI by sector

This increase in NOI is also reflected in higher FFO, which was 4.6% above the comparable figure for the prior Reporting Period at €36.5 million (FY 2016: €34.9 million). FFO per share amounted to 7.8 cents (FY 2016: 7.5 cents).

| FFO (€m) | FY 2017 | FY 2016 |
|--|-------------|-------------|
| Gross profit | 55.8 | 52.7 |
| G&A expenses | -7.8 | -7.4 |
| Interest expenses, net | -11.6 | -10.4 |
| FFO | 36.5 | 34.9 |
| Weighted ave. amount of shares (million) | 465 | 465 |
| FFO per share (cents) | 7.8 | 7.5 |

An increase in PBT to €128.7 million (FY 2016: €63.9 million), more than twice the prior year figure, was mainly due to a €88 million revaluation uplift. The €10.3 million capital gain from the disposal of an office building at the end of the Reporting Period also contributed to PBT growth, but its impact was partly offset by a €7 million one-off charge. This related to the intended repayment of bank debt facilities after the end of the Reporting Period, as further explained below.

| PBT (€m) | FY 2017 | FY 2016 |
|---|--------------|-------------|
| Gross profit | 55.8 | 52.7 |
| G&A expenses | -7.8 | -7.4 |
| Profit from fair value adjustments of investment properties | 88.0 | 28.2 |
| Financial expenses (net) | -10.4 | -10.0 |
| One-off financial items | -7.0 | - |
| Other (including capital gain on disposal of properties) | 10.0 | 0.5 |
| Profit Before Taxes | 128.7 | 63.9 |

Net Profit recorded a similar increase of 103% and amounted to €113.0 million (FY 2016: €55.6 million). EPS was 106% ahead at 21.6 cents (FY 2016: 10.5 cents).

| EPS | FY 2017 | FY 2016 |
|---|-------------|-------------|
| Profit attributable to ordinary shareholders (€m) | 100.7 | 49.0 |
| Earnings Per Share (€cent) | 21.6 | 10.5 |

Financing activities reduce costs and optimise capital structure

Ongoing and intensive financing activities remain a core strategy. In 2017 this activity secured further reductions in debt service costs of both interest rates and agreed amortisation. We acquired debt facilities and used part of the proceeds from asset disposals in order to repay loan facilities and optimise the Group's capital structure. This has provided a more stable base upon which to grow portfolio scale and income.

In July 2017 we acquired a €19.5 million debt with a remaining term of approximately five-years, secured over specific group assets. The acquisition was funded by a €19.5m unsecured bridge loan provided by the Group's majority shareholder, Summit Real Estate Holdings Ltd., at an annual interest rate of 8% with no amortisation. This reduced the all-inclusive annual debt service cost of this facility from €2.9 million to approximately €1.6 million, generating a ca. €1.3 million net annual cash flow saving. The shareholder loan was repaid after the end of the Reporting Period with the proceeds of a senior note placement, as further discussed below. As the interest rate on the new bond is 2.00% p.a. with no amortisation, this latter repayment will generate an additional ca. €1.2 million p.a. boost to the Group's profit and cash flow.

The table below sets out the main details of the Group bank facilities at 31 December 2017. As at the end of 2017 leverage remained low at 39% (FY 2016: 48%) and the Group's weighted average debt term was 5.3 years (FY 2016: 5.8 years). Further detail is 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 | 50 | 3.14% | 3.42% | 153.8 | 70% | 33% | NR | NR |
| 2 | 12.2014 | 12.2021 | 140 | 3.14% | 3.42% | 335.9 | 75% | 42% | NR | NR |
| 3 | 03.2015 | 3.2022 | 31 | 2.00% | 3.00% | 72.4 | 65% | 42% | 125% | 280% |
| 4 | 10.2012 | 12.2021 | 5 | e+1.75% | 3.00% | 12.4 | NR | NR | 125% | 295% |
| 5 | 10.2012 | 2.2019 | 10 | e+1.75% | 2.65% | 18.0 | NR | NR | 125% | 236% |
| 6 | 6.2014 | 5.2024 | 49 | 4.07% | 0.65% | 116.9 | NR | NR | 225% | 274% |
| 7 | 1.2016 | 1.2026 | 10 | 1.80% | 3.00% | 18.1 | NR | NR | NR | NR |
| 8 | 3.2016 | 3.2026 | 18 | 2.26% | 2.50% | 34.6 | NR | NR | NR | NR |
| 9 | 4.2016 | 3.2026 | 37 | 2.25% | 4.15% | 72.5 | NR | NR | NR | NR |
| 10 | 9.2016 | 8.2026 | 4 | 2.10% | 3.50% | | NR | NR | NR | NR |
| 11 | 12.2016 | 12.2026 | 16 | 1.76% | 3.00% | 23.4 | NR | NR | NR | NR |
| Other Unpledged Properties | | | 1 | | | 0.0 | NR | NR | NR | NR |
| | | | | | | 81.6 | | | | |
| | | | 371 | | | 939.5 | 39% | | | |

Our activities during the Reporting Period had positively affected FY 2017 earnings and cash flows, but the full-year effect will be seen in FY 2018, plus two significant transactions completed post the year end. The latter capitalised upon the Group's improved profile and status as a trusted corporate borrower to finance on very attractive terms.

€300 million Bond Placement post financial year end

Regular discussions with both existing and prospective new lenders confirm that domestic banks remain willing to finance property investment. The strong characteristics of our portfolio and finance position, however, made the bond market a more attractive source of finance, which offers better terms and flexibility.

Our initial assessment was indeed confirmed in January 2018, post the financial year end, when we completed a successful €300 million placement of senior fixed rate notes at 2.00% p.a. for a seven-year term.

The senior notes were rated by Standard & Poor's and Moody's as "BBB-" and "Ba1", respectively and are listed on the Euro MTF Market on the Luxembourg Stock Exchange. The Group itself obtained a Ba1-issuer rating from Moody's and a BB+ issuer rating with a stable outlook from S&P Global Ratings. The rating reports are available on the Group's website.

During the first quarter of 2018 we have used part of the senior note issue proceeds to refinance existing debt facilities:

- In February 2018 we acquired €12.2m of outstanding debt secured on existing group assets. This debt had a remaining term of 6.3 years at an annual interest cost of 3.7% or ca. €0.45 million.
- In March 2018 we repaid approximately €220m of outstanding facilities, including the €19.5 million loan provided by Summit Real Estate Holdings Ltd discussed above. The average interest rate on these repaid facilities was 3.62% p.a.

The use of the bonds proceeds to refinance these debt facilities will result in a €3.4 million ongoing, full-year reduction in interest expenses. This will generate a correspondent improvement in FFO and profit before tax in 2018 and in subsequent periods and positively impact other related financial ratios.

As at the end of December 2017, on a pro forma basis including the new senior notes issued and following the above mentioned refinancing activities post Reporting Period, the Group's average cost of debt was 2.17% with a 7 year weighted average debt maturity.

The Group intends to use the balance of the proceeds for potential further debt refinance, portfolio acquisition and other investment and general corporate purposes.

Property portfolio overview

At the end of 2017, the Group's portfolio comprised 84 assets, ca. 915,000 sqm of net lettable space, located on approximately 1.5 million sqm of land.

The net annualised income of the portfolio at the period end was €64.7 million, which is equivalent to a 6.9% p.a. net yield, receivable from ca. 630 tenants. Rental income is either linked to CPI, or subject to agreed fixed annual increases.

| Type | No. of Assets | Land Size (sqm'000) | Lettable Area (sqm'000) | Vacant Area (sqm'000) | Net Rent (€mn) | Rent/sqm/month | Capital Value (€/sqm) | Yield |
|--------------|---------------|---------------------|-------------------------|-----------------------|----------------|----------------|-----------------------|-------------|
| Office | 51 | 722 | 558 | 62 | 47.3 | 8.0 | 1,273 | 6.7% |
| Retail | 14 | 138 | 67 | 11 | 5.3 | 7.9 | 1,064 | 7.4% |
| Logistic | 19 | 587 | 290 | 20 | 12.1 | 3.7 | 542 | 7.7% |
| Total | 84 | 1,447 | 915 | 93 | 64.7 | 6.6 | 1,026 | 6.9% |

Aggregate portfolio occupancy is currently approximately 90%, which reflects, among other things, properties held for redevelopment at a future date. Assuming the portfolio was fully occupied, annualised net rent would be approximately €70.2 million p.a., equivalent to a 7.5% p.a. yield on current book value.

We seek to manage rolling lease renewals in ways that minimise any potential disruption and endeavour to extend average unexpired lease terms. Portfolio occupancy and income, adjusted for acquisitions and disposals has been stable over the last few years. Lettings were steady, net of disposals during the Reporting Period and occupancy was maintained at around 92% for the majority of the portfolio, excluding non-strategic assets and properties held for development. This reflects our strong landlord and tenant relationships, asset management team skills, and the success of direct approaches made by our marketing team.

During the Reporting Period, we signed new leases for approximately 60,000 sqm, and renewed another 102,000 sqm of existing lease agreements. These were worth a total of approximately €9.6 million per annum.

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 | |
|-------------|------------|------------|-----------|-----------|------------|------------|
| | 12.2017 | 12.2016 | 12.2017 | 12.2016 | 12.2017 | 12.2016 |
| €/sqm/month | 8.0 | 7.9 | 3.7 | 3.6 | 7.9 | 8.0 |
| Range in € | (4.9-17.3) | (4.7-20.5) | (2.2-7.1) | (2.3-5.9) | (3.9-30.5) | (4.0-25.7) |

Offices represented by far the largest component of the year-end portfolio and comprised 75.6% of the NMV and 72.5% 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, where we see the most 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 |
|---------|----------|--------|-----------|
| 710,102 | 157,135 | 71,495 | 938,732 |
| 75.6% | 16.7% | 7.6% | 100% |



NMV by Market Sector

Over 89% of the Group's rent roll is generated from assets located in Germany's major cities and 83% of the total lettable space is in the former West Germany. Approximately 50% of group rent roll relates to assets located in Germany's four main cities, Berlin (19%), Frankfurt (12%), Stuttgart (10%) and Hamburg (8%). Another 40% is derived from Cologne, Dusseldorf, Munich and other major cities combined. The largest ten properties account for 37% of portfolio income.

The majority of the current portfolio was acquired in 2006-7. It is multi-let with no dependency on key tenants and 80% of the income derives from strong tenants. It is also well diversified from sector and geographical perspectives.

Portfolio scale and quality enhanced by acquisitions and disposals

The Reporting Period included a substantial acquisition and strategic disposals, which were all in line with our plan to improve portfolio performance characteristics and continue to increase portfolio growth, where we identify income-producing properties with asset management opportunities.

Our acquisition approach sees no compromise on criteria and indeed, during the Reporting Period we rejected asset purchases where the opportunities to unlock underlying value via intensive asset management were, in our view, limited or overpriced. We also maintained our strategy to recycle capital via disposal of assets which provide relatively limited opportunities to grow capital values over the short to medium-term.

Wolfsburg

Aggregate and underlying portfolio strength was enhanced materially in June, via the €100 million acquisition of a high quality and fully let commercial portfolio in Wolfsburg. The acquisition included the purchase of €70 million associated debt, and the €30 million balance was funded from the Group's existing cash.

The acquired portfolio generates €7.9 million p.a. aggregate net rent, equivalent to an initial 7.9% net rental yield. As this acquisition completed in mid-2017, it only made a six month contribution to FY 2017 rental income.

These properties comprise, in aggregate, 80,000 sqm of lettable space. They are located across four sites in an important commercial location which includes Volkswagen's HQ and the world's biggest car plant. All are fully let; approximately 60% of the space is occupied by Volkswagen group via 15 different leases and the balance by other leading automotive industry companies.

Disposals of assets with limited potential for capital growth

During the Reporting Period we also completed the disposal of properties for a consideration of €69 million.

In July we completed the €15.1 million sale of a portfolio of 18 smaller, non-strategic commercial properties, which we believe offered us limited opportunities for near term outperformance. The transaction was completed at a price equivalent to the properties valuation as of 2016 year-end and was consistent with our strategy to focus on substantial properties in more attractive locations.

The consideration was settled by initial €9.1 million received on completion, with the balance covered by a five-year loan at a 3% p.a. annual interest rate, secured by a first charge over the assets and the shares in the companies in which they are held.

Apart from this transaction we also sold an additional non-strategic property in Worms for €2.5m, in line with its last book value.

At the end of the Reporting period, we signed a binding agreement for the disposal of an office building for €51.4 million, reflecting yield of 2.3% on the property's NOI. The negotiated price, 24% above its externally appraised value as at end September 2017, generated a capital gain of €10.3 million in FY 2017. This sale represents an opportunity to recycle capital in cases where the price offered is equivalent to the asset's medium-term potential. In such cases, the surplus cash generated, could be reinvested on more attractive terms.

Residential market initiatives

During the Reporting Period we progressed activities designed to profit from ongoing demand for German residential property. We agreed two new joint-venture projects to develop 95 residential units in Berlin and progressed with the development of 70 residential units on an existing Group plot in Frankfurt. In the beginning of 2018, we also obtained a building permit for a development of 62 residential units on another existing plot in Frankfurt and completed the acquisition of 865,000 sqm of land, which we intend to develop in the future.

We believe that these initiatives will unlock additional latent portfolio value. Our asset management process continually reviews the potential to carry out redevelopment and refurbishment of existing assets to provide both commercial and residential space.

Dividends

In total €14.1 million of dividends were paid during the Reporting Period. An additional dividend amounting to €4.65 million, equivalent to 1.00 cent per share was announced after the end of the Reporting Period to be paid on March 28, 2018.

We remain confident about the outlook for both the Group's portfolio and its underlying markets. We intend to maintain distributions, which are well-covered by recurring, rental based earnings and pay a dividend of 1.00 cents per share once a quarter.

Outlook

During the Reporting Period we secured a substantial acquisition, which had a positive impact on all portfolio measurements. We measure underlying portfolio progress in terms of the quality and visibility of rental based revenues, and potential for medium term growth from intensive asset management. In that respect, actions taken during the Reporting Period tick all the right boxes.

The Group performance in 2017 exhibited the initial benefits of an enlarged portfolio and rent roll, but just as important were the recent material reductions in debt service costs. This enhanced underlying cash flow and improved interest/dividend cover, providing capacity to finance further portfolio growth.

With respect to the latter, we continue to pursue potential acquisitions with the net initial yields, lease terms and tenant covenant strength to meet our criteria. Recent reductions in debt terms, particularly via access to the bond market, should enable us to continue to generate attractive yields.

We will continue however to seek a balance between the active pursuit of medium term growth and ensuring that transactions underpin the resilience and income characteristics of the group portfolio. This relatively cautious approach makes sense when you operate in a traditionally cyclical business such as real estate.

Although the German property market remains attractive, with strong investment activity and tenant demand, we remain pragmatic regarding the potential for a correction at some stage. We have quite deliberately structured our portfolio strategy and tenant complement to provide diverse exposure to key segments and locations within one of the world's most vibrant economies.

In the current market there remains plenty of scope to capitalise upon a tighter letting market to improve lease terms and grow rents. In addition, we still see potential to access debt on terms which reduce net outgoings and provide better visibility.

The results of the Reporting Period provide a strong endorsement for the Group investment strategy. We expect the full benefit of the actions taken in 2017 to have a positively impact on results over the next few periods, and remain confident in the ability of our team to supplement that during the course of the current year.

Harry Hyman
Chairman

Zohar Levy
Managing Director

25 April 2018



Deutsche Med, Rostock

Our Business

Our Business

Summit Germany is a German commercial real estate company, with a portfolio of quality properties mainly focused in Germany's key commercial centres. We aim to expand our sizeable portfolio through acquiring undervalued properties and portfolios, and enhancing their value through active management. Our major objective is to drive up the capital values of our properties, and in turn generate attractive dividend yields for our shareholders.

Our 50 strong internal management team is based in Berlin, Frankfurt and Hamburg and have on average over 10 years of experience managing and investing in high yielding properties across Germany. The team works hard to strengthen our relationships with tenants and takes care of both property maintenance and marketing of the vacant units and lease renewals. The team has the skills and experience to meet the tenants' needs, with adequate capacity to absorb new acquisitions and manage them from day one.

Our strategy is to acquire relatively high yielding German commercial assets, primarily from distressed vendors and banks:

Focusing on quality buildings in established locations, with:

- Long term stable income
- High positive yield gaps
- Low capital values, below their replacement cost
- Sustainable growing cash flow to deliver attractive dividend yield
- Substantial upside potential for rent and capital value increase through growth of the German property market

We maximise value via:

- Pro-active asset management with strong local on-site management
- Reducing vacancy rates by letting, redevelopment and/ or conversion to residential use

Our strategy is achieved by being well positioned to take advantage of various situations in the market. Using our strategic contacts, we evaluate the potential investments assessing their potential yield and capital growth. We look for opportunistic investments which, via intensive asset management, can improve occupancy rates or rezoning which leads to strong cash flow and increasing capital growth for shareholders.

The Board monitors Key Performance Indicators ("KPIs") as set out hereafter to review the Group's performance in meeting its Strategic Objectives.

Key Performance Indicators (“KPIs”)

Objective: To maximise long term stable income

Metric

- Continue to increase rent roll
- Maintain weighted average lease term
- Retention rate which reflects the Group’s strong relationship with the tenants and their satisfaction with the leased space

Performance

- On a Like-for-Like (“LFL”) basis the rental income during the year amounted to €56.1 million, reflecting an increase of 2.2% compared to €54.9 million in 2016.
- Following new acquisitions of properties during the Reporting Period, the rental income has further increased by 7.8%, amounting to €60.5 million as of year-end.
- Rent per sqm has increased by 1.5% mainly due to fixed rental uplifts integrated in the new lease agreements and lease renewals at higher rent rate
- Weighted average lease length of 4.0 years

Objective: To deliver sustainable long-term shareholder value and returns

Metric

- Sustained growth in Earning Per Share (EPS)
- Growth in EPRA NAV per share
- Dividend distribution

Performance

- EPS increased 106% to 21.6 cents per share (FY 2016: 10.5 cents).
- EPRA NAV per share increased 23% to €1.23 (FY 2016: €1.00).
- Quarterly dividend payments in 2017 amounting to 3.02 cents per share, reflecting an annual yield of 5.75% on second placing price of 70 cents per share.
- Last quarterly dividend distributed after the end of the Reporting Period amounted to 1.00 cents per share, reflecting an annual dividend yield of 5.71% on second placing price of 70 cents per share.

Objective: To manage our balance sheet effectively

Metric

- Maintain longevity of debt facilities
- Maintain appropriate balance between debt and equity within covenanted levels

Performance

- €19.5 million acquisition of debt with remaining term of ca. five years; Cash savings of approximately €1.3 million p.a.
- LTV net of cash at 37% (41% including shareholder loan repaid in Q1 2018) well within current and future covenant limits (FY 2016: 39%)
- €300 million bond placement post Reporting Period; Notes bear 2.00% p.a. for seven years
- Refinancing €232.2 million of secured debt facilities using bonds proceeds post Reporting Period;
- Following refinancing, average maturity of debt facilities of 7 years (FY 2016: 5.8 years)

The German market

Germany is the fourth largest economy in the world and retains its position as the largest economy in Europe. The Gross Domestic Product of Germany grew by 2.2% in 2017, the highest level since 2011, with a similar forecast for the current year. German economic stability in 2017 among other factors encouraged the strong demand for German commercial property investment products.

Germany established itself as an international market place for commercial properties, with almost half of the investment volume in 2017 derived from foreign capital. The low interest rate environment continued to push demand further and despite a shortage of supply the German property market witnessed a new real estate investments record of €56.8 billion, 7% increase compared to 2016.

The diversified investment trends seen in 2016 were maintained throughout 2017, with more investors extending their investments to lower quality properties in less central locations. The top 7 main cities (Berlin, Düsseldorf, Frankfurt, Hamburg, Cologne, Munich and Stuttgart) remained still favourable, accounting for 55% of the total transaction volume in the German real estate market.

The office investment market remained the most favourable with approximately 44% of the total transaction volume. This was followed by retail and logistic properties with roughly 20% and 15% respectively. Mixed use properties attracted investors' interest and recorded a significant share of approximately 10% of the total transaction volume. Increasing demand and shortage of supply led to a drop in yields for office properties in the top seven cities to 3.27% compared to 3.56% in 2016.

With the predicted continuing German economic growth and no foreseeable change in interest rates over the short term, transaction volume in 2018 is expected to remain in line with the 2017 result. German properties are anticipated to remain very attractive to investors and to further support a confident outlook of the German real estate market.



Westerbachstr. 47, Frankfurt

Directors' Report for the Year End

Directors' Report for the year end

The Company

The Company was incorporated and registered in Guernsey on 19 April 2006.

The Group owns, enhances and operates commercial real estate assets in Germany including office buildings, logistic centres 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.

The Company was an authorised closed ended investment scheme registered under The Protection of Investors Law (Bailiwick of Guernsey) 1987. In December 2013, the Company's shareholders approved an application to apply to the Guernsey Financial Services Commission (the "GFSC") for consent to de-register as an authorised closed ended investment scheme under The Protection of Investors Law (Bailiwick of Guernsey) 1987. This request was approved by the GFSC on 21 January 2014.

In December 2013 the Company resolved to admit its shares to trading on the AIM market of the London Stock exchange ("LSE"). The process successfully completed on 26 February 2014 when the placing took place and a further 54,971,291 new ordinary shares were issued at a price of 63c. The gross proceeds amounted to €35 million. On 2 February 2015 the Company completed a further fund raising of 171,428,571 new ordinary shares issued at a price of 70c. The gross proceeds amounted to €120 million.

Results

The results for the year are shown in the Consolidated Statements of Comprehensive income on page 40. The Group recorded a profit for the year attributable to ordinary shareholders of €100.7 million, representing an EPS of 21.6 cents per ordinary share (FY 2016: €55.5 million, 10.5 cents per ordinary share).

At the year end the Group had net assets of €566.1 million (FY 2016: €459.7 million), of which €533.3 million (FY 2016: €437.9 million) was attributable to ordinary shareholders, equating to 115 cents per ordinary share (FY 2016: 94c).

Further details on the Group results are described in the Chairman's and Managing Director's report.

Directors' and Other Interests

The following Directors, including persons connected with them, held the following number of Ordinary Shares:

| | <i>At 31 December 2017</i> | |
|--------------------------|----------------------------|---------------------------|
| | Ordinary Shares | |
| | Number | % of issued Share Capital |
| Zohar Levy ¹ | 141,966,000 | 30.50% |
| Itay Barlev | 25,000 | 0.005% |
| Quentin Spicer | 59,040 | 0.013% |
| Harry Hyman ² | 137,481 | 0.03% |
| Christopher Spencer | - | - |

¹ The shares are held by Summit Real Estate Holdings Limited through its wholly owned subsidiaries (Unifinter Administratiekantoor B.V. (Netherlands)).

² Including 10,377 shares held by his spouse.

Management

Summit Management Co S.A. ("SMC"), a Swiss company owned by Zohar Levy, has provided portfolio management services to the Group since May 2006.

Under the management agreement, SMC is responsible for providing certain public company services and advisory services to the Group and is entitled to an advisory fee equal to €750,000 per annum, payable quarterly, plus the potential to receive a performance-based bonus of up to €750,000 per annum, depending on certain performance criteria.

For more details on the contract please see Note 13 to the financial statements.

Going Concern and financing development

As at 31 December 2017, the Group's bank borrowings amounted to €389.4 million (FY 2016: €361.3 million). The increase in the bank borrowings from 31 December 2016 to the balance sheet date resulted from the engagement of the Group in financing transactions during the Reporting Period. Further information on the Group's financing transactions is detailed in the Chairman's and Managing Directors report and in Note 7 of the Group's financial statements.

In order to secure the low interest rate of the debt facilities over the long term, the Group entered into hedging arrangements, or alternatively agreed with the financing bank on a fixed interest rate for the remaining life of the new loans. As a result, total interest costs during the Reporting Period were maintained on like-for-like basis. Interest costs increased to €11.6 million during the Reporting Period (FY 2016: €10.4 million) as a result of the engagement of the Group in financing transactions, as mentioned above.

The terms and covenants of the debt facilities are described in Note 7 of Group's financial statements. As of the date of this report the Group is in compliance with all covenants.

The Group's expanded property portfolio continues to generate a positive and stable cash flow that enables the Group to meet all of its obligations. Management constantly reviews the covenants ahead and based on management assumption the Group expects to comply with all of its covenants in the near and medium future.

In January 2018 the Group issued €300 million of senior fixed rate notes at 2.00% p.a. for a seven-year term. The senior notes placement extended the average duration of debt facilities of the Group to seven years.

The Directors and management monitor the Group's position in light of the market indicators, on an ongoing basis. The Directors believe the Group benefits from solid ground to continue its activity to enhance value.

After careful consideration of all of the above factors, the Board has concluded that it is appropriate to prepare the consolidated financial statements on the going concern basis.

Litigation

The Company is not engaged in any litigation or claim of material importance, nor, so far as the Directors are aware, is any litigation or claim of material importance pending or threatened against the Company.

Board of directors

The Board currently comprises five members, three of whom are independent non-executive Directors.

For further information on Board composition as well as Board responsibilities please see the Chairman's governance report.

Responsibilities Statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- to make an assessment of the Group's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in Guernsey and the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of Information to the Auditor

The Directors who held office at the date of approval of this Report of the Directors confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This information is given and should be interpreted in accordance with the provisions of section 249 of The Companies (Guernsey) Law, 2008, as amended.

Auditor

Deloitte LLP has expressed its willingness to continue to act as Auditor to the Company and a resolution for its re-appointment will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on its behalf on 25 April 2018.

Zohar Levy
Managing Director

Itay Barlev
Finance Director



Oudenarderstr. 16, Berlin

Chairman's Corporate Governance Report

Chairman's Corporate Governance Report

The Board resolved to comply with the Quoted Companies Alliance ("QCA") Corporate Governance Code (the Code). The Board believes that a strong system of governance is essential to help the business run smoothly and aid effective decision making in order to support the achievement of the Group's objectives.

It is the Board's view that the Group has been fully compliant with the relevant provisions of the Code.

Further information on the Code can be found on the QCA's website at www.theqca.com

The Board also established processes and procedures to support its governance which includes the AIM rules compliance policy, an accounting procedures manual and financial closing and reporting policies.

Principal Risks and Uncertainties

The Board acknowledges that a sound system of internal control depends on a thorough and regular evaluation of the nature and extent of the risks to which the Group is exposed. Management are experienced in risk evaluation and, in conjunction with the wider executive, risks are considered on a regular basis, typically daily by the management team and more formally at Board meetings. The management team reports to the Board by way of a risk matrix highlighting the significant changes and their implications, and the recommended responses.

This process helps manage and control risks rather than eliminate them. Note 18 provides further detail and quantitative information on the risks faced by the Group.

Please see below the Audit and Risk Committee report for further details on the processes to identify and address risks in the Group.

The key risks the Group is exposed to, the measures taken to mitigate them and additional commentary is as follows:

Financial risks:

Risk: Exposure to interest rate movement

Impact: Movement in underlying interest rates could adversely affect the Group's profits and cash flows

Mitigation: The Group mitigates its exposure to interest rate movements on floating rate facilities through the use of interest rate swaps and other derivative instruments or alternatively by agreement with debt providers on a fixed interest rate. In 2016, the Group secured €89 million of debt facilities at a fixed low interest rate over the long term. Shortly post Reporting Period the Group completed a €300 million placement of senior fixed rate notes at 2% p.a. for a seven-year term.

Risk: Limited credit market capacity

Impact: Without confirmed debt facilities the Group may be unable to meet its commitment to repay or refinance loans.

Mitigation: The Group regularly monitors its cash flow and debt funding requirements in order to ensure that it can meet its liabilities and looks to retain a spread of providers and maturities so that its refinance risk is less concentrated. In 2016 the Group refinanced €89 million by 10 year term debts from five different debt providers. Post Reporting Period the Group issued €300 million fixed rate senior notes for seven-year term mainly to refinance medium term existing debt facilities. Post notes placement, the Group has approximately €470 million of debt facilities obtained from 8 different lenders with an average duration of seven years (5.3 years prior to placement).

Risk: Lack of capital resources to support the Group's plans for expansion

Impact: Without sufficient capital, the Group may become unable to progress investment opportunities as they arise or to counteract the impact of potential falling property values on the Group's balance sheet and finance commitments should property values fall in the future.

Mitigation: Liquidity and gearing are kept under review by management and the Board. Forward funding commitments are only entered into if supported by committed, available funds. The Company undertook placing of shares in 2014 and 2015 raising a total gross amount of €155 million. Following refinancing and acquisitions the Group's available cash amounted to €22.7 million as of 31 December 2017. In January 2018 the Group completed a €300 million placement of senior rate notes to be used for refinance, acquisition or general corporate purposes.

Risk: Banking facilities include various covenant requirements

Impact: A failure to meet the facilities' covenants could result in possible default or penalties being levied.

Mitigation: In response to this risk the Group regularly monitors its compliance with covenants and addresses any issue that may arise. One of the measures taken is seeking to maintain headroom within its debt facility covenants by maintaining its borrowings at levels below its maximum covenant requirements and retains the flexibility of substituting security or refinancing loans should it need to. Covenants are set on a facility by facility basis.

Property market risks

Risk **The Group's investment portfolio is concentrated in a single country**

Impact: Changes in the German economic environment expose the Group to several risks including loss of rental income and increased vacant property costs due to dramatic decrease in demands or devaluation of the portfolio.

Mitigation: The Board believes these risks are reduced due to the proven relationship the Group has with the tenants which enables it to recognise tenants in difficulties, as well as to anticipate units becoming vacant and to respond immediately. This risk is also reduced due to the diversified tenancy and diversified use in the portfolio. The measures taken against the exposure of tenants default include among others rent deposits or bank guarantees as well as periodical credit analysis when necessary.

Risk **Exposure to movements in supply and demand of the investment market**

Impact: Competition within the real estate market will lead to growing demand for real estate investments which may result in rising prices that will challenge the Company's possibilities for purchasing attractive yield properties.

Mitigation: The Company's internal management team is constantly considering new properties enabling the Company to hold a pipeline of new acquisition opportunities. The Board believes that the risks are reduced due to the Company's strong and professional local management platform, which enables the Company to move fast once a possible deal is identified. This risk is also reduced due to the opportunities arising to the Company in generating higher gains on its disposed properties.

Risk **Property valuations may fall**

Impact: Property valuations may fall to such a level that leads the group to breach its borrowing covenants.

Mitigation: To mitigate this risk the Group makes efforts to get a period of holiday from loan to value covenant or to exclude it when entering new refinancing agreements. The Group also manages its activities so as to always operate within its banking covenant limits and constantly monitors the margins (i.e. fall to breach) that would have to be experienced in order to cause any default.

Taxation risks:

Risk: **Changes in government legislation**

Impact: Changes in the government legislation in the jurisdictions the Group is active in may negatively affect the Group which can become chargeable to taxation with a significant impact on performance and strategy.

Mitigation: The Group monitors any proposals for change in legislation and in regular contact with its tax advisors in this respect in order to be able to respond to any changes in the most efficient way.

The Board

The Board is responsible to shareholders for promoting the long term success of the Group and, in particular, for setting the Group's strategic aims, monitoring management's performance against the strategic aims, setting the Group's risk appetite, ensuring the Group is adequately resourced and ensuring that effective controls are in place in the business. The Board also sets the values and the culture of the Group and has a duty to protect the interests of shareholders.

The specific duties of the Board are clearly set out in its terms of reference which address a wide range of corporate governance issues and lists those items that are specifically reserved for decision by the Board. Matters requiring Board approval include:

- Group strategy and business plans;
- Financial reporting and controls, capital structure and dividend policy;
- Group risk appetite and framework;
- Corporate governance;
- Remuneration policy;
- Significant transactions and expenditure; and
- Other matters.

Further information on the Matters Reserved for the Board can be found on the Group's website at www.summitgermany.com

Board composition

The Board comprises two executive directors (Group Managing Director and the Group Finance Director) and three non-executive directors including the Chairman, whom the Board consider to be independent. The selection of Board members was done with comprehensive thinking to create synergy by including experienced persons with different strengths.

The executive directors both have extensive experience in the German real estate market and have a wide range of contacts in the market. The Managing Director has been involved with the Group activity for many years.

The non-executive directors have extensive experience in many other companies and committees and they can contribute this experience to the Board, setting guidelines to improve reporting and communication.

The training needs of each Director are regularly reviewed by the Chairman. Directors are able to receive training or additional information on any specific subject pertinent to their role as a Director that they request or require. All Directors have access to independent professional advice at the Company's expense, if deemed necessary and subject to clearance by the Chairman.

The Group maintains appropriate insurance cover in respect of any potential legal action against the Company's Directors.

Details of the Directors are set out below:

Harry Abraham Hyman - Independent Non-Executive Chairman

Mr. Hyman has over twenty years' experience in fund management and investment in the healthcare and real estate sectors. He graduated from Christ's College, Cambridge in 1978 and trained at Price Waterhouse as a trainee accountant from 1979 to 1983 before qualifying as a chartered accountant. From 1983 to 1994, Mr. Hyman was a finance director of Baltic. In 1996, he founded Primary Health Properties PLC, a real estate investment trust with a property portfolio of over £1.3 billion in the primary healthcare sector. From 2008 to 2010, Mr. Hyman was the chairman of the Israel-Britain Business Council, a private sector driven body of approximately 60 business leaders in Israel and the U.K. who serve as high level trade and investment ambassadors for their respective countries. Mr. Hyman currently holds professional memberships with the Association of Corporate Treasurers, the Corporate Finance Faculty, and is a Fellow of the Institute of Chartered Accountants in England & Wales.

Zohar Levy - Executive Director - Managing Director

Mr. Levy, who qualified as a chartered accountant in 1992, is the controlling shareholder and chairman of the board of the Summit Group, which specialises in investing in office, industrial and commercial properties in Israel and Germany and in developing, improving and managing such properties. Mr. Levy acquired control of the Summit Group in early 2003 and has since developed its business significantly through debt restructuring, the improvement of properties by way of lease negotiations and renovations, and the acquisition of numerous office, commercial and industrial properties throughout Israel and Germany. Since Mr. Levy's acquisition of the control of Summit, the scope of its real estate properties has increased significantly, and its gross annual income has increased by more than 1,000 per cent. Prior to his involvement with Summit, Mr. Levy served for a decade as the chief financial officer of the Engel Group of real estate companies, which specialised in the development of residential properties and the acquisition and management of commercial properties in Europe and North America.

Itay Barlev (Braun) - Executive Director - Finance Director

Mr. Barlev is a chartered accountant and holds a bachelor degree in economics and accounting and a master degree in legal studies. He has several years of experience in reporting and budgeting, purchase and sale of real estate, internal control procedures and bank relations as well as various financial affairs of real estate portfolios. Prior to joining the Summit Group in 2014, Mr. Barlev served as financial advisor with KPMG for four years and was the director of Fishman Holdings Germany GmbH for eight years.

Quentin Spicer - Independent Non-Executive Director

Mr. Spicer qualified as a solicitor with Wedlake Bell in 1968 and became a partner and head of the property department in 1970. In 1996, he moved to Guernsey to become senior partner at Wedlake Bell Guernsey specialising in U.K. property transactions and secured lending. He retired from practice in 2014.

He is Chairman of Alternative Liquidity Fund Limited and former Chairman of Quintain Guernsey Limited, the Guernsey Housing Association LBG, and F&C UK Real Estate Investments Limited. He is a non-executive director of several other property funds including Phoenix Spree Deutschland Limited. Mr. Spicer was formerly a director of the Company when it was first admitted to trading on AIM in 2006 until it-delisted. He is a member of the Institute of Directors.

Christopher Spencer - Independent Non-Executive Director

Mr. Spencer, a resident of Guernsey, qualified as a chartered accountant in London in 1975. Mr. Spencer specialised in audit and fiduciary work and was Managing Partner/Director of Pannell Kerr Forster (Guernsey) Limited / Praxis Holdings Limited from 1990 until his retirement in May 2000.

Mr. Spencer is a member of the AIC Offshore Committee, a past President of the Guernsey Society of Chartered and Certified Accountants and past Chairman of the Guernsey Branch of the Institute of Directors. He is currently a non-executive director of other listed companies including John Laing Infrastructure Fund Limited, JPEL Private Equity Limited, and SQN Finance Income Fund and Group Companies.

For the Non Executives terms of appointment please see the Group website at www.summitgermany.com

Board independence

The appointment of the non-executive directors was subject to a rigorous review of their independence. The current Board composition of three non-executive directors one of which is the Chairman.

Description of Roles

Role profiles are in place for the Chairman and Managing Director which clearly set out the duties of each role. The Chairman's priority is leadership of the Board and ensuring its effectiveness; the Managing Director's priority is the management of the Group. The Board has delegated the day-to-day running of the Group to the Managing Director within certain limits, above which matters must be escalated to the Board for consideration and approval.

The Finance Director reports on a range of issues including financial results and forecasts; capital; operational performance; strategic initiatives; risk appetite; corporate transactions and compliance with loan covenants.

The role of the independent directors is to provide a sounding board for the Chairman and to be available to shareholders should they have concerns that they have been unable to resolve through normal channels, or when such channels would be inappropriate.

Meetings and Attendance

In addition to the Board meetings held during the year, the Board is regularly in touch for consultation by electronic means and met for an off-site strategy meeting and for the AGM. Directors were sometimes unable to attend meetings due to short notice for ad hoc meetings, but full Board packs are distributed to all Board members for all meetings and separate discussions were held with, or comments were sought by, the Chairman on all matters of relevance.

During the year, the Board and its committees held 20 meetings (including ad hoc meetings). Throughout the year there are opportunities for the Chairman and Independent Directors to discuss matters without the other Directors being present.

Attendance at meetings of the Board and its committees in the 2017 financial year:

| | Board | Committee of the Board | Audit and Risk Committee | Remuneration and Nomination Committee |
|------------------------------------|-------|---------------------------|-----------------------------|---|
| Number of meetings during the year | 12 | 1 | 3 | 4 |
| Harry Hyman | 9 | N/A | 3 | 4 |
| Itay Barlev | 12 | 1 | N/A | N/A |
| Zohar Levy | 11 | N/A | N/A | 4 |
| Christopher Spencer | 11 | 1 | 3 | 4 |
| Quentin Spicer | 12 | 1 | 3 | 4 |

Board Committees

The following Committees have been established by the Board upon admission in February 2014, and have been granted specific delegated authority to consider certain aspects of the Group's affairs:

- Audit and Risk Committee
- Remuneration and Nomination Committee

The Chairmen of the Committees report back to the Board as and when appropriate. Reports from each committee Chairman are included below.

Terms of reference for each committee are available on the Group's website at www.summitgermany.com

Audit and Risk Committee Report

The Audit and Risk Committee is chaired by Christopher Spencer. He is supported by Harry Hyman and Quentin Spicer both independent non-executive directors.

Christopher Spencer is a qualified chartered accountant and, as can be seen from his biography above, he possesses the recent and relevant commercial knowledge and experience to satisfy the provisions of the Code. The Committee may invite the Managing Director and the Finance Director to attend the meetings as appropriate.

Responsibilities

The Committee has responsibility for safeguarding the shareholders' investment and the Group's value. It has overall responsibility for ensuring that the Group maintains an ongoing system of internal control and risk management, to provide it with reasonable assurance regarding effective and efficient operation, internal financial control and compliance with laws and regulations.

The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports and any other formal announcement relating to its financial performance, reviewing and reporting to the Board on significant financial reporting issues and judgments which they contain having regard to the matter communicated to it by the auditor. The Committee should perform any procedure it finds necessary.

The Committee makes recommendations to the Board on the appointment and dismissal of the external auditor and approval of their remuneration and terms of engagement; it would also monitor and review the external auditors' independence, objectivity and effectiveness, taking into account professional and regulatory requirements.

Report on the Committee's activities

The Committee was appointed in February 2014. Since then its activity included:

- reviewing the Group's draft annual financial statements prior to discussion and approval by the Board, and reviewing the external auditor's reports thereon;
- reviewing the auditors' plan for the audit of the Group's financial statements;
- reviewing the Group's draft half year financial statements prior to discussion and approval by the Board, and reviewing the external auditor's reports thereon;
- considering the qualifications, expertise, resources and independence of the auditors through reviews of their reports and performance;
- the committee Chairman meeting with the auditors to review the audit plans and progress, accounting processes and to discuss emerging points and early drafts of the financial reports; and
- the committee receiving presentations from the management on the subject of risk, its identification and property portfolio management.

The Audit and Risk Committee has reviewed the contents of 2017 annual report and accounts and advised the Board that, in its view, the report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

Effectiveness of the external audit process

The effectiveness of the audit process is dependent on appropriate audit risk identification at the start of the audit cycle. The Committee received from Deloitte LLP a detailed audit plan, identifying their assessment of these key risks. For 2017, the primary risks identified were in relation to the valuation of the property portfolio, accounting of the property acquisition transactions and financing. The Board and the management take responsibility for exercising judgment when necessary in preparing the Annual Report and Financial Statements.

Management prepares and reviews papers provided to the Auditors setting our judgments and approaches taken to specific items. The work undertaken by the auditors in this area to test management's assumptions and estimates is challenged by the Audit and Risk Committee who assess the effectiveness of the audit process through the reporting received from Deloitte LLP at both half-year and year end.

In addition, the Audit and Risk Committee seeks feedback from the management on the effectiveness of the audit process. The Committee is satisfied with the effectiveness of the Auditors.

Significant accounting matters

The Committee considers all financial information published in the Annual and Half-year Financial Statements and considers accounting policies adopted by the Group, presentation and disclosure of financial information and, in particular, the key judgments made in preparing the Financial Statements.

Valuation of the property portfolio

The Group has property assets of €938.9 million as detailed on the Group Balance Sheet. As explained in Note 5B to the financial statements, properties are independently valued by an external expert in accordance with IAS40: Investment Property. The Audit and Risk Committee reviewed and discussed with management the judgments and assumptions made in respect of the property valuation, reviewed the valuer's report, and concluded that the valuation remains appropriate.

Property acquisition transactions

In June 2017, the Group completed the acquisition of a property portfolio located in Wolfsburg for a total gross purchase price of €100 million.

The Audit and Risk Committee has reviewed the transactions as part of reviewing the Group's draft half year financial statements 2017 and reviewed the external auditor's reports thereon. The Audit and Risk Committee discussed with the management the judgments and assumptions concerning the accounting treatment of the transaction (specifically whether the transaction was a business combination or asset acquisition) and concluded that treatment was appropriate.

Financing

The Group undertook a number of financing transactions during and post the financial year. In July 2017, the Group completed a €19.5 million debt acquisition which was financed by shareholder loan. Shortly after the end of the Reporting Period, the Group issued €300 million of bonds at 2.00% interest p.a. for seven years term. These transactions served to diversify the Group's funding sources leading to reduced overall risk.

The Audit and Risk Committee has reviewed the transactions as part of reviewing the Group's draft year-end financial statements 2017 and reviewed the external auditor's reports thereon. The Audit and Risk Committee discussed with the management the judgments and assumptions concerning the accounting treatment of the transactions and concluded that treatment was appropriate.

Internal control

The Audit and Risk Committee is responsible for the Group's system of internal control, which has been in operation to the date of this Report, and for reviewing its effectiveness. It believes that the key risks facing the business have been identified and it has implemented an ongoing system to identify, evaluate and manage these risks that is based upon, and relevant to, the Group's business.

The Committee believes key features of the system of internal control include a comprehensive system of financial reporting and business planning, formal documentation procedures and the close involvement of the Managing Director and the Finance Director in all aspects of the day-to-day operations. The scope and quality of the systems of internal controls are monitored and reviewed and regular monitoring reports are provided to the Board. Any incidences of significant control failings or weaknesses that have been identified and the extent to which they have impacted on the Group are reported to the Board and the Board ensure that the management take the necessary actions to remedy those failings or weaknesses immediately.

Nevertheless, the Committee believes that, although robust, the Group's system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve the Group's business objectives. Therefore the system can provide only reasonable and not absolute assurance against material misstatement or loss.

In preparing the periodic financial reports of the Group, the Committee is reliant on the policies and procedures followed by the Management to ensure that the records accurately reflect transactions so as to facilitate the production of consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") and other applicable reporting standards. In addition, the integrity of the financial reporting and consolidation processes and the completeness and accuracy of financial information are subject to review by the Audit and Risk Committee and the Board.

Internal audit

The Audit and Risk Committee considers annually the requirement for an internal audit function. The focused nature of the Group's business, its size and simple structure together with the regular review of the processes and performance has led the Committee to recommend to the Board that, at the present time, there is no current requirement for an internal audit function.

Remuneration and Nomination Committee report

The Remuneration and Nomination Committee meets at least once per year and comprises three Independent Directors being Quentin Spicer (Chairman of the Committee), Christopher Spencer and Harry Hyman, and one executive director, Zohar Levy (Managing Director).

Its role is to seek and retain the appropriate caliber of people on the Board and recommend fee levels to the Board consistent with prevailing market conditions, peer group companies and Directors' roles and responsibilities.

The Remuneration and Nomination Committee is responsible for determining and agreeing with the Board the framework or broad policy for the remuneration of the Executive Directors, the Company Secretary, and such others, and to provide recommendations to the Board.

In carrying out its duties the Committee considers the likely consequences of any decision in the long term; the interests of the Group's employees; the need to foster the Group's business relationships with suppliers, advisors and others; the impact of the Group's operations on the community and the environment; the desirability of the Group maintaining a reputation for high standards of business conduct; and the need to act fairly as between the members of the Group.

The Committee Chairman reports formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. The Committee makes whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

Report on the Committee's activities

The Committee was appointed in February 2014, since then the Committee discharged its responsibilities, under its terms of reference, by:

- Reviewing the amended property management agreement, in particular the bonus mechanism. Following discussions, the Committee recommended the Board to approve the amendment;
- Reviewing the second amendment to the property management agreement, in particular the bonus mechanism for 2017. Following discussions, the Committee recommended the Board to approve the amendment;
- Establishing an appropriate process for the review, management and monitoring of the Group's remuneration policies and nomination criteria; and
- Considering the appointment of Directors.

Board performance and evaluation

The Chairman is responsible for ensuring the annual evaluation of the Board's performance and that of its committees and individual Directors. This should be done by discussions based on the process and questions outlined in the Code concerning Board and Committee performance and meetings.

An evaluation of the Board's performance was conducted in 2017 and included questions on different aspects of the operation of the Board and its committees and the performance of individual directors. Based upon the results of the evaluation, it was concluded that the Board and its committees are operating effectively and that the individual directors' performance is effective and demonstrates the level of commitment expected by Company.

Board and management remuneration

During the Reporting Period the Group expensed approximately €352,393 to its Directors, and €1,500,000 as a management fee to Summit Management Co S.A.

Directors' fees paid for the year ended 31 December 2017 were as follows:

| Non-Executive Directors | € |
|--------------------------------|----------|
| Harry Hyman | 62,621 |
| Quentin Spicer | 39,899 |
| Chris Spencer | 38,623 |
| Executive Directors | |
| Zohar Levy* | - |
| Itay Barlev | 211,250 |

* Zohar Levy is paid via the management fee paid to Summit Management Co S.A., as described in Note 13B.

On Admission the Group established the Long Term Incentive Plan ("LTIP"), under which awards and options over Ordinary Shares may be granted to selected employees of the Group (including directors employed by the Group). The LTIP will be used to recruit, retain and motivate key personnel. The Company adopted a plan on similar terms for the purposes of granting awards and options over Ordinary Shares to directors of the Group, who are not also employed by the Group, and consultants providing services to the Group.

Awards and options granted under the LTIP will vest subject to continued employment within the Group over a specified period and, in certain cases, the achievement of performance conditions. No grants under the LTIP were made to date. However the Group satisfied in 2017 the consideration for the purchase of 25,000 ordinary shares by Itay Barlev and 100,000 ordinary shares by Amir Sagy, a director of a subsidiary of the Group, representing approximately 0.005% and 0.021% of the issued share capital, respectively.

Corporate Social Responsibilities

The company management and its Board of Directors acknowledge the importance of Company's impact on society. In this scope, corporate responsibility is considered in the three main areas – transparency, environmental responsibility and responsibility co community.

The shared beliefs of the Group are:

Businesses should support and respect the protection of human rights and ensure that a business is not complicit in human rights abuses – the Group business practices promote equal opportunity for all, providing fair wages and employment terms, and fostering an open dialogue with all of our employees.

Businesses should eliminate all forms of forced and compulsory labour - we are against any and all forms of child labour and compulsory labour, encourage decent employment opportunities and support employees' rights at work.

We believe that our businesses should support a precautionary approach to environmental challenges - we encourage the development and diffusion of environmentally friendly technologies.

The responsibility statement has been prepared in connection with the Group's full Annual Report for the year ended 31 December 2017.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Chairman's and the Managing Director's report as well as the Chairman Governance report and Directors report, include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Harry Hyman,

Chairman,

25 April 2018

Advisers

Secretary

C.L. Secretaries Limited

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Les Ruettes Brayes
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Guernsey
GY1 1EW

Administrator

Carey Commercial Limited

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GY1 1EW

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EC2Y 9LY

Joint Broker to the Company

Cenkos Securities plc

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Solicitors to the Company as to English Law

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Solicitors to the Company as to German Property Law

Taylor Wessing

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Guernsey Advocates to the Company

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GY1 3HW

Registrar

Link Market Services (Guernsey) Limited (Previously known as Capita Registrars (Guernsey) Limited)

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Bulwer Avenue
St Sampson
Guernsey
GY2 4LH

Investor Relations Consultancy

Capital Access Group

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50 Basinghall Street
London
EC2V 5DE



Behlertstrasse 3a, Potsdam

Group Financial Statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SUMMIT GERMANY LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2017 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

We have audited the financial statements of Summit Germany Limited and its subsidiaries (the 'Group') which comprise:

- the consolidated statement of financial position;
- the consolidated statement of comprehensive income
- the consolidated statement of changes in equity;
- the consolidated statement of cash flows; and
- the related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (FRC's) Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

| | |
|-------------------|---|
| Key audit matters | The key audit matters that we identified in the current year were: <ul style="list-style-type: none">• Valuation of investment properties; and• Revenue recognition |
| Materiality | The materiality that we used in the current year was €7.2 million which was determined on the basis of 1.3% of net assets. |
| Scoping | <p>We designed our audit by obtaining an understanding of the Group and its environment, including Group wide controls, determining materiality and assessing the risks of material misstatement in the consolidated financial statements.</p> <p>We focused our group audit scope on the two components (Summit Germany Limited and Deutsche Real Estate AG which were subject to full scope audit. These components accounted for 100% of the Group's net assets and 100% of the Group revenues for the year.</p> |

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investment properties

Key audit matter description



The value of investment properties as of 31 December 2017 totals €938.9 million (2016: €795.6 million) or 88.9% (2016: 90.2%) of the total assets of the Group, with revaluation movements in the year totaling €88 million (2016: €28.2 million).

Investment properties of the Group are valued using an income capitalisation model. Management is required to make a number of significant assumptions and judgements in determining the fair value and therefore we have identified this as a potential fraud risk.

The key inputs into the fair value model which are subject to significant management estimates include market yields, market rents, occupancy and lease terms. Unreasonable assumptions could give rise to a material misstatement.

The valuation of investment properties is disclosed as one of the key sources of estimation uncertainty in notes 3 and 5 of the financial statements.

How the scope of our audit responded to the key audit matter



To respond to the key audit matter, we have performed the following audit procedures:

- Assessed the design and implementation of internal controls related to the valuation of investment properties;
- Obtained and reviewed valuation reports prepared by DIWG, the Group's valuers and reconciled these with the amounts recorded in the financial statements;
- Held discussions with the valuers to understand key market trends and significant movement in valuations;
- Challenged the key assumptions and judgements made by involving valuations specialists as part of our audit team;
- Benchmarked yield assumptions used by the valuers in performing their valuations against other available market data;
- Reviewed the portfolios' performance during the year against previous projections (retrospective review);
- Tested the completeness and validity of the key information

- underlying the valuation reports by agreeing to available independent market data, and testing of rent agreements;
- Reviewed disclosures in the financial statements; and
- Reviewed events after the end of the reporting period.

Key observations



Based on the procedures we have performed, we are satisfied that valuations of properties are in line with the market, and the underlying key assumptions are reasonable. .

Revenue recognition

Key audit matter description



The Group's revenue relates to rental revenue and the Group recognised rental revenue of €60.5 million (2016: €57.2 million) in 2017.

International Standards on Auditing (UK) prescribe that there is a presumed risk of fraud in the revenue recognition on every engagement. Rental revenue is the key driver of the business activity of the Group. Material misstatement due to fraudulent financial reporting relating to revenue recognition can result from an overstatement of revenues. Overstating of revenue records might give rise to an overstatement of the property valuations and might affect Group's covenants positions.

How the scope of our audit responded to the key audit matter



To respond to the key audit matter, we have performed the following audit procedures:

- Assessed the design and implementation of internal controls over revenue recognition;
- Reviewed the Group's revenue recognition policy against the requirements of IFRS as adopted by the EU;
- Reviewed lease agreements to assess the accuracy of rental income; and
- Performed analytical procedures which included reconciliation of rent roll and management inquiries around rental yields.

Key observations



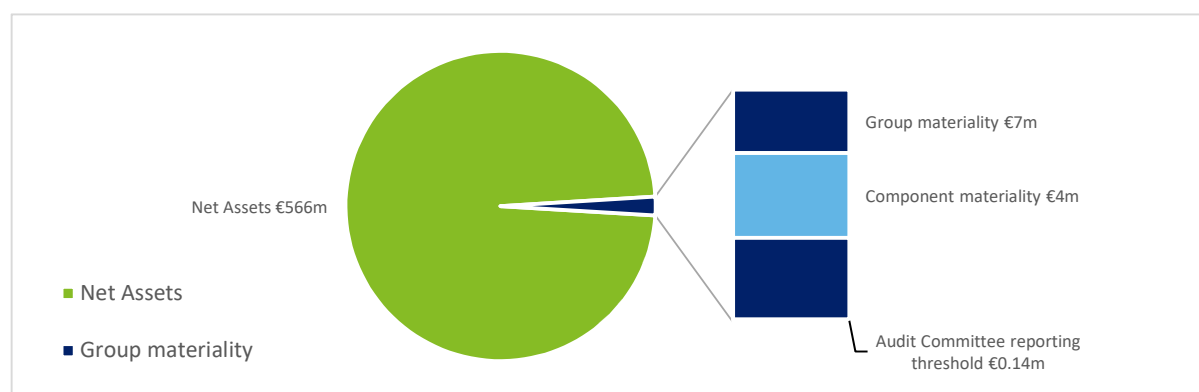
Having carried out the procedures above, we have concluded that revenues are recognised in accordance with the relevant reporting framework.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | |
|--|--|
| Group materiality | €7.2 million |
| Basis for determining materiality | 1.3% of net assets |
| Rationale for the benchmark applied | We selected net assets as the basis for determining materiality because, in our view, this measure represents the performance of the group and is one of the indicators against which the Group is commonly assessed, given the industry in which it operates and given the volatility of profit before tax. |



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of €0.14 million, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

We designed our audit by obtaining an understanding of the Group and its environment, including Group wide controls, determining materiality and assessing the risks of material misstatement in the consolidated financial statements. Based on the above, we focused our group scope audit on two significant components which were both subject to full scope audits. These components represent 100% of the consolidated net assets and 100% of the consolidated revenues. The audit work at these components was executed at a materiality of €4m which was lower than the Group materiality.

One of the components, Deutsche Real Estate AG, a German company which is owned 80.33% by the Group, is audited by another firm of auditors. The Group audit team included the component audit team in our team briefing, discuss their risk assessment, and review documentation of findings from their work.

At the parent entity level, we tested the consolidation process and carried out analytical procedures to corroborate our conclusion that there were no significant risks of material misstatement in the aggregated financial information of the remaining components not subject to a full scope audit.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

We have nothing to report in respect of these matters.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records.

We have nothing to report in respect of these matters.

David Becker

For and on behalf of Deloitte LLP
Recognised Auditor
St Peter Port, Guernsey
25 April 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| As of 31 December | | 2017 | 2016 |
|---|-------------|----------------------------|----------------|
| | <i>Note</i> | <i>Euro (in thousands)</i> | |
| ASSETS | | | |
| NON-CURRENT ASSETS: | | | |
| Investment properties | 5 | 938,863 | 795,579 |
| Other long-term assets | 6 | 28,504 | 12,093 |
| Deferred tax assets | 17 | 699 | 655 |
| Total non-current assets | | <u>968,066</u> | <u>808,327</u> |
| CURRENT ASSETS: | | | |
| Cash and cash equivalents | 10 | 22,715 | 54,158 |
| Trade receivables, net | 8 | 1,021 | 1,297 |
| Prepaid expenses and other current assets | 9 | 65,069 | 16,133 |
| Receivables from related parties | 13 | 184 | 169 |
| Investment property held for sale | 5 | - | 2,242 |
| Total current assets | | <u>88,989</u> | <u>73,999</u> |
| Total assets | | <u>1,057,055</u> | <u>882,326</u> |

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| As of 31 December | | 2017 | 2016 |
|--|-------------|----------------------------|-------------|
| | <i>Note</i> | <i>Euro (in thousands)</i> | |
| EQUITY AND LIABILITIES | | | |
| EQUITY: | 11 | | |
| Share capital | | (*) - | (*) - |
| Other reserve | | 370,553 | 377,378 |
| Retained gain | | 162,748 | 60,514 |
| Equity attributable to the owners of the Company | | 533,301 | 437,892 |
| Non-controlling interests | | 32,791 | 21,787 |
| Total equity | | 566,092 | 459,679 |
| NON-CURRENT LIABILITIES: | | | |
| Interest-bearing loans and borrowings | 7 | 374,921 | 349,526 |
| Other long-term financial liabilities | 6 | 3,256 | 1,972 |
| Derivative financial liabilities | 18 | 3,063 | 6,248 |
| Deferred tax liability | 17 | 35,369 | 21,127 |
| Total non-current liabilities | | 416,609 | 378,873 |
| CURRENT LIABILITIES: | | | |
| Interest-bearing loans and borrowings | 7 | 34,584 | 11,804 |
| Derivative financial liabilities | 18 | 1,885 | 1,675 |
| Payables to related parties | 13 | 3,998 | 5,507 |
| Current tax liabilities | | 1,690 | 65 |
| Trade and other payables | 14 | 32,197 | 24,723 |
| Total current liabilities | | 74,354 | 43,774 |
| Total liabilities | | 490,963 | 422,647 |
| Total equity and liabilities | | 1,057,055 | 882,326 |
| NAV/Share (cent) | 11 | 114.59 | 94.09 |
| EPRA NAV/Share (cent) | 11 | 123.10 | 100.19 |

(*) No par value.

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

25 April 2018

Date of approval of the
financial statements

Zohar Levy
Managing Director

Itay Barlev
Finance Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| For The Year ended 31 December | | 2017 | 2016 |
|--|-------------|----------------------------|---------------|
| | <i>Note</i> | <i>Euro (in thousands)</i> | |
| Rental income | | 60,522 | 57,168 |
| Operating expenses | | (4,743) | (4,485) |
| Gross profit | | 55,779 | 52,683 |
| General and administrative expenses | 15 | (7,760) | (7,436) |
| Fair value adjustments of investment properties | 5 | 87,984 | 28,203 |
| Other income | 5d5 | 10,025 | 486 |
| Operating profit | | 146,028 | 73,936 |
| Financial income | 16 | 2,297 | 1,779 |
| Financial expenses | 16 | (19,652) | (11,815) |
| Total financial expenses | | (17,355) | (10,036) |
| Profit before taxes on income | | 128,673 | 63,900 |
| Tax expenses | 17 | (15,684) | (8,353) |
| Profit for the year | | 112,989 | 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 | | 337 | 123 |
| Reclassification to profit and loss of ineffective hedging reserve, net | | 265 | - |
| Net gain (loss) on hedging instruments entered into for cash flow hedges | | 2,378 | (2,472) |
| Other comprehensive gain (loss) for the year, net of tax | | 2,980 | (2,349) |
| Total comprehensive income for the year | | 115,969 | 53,198 |
| Profit for the year attributable to: | | | |
| Owners of the Company | | 100,697 | 49,037 |
| Non-controlling interests | | 12,292 | 6,510 |
| | | 112,989 | 55,547 |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | 103,181 | 46,973 |
| Non-controlling interests | | 12,788 | 6,225 |
| | | 115,969 | 53,198 |
| Earnings Per Share: | | | |
| Basic (Euro per share) | 12 | 0.216 | 0.105 |
| Diluted (Euro per share) | | 0.216 | 0.105 |

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Issued capital (Note 11) | Other Reserves (Note 11) | Retained Earnings | Total equity attributable to owners of the parent Company | Non- Controlling interests | Total equity |
|---|--------------------------------|--------------------------------|----------------------|---|----------------------------------|-----------------|
| | Euro in thousands | | | | | |
| Balance at 1 January 2016 | (*) - | 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) |
| Total comprehensive profit (loss) | - | (2,064) | 49,037 | 46,973 | 6,225 | 53,198 |
| Dividend distribution (Note 11c) | - | (18,565) | - | (18,565) | - | (18,565) |
| Additional non-controlling interest on acquisition of subsidiary | - | - | - | - | 344 | 344 |
| Balance at 31 December 2016 | (*) - | 377,378 | 60,514 | 437,892 | 21,787 | 459,679 |
| Profit for the year | - | - | 100,697 | 100,697 | 12,292 | 112,989 |
| Other comprehensive profit for the year, net of income tax | - | 2,483 | - | 2,483 | 496 | 2,979 |
| Total comprehensive profit | - | 2,483 | 100,697 | 103,180 | 12,788 | 115,968 |
| Dividend distribution (Note 11c) | - | (9,308) | - | (9,308) | - | (9,308) |
| Additional non-controlling interest on acquisition of subsidiary | - | - | 1,537 | 1,537 | (1,784) | (247) |
| Balance at 31 December 2017 | (*) - | 370,553 | 162,748 | 533,301 | 32,791 | 566,092 |

(*) No par value.

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

CONSOLIDATED STATEMENT OF CASH FLOWS**For The Year ended 31 December****2017****2016***Euro (in thousands)*Cash flows from operating activities:

| | | |
|---|----------|----------|
| Profit for the year | 112,989 | 55,547 |
| Adjustments for: | | |
| Deferred taxes | 13,821 | 8,155 |
| Sale of subsidiaries | (10,283) | - |
| Financial expenses, net | 17,355 | 10,036 |
| Fair value adjustment of investment properties | (87,984) | (28,203) |
| Depreciation of property, plant and equipment | 31 | 44 |
| Amortization and impairment of intangible assets | 45 | 54 |
| | (64,015) | (9,914) |
| Changes in operating assets and liabilities: | | |
| Decrease in trade receivables | 340 | 348 |
| Decrease in trade and other payables | (214) | (3,225) |
| (Decrease) increase in payables to related parties and shareholders | (1,337) | 858 |
| Decrease in prepaid expenses and other current assets | 1,414 | 727 |
| (Decrease) increase in other non-current liabilities | (118) | 20 |
| | 85 | (1,272) |
| Net cash flows from operating activities | 46,059 | 44,361 |

Cash flows from investing activities:

| | | |
|--|----------|----------|
| Payments for property, plant and equipment | (1,150) | (31) |
| Net cash outflow on acquisition of asset companies | (27,096) | (38,506) |
| Change in deposits | 1,945 | (1,591) |
| Increase in loan to third party | (11,624) | (5,009) |
| Payments for acquisitions of investment properties | (13,712) | (10,917) |
| Proceeds from sale of investment property | 17,560 | 18,597 |
| Interest income received | 1,129 | 1,528 |
| Net cash flows used in investing activities | (32,948) | (35,929) |

Cash flows from financing activities:

| | | |
|--|----------|----------|
| Proceeds from borrowings from banks | - | 90,652 |
| Proceeds from borrowings from related parties | 19,751 | - |
| Repayment of borrowings | (43,895) | (54,101) |
| Interest expense paid | (11,102) | (10,590) |
| Dividend distribution | (9,308) | (13,818) |
| Net cash flows (use) from financing activities | (44,554) | 12,143 |
| (Decrease) increase in cash and cash equivalents | (31,443) | 20,575 |
| Cash and cash equivalents at beginning of the year | 54,158 | 33,583 |
| Cash and cash equivalents at end of the year | 22,715 | 54,158 |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2017

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 centres 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.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These Consolidated Financial Statements have been prepared under Going Concern basis after management and Board of Directors carefully considered relevant factors underlying Group's financial position.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Basis of preparation (Cont.):

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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

Statement of compliance:

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS") and The Companies (Guernsey) Law, 2008.

Basis of consolidation:

The consolidated financial statements comprise the financial statements of the Company and entities controlled by the Company (and its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Basis of consolidation (Cont.):

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The results of subsidiaries are included in the consolidated statements of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

All intra-group balances and transactions are eliminated in full on consolidation.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Business combinations and goodwill:

If, after reassessment, the Group's interest in the fair value of the acquirer's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Revenue recognition:

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, and similar allowances. The following specific recognition criteria must also be met before revenue is recognised:

Rental income:

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Interest income:

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Interest income is presented in finance revenue in the statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Foreign currencies:

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency, which is Euro, are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

Taxes:

Income tax expense represents the sum of tax currently payable and deferred tax.

Current Taxes:

Current tax is provided at amounts expected to be paid (or recovered) using the applicable tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax:

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Taxes (Cont.):

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Financial assets

Initial recognition:

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The Company determines the classification of its financial assets at initial recognition.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way purchases) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include cash and short-term deposits, trade and other receivables, unquoted financial instruments, and derivative financial instruments.

Subsequent measurement:

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets:

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three other categories of financial assets (Fair Value through profit or loss, held to maturity or loans and receivables). After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the income statement, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Financial assets (Cont.)

Financial Assets at Fair Value through Profit or Loss ("FVTPL"):

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in the consolidated statement of comprehensive income. Fair value is determined in the manner described in Note 18.

Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Financial assets (Cont.)

Derecognition of financial assets (Cont.)

The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities

Initial recognition:

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings and derivative financial instruments.

Subsequent measurement:

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings:

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the amortisation process.

Offsetting of financial instruments:

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is either an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derecognition of financial liabilities:

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Fair value of financial instruments:

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the statement of financial position date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

Amortised cost of financial instruments:

Amortised cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Impairment of financial assets:

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Due from loans and receivables:

For amounts due from loans and receivables carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated statement of comprehensive income.

Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Due from loans and receivables (Cont.):

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the consolidated statement of comprehensive income.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

Available-for-sale financial investments:

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of comprehensive income – is removed from equity and recognised in the consolidated statement of comprehensive income. Impairment losses on equity investments are not reversed through the consolidated statement of comprehensive income; increases in their fair value after impairment are recognised directly in equity.

Derivative financial instruments

Initial recognition and subsequent measurement:

The Group uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value.

Any gains or losses arising from changes in fair value on derivatives during the year that are qualified for hedge accounting are recognised in Other Comprehensive Income. Any gain or loss which is not qualified for hedge accounting is recognised in profit and loss.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Hedges which meet the criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the consolidated statement of comprehensive income as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the statement of financial position date. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of comprehensive income in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Impairment of assets:

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount.

Cash and short-term deposits:

Cash and short-term deposits in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

Trade and other receivables:

Trade receivables, which generally have 30-90 days' terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. Provision is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

Provisions:

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2017

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.

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 below.

- **Revaluation of investment properties:**

The Group carries its investment properties at fair value, with changes in fair values being recognised in the profit or loss. The Group engages independent valuation specialists to determine fair value of investment properties on an annual basis. The valuation technique used to determine fair value of investment properties is based on a discounted cash flow model as well as comparable market data.

The determined fair value of the investment properties is sensitive to the estimated yield as well as market rents and the long term vacancy rate. The key assumptions used to determine the fair value of the investment properties, are further explained in Note 5.

- **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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2017

NOTE 3: CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont.)

Critical accounting judgements:

- **Acquisition of assets**

In regard with the transactions detailed in Note 5, the Group management and the Directors have reviewed the characteristics of the transactions in accordance with the requirements of IFRS 3(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.

NOTE 4: ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

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

1. 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 Instruments²
- IFRS 15 Revenue from Contracts with Customers²
- IFRS 16 Leases¹
- Amendments to IAS 7 Disclosure initiative¹
- Amendments to IAS 12 recognition of deferred Tax Assets for unrealised losses¹

1 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

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

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was 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 version 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2017

NOTE 4: ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS (Cont.)

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

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

IFRS 9 Financial Instrument (cont.)

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 IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2017

NOTE 4: ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS (Cont.)

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

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

IFRS 9 Financial Instrument (Cont.)

Key requirements of IFRS 9 (Cont.):

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2017

NOTE 4: ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS (Cont.)

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

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

IFRS 15 Revenue from Contracts with Customers (Cont.)

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

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.

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.

Amendments to IAS 7 Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific format to disclose financing activities, however an entity may fulfil the disclosure objective by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

NOTE 5: INVESTMENT PROPERTIES**A. Changes in years 2016 and 2017**

| | Euro in thousands |
|--|------------------------------|
| Balance at 1 January 2016 | 731,748 |
| Additions during the year (C) (*) | 52,885 |
| Disposals during the year (D) | (15,015) |
| Reclassification to property held for sale (D) | (2,242) |
| Fair value adjustments during the year | 28,203 |
| Balance at 31 December 2016 | <u>795,579</u> |
| Additions during the year (C) (*) | 111,720 |
| Disposals during the year (D) | (56,420) |
| Fair value adjustments during the year | 87,984 |
| Balance at 31 December 2017 | <u>938,863</u> |

(*) Including capital expenditure of approximately €11 million in 2017 (€12 million in 2016).

B. Fair value measurement of investment properties (Level 3 classification)

- The fair value of investment property is determined at least once a year or when indications of value changes arise, based on a valuation performed by independent reputable experts.

The valuation is performed using the income capitalisation method, which is a valuation model based on the present value of expected Net Operating Income per property. Real estate valuations are based on the net annual cash flows after capitalisation on discounted rates that reflect the specific risks inherent in property activity.

The valuations reflect the profile of the tenants which are legally committed to the lease agreement and the remaining economic life of the asset. The market rents used in the valuation vary per location, uses and condition of the property, age and level of finishing of various assets, even in the same building. Average rent in respect of office spaces can range from €5-17 per month per square meter; for retail properties, between €4-30 per month per square meter; for logistics properties between €2-7 per month per square meter. For office, commercial and logistics properties, discounted rates range between 5.25 % -9.0%.

In estimating the fair value of the properties, the highest and the best use of the properties is their current use.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2017**

NOTE 5: INVESTMENT PROPERTIES (Cont.)

B. Fair value measurement of investment properties (level 3 classification) (cont.)

1. (Cont.)

A number of factors contribute to the value of retail properties, such as national and local economic development, investment demand created by property investors, and interest rates.

While changes in investment properties' fair value have an effect on the Group's profit for the financial year, they do not have an immediate impact on cash flow.

The significant unobservable inputs used in the fair value measurement of the entity's investment properties are rents achieved at market (when these increase, an increase in properties value may occur), discount rates (when these increase, a decrease in properties value may occur) and occupancy rates (when these increase, an increase in property values may occur). Significant increases (decreases) in any of those inputs in isolation would result in a significantly lower (higher) fair value measurement. Sensitivity to change in the properties' fair value, or the risk associated with fair value, can be tested by altering the above key parameters. Furthermore, the effect of the change in each parameter is not necessarily similar – as such, changes in the rents and discount rates might have a more significant effect on the properties' value than similar change of the occupancy rates. In addition it is noted that changes in different parameters might occur simultaneously. For example a change in occupancy may connect to a change in market rents when they impact fair value simultaneously.

2. Supplemental information

Lettable area

| | As 31 December 2017 | | | | As 31 December 2016 | | | |
|-------------------------|---------------------|----------|--------|---------|---------------------|----------|--------|---------|
| | Offices | Logistic | Retail | Total | Offices | Logistic | Retail | Total |
| | Sqm | | | | Sqm | | | |
| | 557,642 | 289,957 | 67,166 | 914,765 | 501,336 | 273,137 | 89,177 | 863,650 |
| Percent of total assets | 61% | 32% | 7% | 100% | 58% | 32% | 10% | 100% |

Fair value – analysis by use

| | As 31 December 2017 | | | | As 31 December 2016 | | | |
|-------------------------|---------------------|----------|--------|---------|---------------------|----------|--------|---------|
| | Offices | Logistic | Retail | Total | Offices | Logistic | Retail | Total |
| | Euro in thousands | | | | Euro in thousands | | | |
| | 710,102 | 157,135 | 71,626 | 938,863 | 583,824 | 130,667 | 83,330 | 797,821 |
| Percent of total assets | 76% | 17% | 8% | 100% | 73% | 16% | 11% | 100% |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2017**

NOTE 5: INVESTMENT PROPERTIES (Cont.)

B. Fair value measurement of investment properties in Level 3 (Cont.)

2. Supplemental information (cont.)

NOI – analysis by use

| | As 31 December 2017 | | | | As 31 December 2016 | | | |
|-------------------------|---------------------|----------|--------|--------|---------------------|----------|--------|--------|
| | Offices | Logistic | Retail | Total | Offices | Logistic | Retail | Total |
| | Euro in thousands | | | | Euro in thousands | | | |
| | 40,774 | 10,446 | 4,559 | 55,779 | 37,386 | 9,153 | 6,144 | 52,683 |
| Percent of total assets | 73% | 19% | 8% | 100% | 71% | 17% | 12% | 100% |

Adjustment to fair value – analysis by use

| | As 31 December 2017 | | | | As 31 December 2016 | | | |
|-------------------------|---------------------|----------|--------|--------|---------------------|----------|---------|--------|
| | Offices | Logistic | Retail | Total | Offices | Logistic | Retail | Total |
| | Euro in thousands | | | | Euro in thousands | | | |
| | 74,415 | 8,136 | 5,433 | 87,984 | 26,224 | 3,230 | (1,251) | 28,203 |
| Percent of total assets | 85% | 9% | 6% | 100% | 93% | 11% | (4%) | 100% |

Average rent

| | Offices | | Logistic | | Retail | |
|-------------|------------|------------|----------------|-----------|------------|----------|
| | | | As 31 December | | | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| €/sqm/month | 8.0 | 7.9 | 3.7 | 3.6 | 7.9 | 8 |
| Range € | (4.9-17.3) | (4.7-20.5) | (2.2-7.1) | (2.3-5.9) | (3.9-30.5) | (4-25.7) |

C. Additions

1. In January 2016 the Group acquired two office buildings for a total acquisition cost of €15 million.

The acquisition was financed by the Group's own resources and by a €10.5 million loan facility provided by a German bank as detailed in Note 7A.

2. In March 2016 the Group acquired a complex of three office buildings in Frankfurt Oberursel, Germany, for a total price consideration of €25.5 million.

The acquisition was financed by the Group's own resources and by a €18.5 million loan facility provided by a German bank as detailed in Note 7B.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2017

NOTE 5: INVESTMENT PROPERTIES (Cont.)

C. Additions (Cont.)

3. 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, for a total purchase price of approximately €100 million.

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 Companies. 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 approximately €70 million) was financed by the Company's existing cash of approximately €30 million.

D. Disposals

1. During 2016, 3 properties valued at approximately €3.6 million were sold for a consideration of €4.6 million. These properties were classified to held for sale as at 31 December 2015.
2. During the last quarter of 2016, the Group sold a vacant property located in Hamburg for a consideration of €14 million and a property located in Bremen for a consideration of €1.3 million. The proceeds from the disposal were similar to the properties' carrying amounts and were used to repay the borrowings associated with the asset.
3. As of 31 December 2016, a 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 its carrying amount.
4. 18 properties valued at approximately €15.1 million were sold during the period for a consideration similar to their carrying amount. €9.1 million of the purchase price was paid in cash and was mostly used to partially repay one of the Company's debt facilities. The remaining balance is outstanding as 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.
5. In December 2017, a subsidiary of the Group sold one of its properties for a consideration of €51.4 million, which was approximately €10 million higher than the value of the property as of 30 September 2017. The net proceeds (after repayment of the property loans) are approximately €30 million. These proceeds were received and the loan repaid after the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2017

NOTE 6: OTHER LONG-TERM ASSETS AND LIABILITIES

| | 31 December | |
|--|--------------------------|---------------|
| | 2017 | 2016 |
| | Euro in thousands | |
| <u>Other long-term financial assets:</u> | | |
| Available-for-sale investment – unquoted equity shares (1) | 2,710 | 2,373 |
| Long-term loans receivable (2) | 24,381 | 9,135 |
| Other financial assets | 1,286 | 496 |
| Total long term financial assets | <u>28,377</u> | <u>12,004</u> |
| <u>Other long-term non-financial assets</u> | <u>127</u> | <u>89</u> |
| <u>Other long-term financial liabilities:</u> | | |
| Other financial liabilities | <u>3,256</u> | <u>1,972</u> |

- (1) Available-for-sale investment -unquoted equity shares:
Investments in Ordinary shares in related companies. Group interests in these companies were not accounted for using the equity method because of lack of significant influence (the Group has neither voting rights, nor representation in the management of these companies). The fair value of the investments at the end of the reporting period is based on the market values of the companies' investments in real estate.
- (2) Long-term loans receivable include:
- a. The Group is engaged in agreements to provide financing to six residential construction projects in Berlin. The projects are for construction of 285 residential units and are at different stages of planning and construction. The loans are secured by liens and guarantees of the construction companies and their shareholders, and will be payable from the projects' proceeds. The loans accrue an annual interest of 15%. As of the end of the reporting period, loans' balance in the short term and long term (including accrued interest) is €20.1 million.
 - b. Loan of €5.9 million to the purchaser of properties as detailed in note 5d4.

NOTE 7: INTEREST - BEARING LOANS AND BORROWING

Interest-bearing loans and borrowings (net of cost of raising loans):

| | Effective interest rate (*) | Maturity (**) | 31 December | |
|---------------------------------------|--|----------------------|--------------------------|----------------|
| | | | 2017 | 2016 |
| | % | | Euro in thousands | |
| Current: | | | | |
| Current maturities of long term loans | 1.75-8 | 2018 | <u>34,584</u> | <u>11,804</u> |
| Non-current: | | | | |
| Long term loans and borrowings | 1.75-8 | 2019-2026 | <u>374,921</u> | <u>349,526</u> |

(*) Includes the effects of related interest rate swaps as discussed hereunder and Shareholders loan which was repaid after the reporting period as detailed in not 7(G)

(**) See note 21(c) regarding repayment of €220 million of the loans after the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2017

NOTE 7: INTEREST - BEARING LOANS AND BORROWING (Cont.)

- A.** In January 2016, the Group financed the acquisition of two office buildings in Munich and Duisburg. The loan amounted to €10.5 million and was provided by a German bank for a 10 years term at a fixed interest rate of 1.8% per annum and an annual amortisation rate of 3%.
- B.** In March 2016 the Group financed the acquisition of a complex in Frankfurt, Oberursel. The loan amounted to €18.5 million and was provided by a German bank for a 10 years term at a fixed interest rate of 2.26% per annum and an annual amortisation rate of 2.5%.
- C.** In May 2016, the Group refinanced a €24 million non-recourse debt facility with a €40 million loan provided by a German lender. The debt facility, which was secured by the property, was previously acquired by the Group during 2015 as part of the acquisition of the complex of office buildings in Stuttgart, Germany.

The new 10 years term debt facility was provided at a fixed interest rate of 2.25% per annum and an annual amortisation rate of 4.15%.

- D.** In August 2016, the Group refinanced an additional part of the property complex located in Stuttgart, Germany. The €3.85 million debt facility was provided by the same German lender for a 10 year term at a fixed interest rate of 2.1% per annum and annual amortisation rate of 3.5%.
- E.** In December 2016, the Group financed an office building located in Potsdam, which was previously acquired by the Group's own resources. The €16 million debt facility was provided by a German lender for a 10 year term at a fixed interest rate of 1.76% and annual amortisation rate of 3%.
- F.** In June 2017, the Group acquired a portfolio of properties – as detailed in note 5c above. The properties are financed by loans with a remaining term of approximately 7 years and bear an average interest rate of 5% p.a. and average amortisation of 3.12% p.a. The loans are subject to a DSCR financial covenant of 225%.
- G.** In July 2017, the Group acquired from one of its lenders a debt secured over several Group 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.

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 bearing an annual interest rate of 8%, with no amortisation. After the end of the reporting period the loan was repaid as detailed in note 21c.

- H.** To the date of this report the borrowing entities comply with all the covenants set in their financing agreements.
- I.** The outstanding costs of raising loans as of 31 December, 2017 are €2.6 million (2016: €3.6 million). These are presented net of interest-bearing loans and borrowings and amortised over the period of the loans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2017

NOTE 8: TRADE RECEIVABLES

| | 31 December | |
|------------------------------|--------------------------|--------------|
| | 2017 | 2016 |
| | Euro in thousands | |
| Trade receivables | 1,621 | 3,027 |
| Provision for doubtful debts | (600) | (1,730) |
| | <u>1,021</u> | <u>1,297</u> |

Trade receivables are non-interest bearing and are generally 30-90 day terms.

As at 31 December, the ageing analysis of trade receivables, net is as follows:

| | Total | < 30 days | 30 – 60 days | 60 – 90 day | 90 – 120 day | >120 days |
|------|--------------------------|-------------------------|-------------------------|------------------------|-------------------------|-------------------------|
| | Euro in thousands | | | | | |
| 2017 | 1,021 | 111 | 162 | 92 | 75 | 581 |
| 2016 | 1,297 | 303 | 304 | 61 | 19 | 610 |

Movements in the provision for doubtful debts:

| | Euro in thousands |
|---------------------|------------------------------|
| At 1 January 2016 | 1,948 |
| Released | (144) |
| Utilised | (74) |
| At 31 December 2016 | <u>1,730</u> |
| Released | (989) |
| Utilised | (141) |
| At 31 December 2017 | <u>600</u> |

NOTE 9: PREPAID EXPENSES AND OTHER CURRENT ASSETS

| | 31 December | |
|--------------------------------|--------------------------|---------------|
| | 2017 | 2016 |
| | Euro in thousands | |
| Prepaid expenses and other (a) | 56,499 | 7,627 |
| Service charge | 6,730 | 4,721 |
| Designated cash | 1,840 | 3,785 |
| | <u>65,069</u> | <u>16,133</u> |

(a) The balance includes €51.4 million receivable from a sale of property as detailed in 5d, and was collected after the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2017

NOTE 10: CASH AND CASH EQUIVALENTS

| | 31 December | |
|---------------|--------------------------|-------------|
| | 2017 | 2016 |
| | Euro in thousands | |
| Cash at banks | 22,715 | 54,158 |

NOTE 11: SHARE CAPITAL

- A.** The authorised 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 1 January 2016 | 465,399,862 |
| Issue of shares | - |
| At 31 December 2016 | 465,399,862 |
| Change in the period | - |
| At 31 December 2017 | 465,399,862 |

B. Distributable reserve:

The directors have elected to transfer all premiums arising from the issue of ordinary shares by the Company to a distributable reserve, the balance of which as of 31 December 2017 is €370 million (as of 31 December 2016 – €379.4 million) is included in other reserve. The change during the year was due to dividends distributed in 2017 (as detailed in C below).

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:

During 2016 the Company declared quarterly dividends amounted to a total of 4.05 cents per share. The total amount of €18.56 million was paid to the shareholders during 2016.

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 in August 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2017

NOTE 11: SHARE CAPITAL (Cont.)**C. Distribution of dividends: (Cont.)**

In September 2017, the Company declared a dividend of 1.00 cent per share. The total amount of €4,654 thousand was paid to the shareholders in November 2017.

In February 2018, the Company declared a dividend of 1.00 cent per share. The total amount of €4,654 thousand was paid in March 2018.

D. NAV and EPRA NAV:

| | <u>As of 31 December 2017</u> | | <u>As of 31 December 2016</u> | |
|-----------------------|-------------------------------|--------------|-------------------------------|--------------|
| | €, thousands | €, per share | €, thousands | €, per share |
| NAV (*) | 533,301 | 1.15 | 437,892 | 0.94 |
| Financial derivatives | 4,948 | | 7,923 | |
| Deferred Tax, net | 34,670 | | 20,472 | |
| EPRA NAV (**) | 572,919 | 1.23 | 466,287 | 1.00 |

(*) Net Asset Value

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

E. During 2016, the Company was notified that Mr Harry Hyman purchased 1,378 Ordinary Shares of No Par Value in the Company at an average price of 96.9 cent per share. After the end of the reporting period and up to the time of this report, the Company was notified that Mr Harry Hyman purchased additional 372 Ordinary Shares of No Par Value in the Company at an average price of 99.5 cent per share. Following the described purchases, Mr Hyman holds 126,750 Ordinary Shares of No Par Value, representing 0.027% of the issued share capital of the Company.

F. In January 2018 the Company obtained Ba1 issuer rating and BB+ issuer rating (with stable outlook) by Moody's investors and S&P Global Ratings, respectively.

NOTE 12: EARNINGS PER-SHARE

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

| | <u>Year ended 31 December</u> | |
|--|-------------------------------|---------------|
| | <u>2017</u> | <u>2016</u> |
| | <u>Euro in thousands</u> | |
| Earnings | | |
| Earnings for the purposes of basic earnings per share being net profit attributable to owners of the Company | <u>100,697</u> | <u>49,037</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2017

NOTE 12: EARNINGS PER-SHARE (Cont.)

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

| | Year ended 31 December | |
|---|-------------------------------|-------------|
| | 2017 | 2016 |
| | In thousands | |
| Number of shares | | |
| Weighted average number of ordinary shares for the purposes of the basic earnings per share | 465,400 | 465,400 |
| Earnings Per Share: | | |
| | 2017 | 2016 |
| Basic (Euro per share) | 0.216 | 0.105 |
| Diluted (Euro per share) | 0.216 | 0.105 |

There is no difference in the current year or the previous year between basic and diluted earnings per share.

NOTE 13: BALANCES AND TRANSACTIONS WITH RELATED PARTIES

| | Amounts owed by related parties | | Amounts owed to related parties | |
|-----------------|--|-------------|--|-------------|
| | 31 December | | 31 December | |
| | 2017 | 2016 | 2017 | 2016 |
| | Euro in thousands | | Euro in thousands | |
| Related parties | 184 | 169 | 3,998 | 5,507 |
| | 184 | 169 | 3,998 | 5,507 |

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.

The balance owed to related parties includes a provision for management fees to SMC (including a provision for a performance-based compensation) of €1,786 thousand.

See also note 7G in regard of loan received from SREH which was repaid after the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2017

NOTE 13: BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Cont.)

Compensation of key management personnel of the Company:

| | 2017 | 2016 |
|---|--------------------------|--------------|
| | Euro in thousands | |
| Directors' fees | 291 | 282 |
| Management fees (*) | 1,500 | 1,360 |
| Total compensation paid to key management personnel | <u>1,791</u> | <u>1,642</u> |

A. 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, the Managing Director of the Group. Summit Management CO S.A. ("SMC"), a company 100% owned by Zohar Levy, was appointed as an Asset Manager on 19 May 2006. The terms of this appointment were revised in February 2014 and in March 2017. For the terms and conditions of the management agreement, refer to Note 13B.

The amounts owed to related parties as of 31 December 2017 include the provision for management fees to SMC in the amount of €1,500 thousand (including a provision for a performance based compensation in the amount of €750 thousand).

B. Terms and conditions of the management agreement

According to the management agreement, SMC is responsible for providing certain public company services and advisory services to the Group and is entitled to an advisory fee equal to €750,000 per annum, payable quarterly, plus the potential to receive a performance-based bonus of up to €750,000 per annum, depending on certain performance criteria.

The performance-based bonus is based on hurdles determined by the Remuneration and Nomination Committee. Until 31 December 2016, the bonus was payable if the Company's Funds From Operations ("FFO") was equal to or greater than 112% of the base FFO determined by the Remuneration and Nomination Committee of the Company for the applicable accounting year ("Base FFO"). Where the Company's FFO in the accounting year was above the Base FFO but less than 112% of the Base FFO, SMC was entitled to an amount equal to the pro-rata proportion of the Maximum Bonus.

In March 2017 the management agreement was revised through implementation of three principal amendments to the fee payable to SMC with effect from 1 January 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2017

NOTE 13: BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Cont.)

Compensation of key management personnel of the Company: (Cont.)

B. Terms and conditions of the management agreement (Cont.)

The annual advisory fee payable to SMC remains €750,000, but going forward SMC is obliged to provide the services of the Managing Director only and not the services of the Finance Director, which is engaged directly by the Group since November 2014.

The existing annual performance-based bonus entitlement of SMC remains capped at a maximum of €750,000 per annum. However, the basis on which the Bonus amount is calculated has been amended so that it is no longer based on the Group's FFO, but by reference to the aggregate return to the shareholders of the Company at the end of each accounting year, whether as a result of dividends received and/or an increase in the net asset value of the Group (excluding any increase due to revaluations) (the "**Return**"). The performance-based bonus is calculated on a pro-rata basis for any increase in the Return up to and including 5.5%.

SMC shall be entitled to receive a "**Special Bonus**" if, at any time in the period commencing on 1 January 2017 and ending on the date falling three years thereafter (i.e. 1 January 2020), there is a qualifying sale or series of sales of any properties of the Group. A qualifying sale or series of sales is one, which alone or in aggregate, results in the proceeds received by the Summit Group, (net of any costs and expenses incurred in connection with the relevant sale(s)) and less the value (as stated in the Group's valuation as at 30 June 2016) of the properties sold, being greater than €50 million (the whole of such amount being the "**Qualifying Amount**"). The Special Bonus shall be an amount equal to five per cent of the Qualifying Amount and is subject to a total aggregate cap of €10 million over the three year term.

In addition, in the first accounting year in which a Special Bonus is payable, any bonus payable in that same year shall be deducted from the amount of the Special Bonus so payable.

As at the date of this report, no sale transactions occurred which would cause the threshold triggering a provision for special bonus payment to be exceeded and no provision in this respect has been recorded in the Company's financial statements as of 31 December 2017. If properties were to be sold at their carrying value of 31 December 2017, such a provision would have amounted to approximately €5.5 million.

Any Bonus which SMC is entitled to receive in any relevant accounting year shall be reduced by an amount equal to any carried interest amount paid to SMC pursuant to the articles of incorporation of Summit Finance Ltd ("SFL") in respect of the same accounting year, provided that any bonus shall not be reduced to less than zero.

As at 31 December 2017 the performance criteria were met and a provision in the amount of €750,000 was included in the Group's annual financial statements. The payment of the performance-based bonus is subject to the approval of the Remuneration and Nomination Committee of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2017

NOTE 13: BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Cont.)

Compensation of key management personnel of the Company: (Cont.)

B. Terms and conditions of the management agreement (Cont.)

The articles of association of SFL ("**SFL Articles**") contain certain provisions which relate to SMC's carried interest entitlement in respect of their services provided under the initial Portfolio Management Agreement from 2006. SMC holds special B shares in SFL, a Group subsidiary, which will give it the right to receive a carried interest if the Company distributes a cash return on shareholders' equity of at least 8% in any financial year ("the Hurdle"). SMC will be entitled to receive 25% of the cash return in that year in excess of the Hurdle after deducting the carried interest entitlement. If the Company has not achieved a cash return on shareholders' equity of at least 8% in any previous year ("**a Shortfall**"), the carried interest will not be paid until the Shortfall has been made up. Where such fees arise, they are charged to the consolidated statement of comprehensive income. No amounts were ever due in respect of the aforementioned. As of 31 December 2017, the Shortfall is approximately €230.6 million. Therefore, the likelihood that SMC would be entitled to receive any carried interest is extremely low.

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

NOTE 14: TRADE AND OTHER PAYABLES

| | 31 December | |
|----------------------------|--------------------------|---------------|
| | 2017 | 2016 |
| | Euro in thousands | |
| Accrued expenses | 9,776 | 2,676 |
| Accrued interest | 1,408 | 1,512 |
| Service charge prepayments | 6,169 | 4,845 |
| VAT | 657 | 520 |
| Provisions | 8,758 | 8,089 |
| Other trade payables | 5,429 | 7,081 |
| | <u>32,197</u> | <u>24,723</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2017

NOTE 15: GENERAL AND ADMINISTRATIVE EXPENSES

| | Year ended 31 December | |
|------------------------------------|-----------------------------------|--------------|
| | 2017 | 2016 |
| | Euro in thousands | |
| Management and directors' fees (a) | 1,901 | 1,792 |
| Professional fees (b) | 1,800 | 1,259 |
| Salaries | 3,026 | 2,963 |
| Administration fees | 97 | 98 |
| Office expenses | 180 | 240 |
| Other expenses | 756 | 1,084 |
| | <u>7,760</u> | <u>7,436</u> |

(a) See Note 13 for details of the management agreement

(b) Professional fees include audit fees in the amount of €264 thousand (2016: €207 thousand).

NOTE 16: FINANCIAL EXPENSES (INCOME)

| | Year ended 31 December | |
|---------------------------------------|-----------------------------------|---------------|
| | 2017 | 2016 |
| | Euro in thousands | |
| Financial expenses: | | |
| Interest on borrowings (a) | 10,910 | 10,393 |
| Amortisation of cost of raising loans | 1,154 | 842 |
| Other (b) | 7,588 | 580 |
| Total financial expenses | <u>19,652</u> | <u>11,815</u> |
| Financial income: | | |
| Total financial income | <u>2,297</u> | <u>1,779</u> |

(a) In 2017 - includes €650 thousand interest on shareholders loan, as detailed in note 7G.

(b) In 2017 – includes €7 million of accrued costs related to early repayment of bank loans as detailed in note 21c.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2017

NOTE 17: TAXATION**A) Taxes on income recognized in the consolidated statement of comprehensive income:**

| | Year ended 31 December | |
|--|-----------------------------------|--------------|
| | 2017 | 2016 |
| | Euro in thousands | |
| <u>Current income tax:</u> | | |
| Current income tax charge | 1,904 | 198 |
| <u>Deferred income tax (See C):</u> | | |
| Relating to origination and reversal of temporary differences | 13,780 | 8,155 |
| Income tax expense reported in the statement of comprehensive income | <u>15,684</u> | <u>8,353</u> |

- B)** The Company is subject to taxation under the laws of Guernsey. The Company qualifies for exempt status, which results in no Guernsey taxation on income it receives, including interest and dividends received, or capital gains from the disposal of investments. Exempt status is achieved by application. Application is made to the Director of Income Tax in Guernsey for confirmation that the Company is eligible for exempt status under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989. The exemption must be reapplied on an annual basis. The subsidiaries are subject to income taxes in their country of domicile in respect of their income. The ordinary corporate income tax rate in Germany as of 31 December 2017 is 15.825% (31 December 2016: 15.825%). The majority of the Group subsidiaries are subject to German tax which will include RETT on property transactions, where applicable. Certain Group subsidiaries are taxable in Guernsey at 0%.

A reconciliation between the tax benefit in the consolidated statement of comprehensive income and the profit before taxes multiplied by the current tax rate can be explained as follows:

| | Year ended 31 December | |
|--|-----------------------------------|---------------|
| | 2017 | 2016 |
| | Euro in thousands | |
| Profit before taxes on income | <u>128,673</u> | <u>63,900</u> |
| Tax at the statutory tax rate in Germany (15.825%) | 20,362 | 10,112 |
| Increase (decrease) in respect of: | | |
| Losses for which deferred taxes were not recorded | (1,224) | 1,915 |
| Effect of different tax rate | (4,307) | (4,479) |
| Non-deductible expense | (1,247) | (87) |
| Difference between tax and reporting GAAP | 2,661 | 1,651 |
| Other | (561) | (759) |
| Income tax expense | <u>15,684</u> | <u>8,353</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2017

NOTE 17: TAXATION (Cont.)

C) Deferred income tax:

| | Consolidated statement of financial position | |
|---|---|-----------------|
| | 2017 | 2016 |
| | Euro in thousands | |
| <u>Deferred tax asset (liability)</u> | | |
| Revaluations of investment properties to fair value | (50,038) | (33,623) |
| Losses carried forward | 12,399 | 11,386 |
| Revaluations of financial instruments | 435 | 810 |
| Provisions | 2,441 | 840 |
| Other | 93 | 115 |
| Deferred tax liabilities, net | <u>(34,670)</u> | <u>(20,472)</u> |

The Group offsets deferred tax assets and liabilities when these are originated by the same tax entity. After offsetting such assets and liabilities, the net balances are:

| | Consolidated statement of financial position | |
|------------------------|---|-----------------|
| | 2017 | 2016 |
| | Euro in thousands | |
| Deferred tax asset | 699 | 655 |
| Deferred tax liability | <u>(35,369)</u> | <u>(21,127)</u> |

| | Consolidated statement of comprehensive loss (income) | |
|---|--|--------------|
| | 2017 | 2016 |
| | Euro in thousands | |
| <u>Deferred tax expense (income)</u> | | |
| Revaluations of investment properties to fair value | 16,415 | 12,962 |
| Losses carried forward | (1,013) | (4,497) |
| Provisions | (1,602) | (292) |
| Other | 21 | (18) |
| Increase in deferred tax | <u>13,821</u> | <u>8,155</u> |

| | Other comprehensive loss | |
|---------------------------------------|---------------------------------|-------------|
| | 2017 | 2016 |
| | Euro in thousands | |
| <u>Deferred tax expense (income)</u> | | |
| Revaluations of financial instruments | 374 | 575 |
| Increase in deferred tax | <u>374</u> | <u>575</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2017

NOTE 17: TAXATION (Cont.)

- D)** Group's carried forward tax losses for which deferred taxes were not recognized are €88 million (as of 31 December 2016 – €97 million). Deferred tax assets on loss carry forward are recognized by the Group according to the applicable tax laws, to the extent that it is probable that taxable profit will be available against which the losses can be utilised.
- E)** Real Estate Transfer Tax:
 Transactions concerning German real estate may trigger Real Estate Transfer Tax (RETT) of 3.5% to 6.5% of the purchase price or the asset value, according to the location of the real estate.

NOTE 18: FINANCIAL INSTRUMENTS

The Group's principal financial liabilities, other than derivatives, comprise mainly bank loans, and trade payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Company has various financial assets such as trade receivables and cash and short-term deposits.

The main risks arising from the Group's financial instruments are market risk, credit risk and liquidity risk as summarized below.

Market risk:

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices. Market prices comprise two types of risks that are relevant to the Company: Interest rate risk and Price risk.

- **Interest rate risk:**

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group's policy is to fix the interest rate of its bank loans by entering into fixed interest rate loan agreements and by entering into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 31 December 2017 after taking into account the effect of interest rate swaps, the majority of the Group's borrowings are at a fixed rate of interest. All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount accumulated in equity is reclassified to profit or loss over the period that the floating rate interest payments on debt affect profit or loss.

However, fixing the interest rates of bank loan agreements exposes the Group to market risk on changes in fair value of the swap, as presented below:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2017

NOTE 18: FINANCIAL INSTRUMENTS (Cont.)

Market risk (Cont.):

- **Interest rate risk (Cont.):**

Sensitivity of changes in swap interest rate

| | Effect | |
|------|---|---|
| | 5% increase in swap interest rate | 5% decrease in swap interest rate |
| | Euro in thousands | |
| 2017 | 25 | (25) |
| 2016 | (39) | 39 |

- **Price risk:**

The Group's available for sale financial instruments are susceptible to price risk arising from uncertainties about future values of the investment in those instruments. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. The Company's senior management monitors value and extent of such investments on an ongoing basis.

As of 31 December 2017, the Group does not hold any marketable securities and does not hold significant available for sale financial instruments (see note 6).

- **Credit risk:**

Credit risk is the risk that counterparty will not meet its obligations, as reflected as of the period end in the Group's financial statements, under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities.

The Group performs ongoing credit evaluations of its lessees and the financial statements include specific allowances for doubtful accounts which, in management's estimate, adequately reflect the underlying loss of debts whose collection is doubtful.

The Group does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2017

NOTE 18: FINANCIAL INSTRUMENTS (Cont.)

• **Credit risk (Cont.):**

The carrying amount of financial assets recognised in financial statements net of impairment losses represents Group's maximum exposure to credit risk, without taking into account collateral or other credit enhancements held.

Collateral and other credit enhancements are obtained in most cases, pursuant to management assessment of the client's credit quality and an assignment of its credit limits. The Group does not invest its cash with banks that have a low credit rating. As such, the group does not have significant credit risk exposure.

Liquidity risk:

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2017 based on contractual undiscounted payments.

| | As at 31 December 2017 | | | | | Total |
|--|------------------------|---------------|---------------|----------------|----------------|----------------|
| | Up to 1 year | 1-2 years | 2-3 years | 3-4 years | > 4 years | |
| | Euro in thousands | | | | | |
| Interest bearing loans and borrowings | 46,138 | 34,171 | 23,029 | 147,035 | 191,374 | 441,747 |
| Trade and other payables | 34,083 | - | - | - | - | 34,083 |
| Other liabilities | 1,690 | - | - | - | - | 1,690 |
| Payables to related parties and shareholders | 3,998 | - | - | - | - | 3,998 |
| | <u>85,909</u> | <u>34,171</u> | <u>23,029</u> | <u>147,035</u> | <u>191,374</u> | <u>481,518</u> |

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2016 based on contractual undiscounted payments.

| | As at 31 December 2016 | | | | | Total |
|--|------------------------|---------------|---------------|---------------|----------------|----------------|
| | Up to 1 year | 1-2 years | 2-3 years | 3-4 years | > 4 years | |
| | Euro in thousands | | | | | |
| Interest bearing loans and borrowings | 23,180 | 44,780 | 32,523 | 21,357 | 297,536 | 419,376 |
| Trade and other payables | 26,398 | - | - | - | - | 26,398 |
| Other liabilities | 65 | - | - | - | - | 65 |
| Payables to related parties and shareholders | 5,507 | - | - | - | - | 5,507 |
| | <u>55,150</u> | <u>44,780</u> | <u>32,523</u> | <u>21,357</u> | <u>297,536</u> | <u>451,346</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2017

NOTE 18: FINANCIAL INSTRUMENTS (Cont.)

Capital management:

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group is not subject to any externally imposed capital requirements.

No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 31 December 2016.

The gearing ratios at 31 December 2017 and 31 December 2016 were as follows:

| | 2017 | 2016 |
|---|--------------------------|-------------|
| | Euro in thousands | |
| Non current interest bearing loans and borrowings | 357,834 | 355,774 |
| Current liabilities | 36,469 | 13,479 |
| Less cash and short term deposits | (22,715) | (54,158) |
| Net debt | 371,588 | 315,095 |
| Equity | 566,092 | 459,679 |
| Total capital | 937,680 | 774,774 |
| Gearing ratio | 40% | 41% |

Fair value of financial instruments and non-financial instruments:

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 financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 2 and 3 based on the degree to which the fair value is observable (see note 2 for definitions applicable to each level) .

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2017

NOTE 18: FINANCIAL INSTRUMENTS (Cont.)

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

| | 31 December 2017 | | | |
|--|-------------------|---------|---------|---------|
| | Level 1 | Level 2 | Level 3 | Total |
| | Euro in thousands | | | |
| Non - Financial assets: | | | | |
| Investment properties (see Note 5) | - | - | 938,863 | 938,863 |
| Available-for-sale financial assets | | | | |
| Unquoted equity shares (a) | - | - | 2,710 | 2,710 |
| Total | - | - | 941,573 | 941,573 |
| Financial liabilities | | | | |
| Derivative instruments – swaps (b) | - | (4,948) | - | (4,948) |

- (a) The change in unquoted equity shares from 31 December 2016 resulted from an increase in the value of investment in the unquoted equity in the amount of €337 thousand (During 2016: €123 thousand). The increase presented in other comprehensive income – net profit (loss) arising on revaluation of available for sale financial asset.

- (b) Derivative instruments:

The fair value of derivative interest rate contracts (interest rate swap agreements) are estimated by discounting expected future cash flows using current market interest rates and yield curve over the remaining term of the instrument.

The Group contracted hedging instruments under the form of "Interest rate swaps" at a fixed rate of 0.9%-1.2% from the initial repayment date to the new repayment date at the end of 2021.

€1,885 thousand (2016: €1,675 thousand) of the balance is presented in current liabilities, and €3,063 thousand in non-current liabilities (2016: €6,248 thousand in other long-term financial assets).

| | 31 December 2016 | | | |
|--|-------------------|---------|---------|---------|
| | Level 1 | Level 2 | Level 3 | Total |
| | Euro in thousands | | | |
| Non - Financial assets: | | | | |
| Investment properties (see Note 5) | - | - | 797,821 | 797,821 |
| Available-for-sale financial assets | | | | |
| Unquoted equity shares | - | - | 2,373 | 2,373 |
| Total | - | - | 800,194 | 800,194 |
| Financial liabilities | | | | |
| Derivative instruments – swaps | - | (7,923) | - | (7,923) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2017

NOTE 19: OPERATING LEASE

Operating Lease— Group as Lessor

The Group has entered into commercial property leases on its investment property portfolio. These non-cancellable leases have remaining average terms of between 1 and 20 years (the average non-cancellable lease length is approximately 4.4 years). The majority of the leases include a clause to enable upward revision of the rental charge on an annual basis according to the price index or a fixed increase rate.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

| | Euro in thousands | |
|---|--|--|
| | For the year ended 31 December 2017 | For the year ended 31 December 2016 |
| Within one year | 61,126 | 55,164 |
| After one year but not more than five years | 155,570 | 156,291 |
| More than five years but not more than ten years | 53,792 | 55,142 |
| More than ten years but not more than fifteen years | 8,802 | 13,314 |
| More than fifteen years | 825 | 1,110 |
| | <u>280,115</u> | <u>281,021</u> |

NOTE 20: SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

- a. 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.
- b. In December 2017, the group acquired 384,658 shares of Deutsche Real Estate AG ("DRE AG"), reflecting approximately 1.87% of DRE AG share capital. Following the acquisition, the group holds 80.84% of DRE AG.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2017

NOTE 21: SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

- a. In January 2018, the Company issued senior fixed rate bonds with a value of €300 million. The Senior Notes have a term of seven years and an interest rate of 2.00% p.a. The Senior Notes will be used to refinance existing secured indebtedness of certain subsidiaries of the Company as detailed below and for general corporate purposes including the acquisition of assets.
- b. Acquisition of a debt secured over certain of the Group's properties in February 2018, amount to €12.2 million from a current lender.
- c. In March 2018, the Company repaid c. €220 million of existing debt facilities, including a €19.5 million loan from Summit Real Estate Holdings Ltd., using the bonds proceeds. Repaid facilities were at 3.6% interest p.a. versus 2.00% for the issued bonds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2017

NOTE 22: THE COMPANY'S HOLDINGS AS OF 31 DECEMBER 2017

| | Principal activity | Country of incorporation | Direct and indirect holdings % |
|--------------------------------------|-------------------------------|---------------------------------|---------------------------------------|
| Summit Finance Limited | Inter group financing company | Guernsey | 100% |
| Neston (International) Limited | Intermediate holding company | Gibraltar | 100% |
| Summit LoanCo LTD | Inter group financing company | Guernsey | 100% |
| Summit Luxco s.a.r.l | Intermediate holding company | Luxembourg | 100% |
| Gallia invest Sarl | Inter group financing company | Luxembourg | 100% |
| Summit Sterne Guernsey Ltd. | Inter group financing company | Guernsey | 100% |
| Summit Re One GmbH | Intermediate holding company | Germany | 100% |
| Summit Real Estate Silver GmbH | Intermediate holding company | Germany | 94.80% |
| Summit RE Two GmbH | Intermediate holding company | Germany | 100% |
| Summit Real Estate Gold GmbH | Intermediate holding company | Germany | 94.80% |
| Summit RE Three GmbH | Intermediate holding company | Germany | 100% |
| Summit Real Estate Bronze GmbH | Intermediate holding company | Germany | 94.80% |
| Summit RE Four GmbH | Inter group holding company | Germany | 100% |
| Summit RE Five GmbH | Intermediate holding company | Germany | 100% |
| Summit RE Six GmbH | Intermediate holding company | Germany | 100% |
| Summit RE Seven GmbH | Intermediate holding company | Germany | 100% |
| Summit RE Eight GmbH | Intermediate holding company | Germany | 100% |
| Summit Real Estate Platinum GmbH | Shelf company | Germany | 94.80% |
| Summit Real Estate Titanium GmbH | Shelf company | Germany | 94.80% |
| Summit Real Estate Magdeburg GmbH | Intermediate holding company | Germany | 100% |
| Summit Real Estate Hauau GmbH | Intermediate holding company | Germany | 100% |
| M.S.C Objekt Magdeburg GmbH & Co. KG | Real Estate company | Germany | 99.73% |
| M.S.C Objekt Hanau GmbH & Co. KG | Real Estate company | Germany | 99.73% |
| Summit Real Estate Blue GmbH | Real Estate company | Germany | 99.73% |
| Summit Real Estate Orange GmbH | Real Estate company | Germany | 99.73% |
| Summit Real Estate Yellow GmbH | Real Estate company | Germany | 99.73% |
| Summit Real Estate White GmbH | Real Estate company | Germany | 99.73% |
| Summit Real Estate Red GmbH | Real Estate company | Germany | 99.73% |
| Summit Real Estate Purple GmbH | Real Estate company | Germany | 99.73% |
| Summit Real Estate Ismaning GmbH | | | |
| Summit Real Estate Black GmbH | Real Estate company | Germany | 99.73% |
| Summit RE GmbH & Co. Black 1KG | Real Estate company | Germany | 99.73% |
| Summit RE GmbH & Co. Black 2KG | Real Estate company | Germany | 99.73% |
| Summit RE GmbH & Co. Black 3KG | Real Estate company | Germany | 99.73% |
| BDPE S.a.r.l | Real Estate company | Luxembourg | 99.73% |
| Summit Real Estate Cammarus GmbH | Intermediate holding company | Germany | 99.73% |
| Summit Real Estate Brown GmbH | Real Estate company | Germany | 99.73% |
| Summit Real Estate Indigo GmbH | Real Estate company | Germany | 99.73% |
| Summit Real Estate Maroon GmbH | Real Estate company | Germany | 99.73% |
| Summit Real Estate Azure GmbH | Real Estate company | Germany | 99.73% |
| Summit Real Estate Alpha GmbH | Real Estate company | Germany | 99.73% |
| Summit Real Estate Delta GmbH | Real Estate company | Germany | 99.73% |
| Summit Real Estate Gamma GmbH | Real Estate company | Germany | 99.73% |
| Lommy GmbH | Real Estate company | Germany | 99.73% |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2017

NOTE 22: THE COMPANY'S HOLDINGS AS OF 31 DECEMBER 2017 (Cont.)

| | Principal activity | Country of incorporation | Direct and indirect holdings % |
|---|-------------------------------|---------------------------------|---------------------------------------|
| Summit Real Estate Amber GmbH | Real Estate company | Germany | 99.73% |
| Summit Real Estate Lavender GmbH | Real Estate company | Germany | 99.73% |
| Summit Real Estate Ruby GmbH | Real Estate company | Germany | 99.73% |
| Summit Real Estate Epsilon GmbH | Real Estate company | Germany | 99.73% |
| RE one finance GmbH | Inter group financing company | Germany | 100% |
| Summit Real Estate BOS GmbH | Real Estate company | Germany | 99.73% |
| Summit Real Estate Delphinus GmbH | Real Estate company | Germany | 99.73% |
| Summit Real Estate Formica GmbH | Real Estate company | Germany | 99.73% |
| Summit Real Estate Grey GmbH | Real Estate company | Germany | 99.73% |
| Grundstücksgesellschaft Gewerbepark Hansalinie GmbH | Real Estate company | Germany | 99.73% |
| Summit Real Estate Kappa GmbH | Real Estate company | Germany | 99.73% |
| Summit Real Estate Papilio GmbH | Real Estate company | Germany | 99.73% |
| Summit Real Estate Salmo GmbH | Real Estate company | Germany | 99.73% |
| Summit Real Estate Ursus GmbH | Real Estate company | Germany | 99.73% |
| Summit Real Estate Zeta GmbH | Real Estate company | Germany | 99.73% |
| Summit Real Estate Camelus GmbH | Real Estate company | Germany | 99.73% |
| Summit Real Estate Hamburg GmbH | Real Estate company | Germany | 99.73% |
| RE three finance GmbH | Inter group financing company | Germany | 100% |
| Gadelander Str. 77 Projekt GmbH | Real Estate company | Germany | 99.73% |
| Summit Real Estate Hirundo GmbH | Shelf company | Germany | 94.80% |
| H130 Boblingen GmbH | Real Estate company | Germany | 94.60% |
| Summit Sindelfingen GmbH | Real Estate company | Germany | 94.60% |
| Summit RE Beta GmbH | Real Estate company | Germany | 94.80% |
| Summit RE Aquila GmbH | Shelf company | Germany | 94.80% |
| Summit RE Corvus GmbH | Shelf company | Germany | 94.80% |
| Summit RE Wolfsburg 1 GmbH | Real Estate company | Germany | 94.80% |
| Summit RE Wolfsburg 2 GmbH | Real Estate company | Germany | 94.80% |
| Summit RE Oberusel GmbH | Real Estate company | Germany | 94.89% |
| Summit Real Estate Lambda GmbH | Intermediate holding company | Germany | 100% |
| W2005 Projectpauli GmbH | Intermediate holding company | Germany | 99.33% |
| W2005 Pauli 1 BV | Intermediate holding company | Netherlands | 94.90% |
| Deutsche Real Estate AG | Intermediate holding company | Germany | 80.33% |
| Verwaltungsgesellschaft Deutsche Real Estate mbH I.L. | Residual company | Germany | 80.33% |
| DRESTATE Objekt Berlin, Friedrichstraße GmbH & Co. KG | Real Estate company | Germany | 80.33% |
| DRESTATE Objekt Habmurg, Osterfeldstraße GmbH & Co.KG | Real Estate company | Germany | 76.25% |
| GET Grundstücksgesellschaft mbH | Intermediate holding company | Germany | 75.99% |
| DRESTATE Objekt Hamburg, Mendelssohnstraße GmbH & Co. KG | Real Estate company | Germany | 80.33% |
| DRESTATE Objekt Stuttgart, Rosensteinstraße GmbH & Co. KG | Real Estate company | Germany | 80.33% |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2017

NOTE 22: THE COMPANY'S HOLDINGS AS OF 31 DECEMBER 2017 (Cont.)

| | Principal activity | Country of incorporation | Direct and indirect holdings % |
|---|-------------------------------|---------------------------------|---------------------------------------|
| DRESTATE Objekt Berlin, Hauptstraße GmbH & Co. KG | Real Estate company | Germany | 80.33% |
| DRESTATE Objekt Düsseldorf, Bonner Straße GmbH & Co. KG | Real Estate company | Germany | 80.33% |
| DRESTATE Objekt Ludwigshafen, Carl-Bosch-Straße GmbH & Co. KG | Real Estate company | Germany | 80.33% |
| DRESTATE Objekt Böblingen, Otto-Lilienthal-Straße GmbH & Co. KG | Real Estate company | Germany | 80.33% |
| GbR Heidelberg, Mannheimer Straße | Real Estate company | Germany | 70.29% |
| DRESTATE Objekte Erste GmbH & Co. KG | Real Estate company | Germany | 80.33% |
| DRESTATE Objekt Saarbrücken, Kaiserstraße GmbH & Co. KG | Real Estate company | Germany | 80.33% |
| DRESTATE Objekt Saarbrücken, Hafenstraße GmbH & Co. KG | Real Estate company | Germany | 80.33% |
| DRESTATE Objekt Berlin-Teltow, Potsdamer Straße GmbH & Co. KG | Real Estate company | Germany | 80.33% |
| DRESTATE Objekt Norderstedt, Kohfurth GmbH & Co. KG | Real Estate company | Germany | 80.33% |
| DRESTATE Objekte Hamburg Vierundzwanzigste GmbH & Co. KG | Real Estate company | Germany | 80.33% |
| Verwaltungsgesellschaft DRESTATE mbH I.L. | Residual company | Germany | 80.33% |
| DRESTATE Objekte Zweite GmbH & Co. KG | Real Estate company | Germany | 80.33% |
| DRESTATE Objekt München, Maria-Probst-Straße GmbH & Co. KG | Real Estate company | Germany | 80.33% |
| Achte TAXXUS Real Estate GmbH | Intermediate holding company | Germany | 80.33% |
| DRESTATE Objekt Seesen, Rudolf-Diesel-Straße GmbH & Co. KG | Real Estate company | Germany | 80.33% |
| DRESTATE Carreé Seestraße GmbH & Co. KG | Real Estate company | Germany | 80.33% |
| K-Witt Kaufzentrum Wittenau GmbH & Co. KG | Real Estate company | Germany | 80.33% |
| DRESTATE Finance GmbH | Inter group financing company | Germany | 80.33% |
| DRESTATE Services GmbH | Service company | Germany | 80.33% |
| Objekt Verwaltungs GmbH Deutsche Real Estate | Intermediate holding company | Germany | 40.16% |
| DRESTATE Objekte Dritte GmbH & Co. KG | Real Estate company | Germany | 80.33% |
| DRESTATE Objekte Vierte GmbH & Co. KG | Real Estate company | Germany | 80.33% |
| DRESTATE Objekt Hamburg Pinkertweg GmbH | Real Estate company | Germany | 80.33% |
| Beteiligungsgesellschaft Pinkertweg GmbH & Co. KG | Intermediate holding company | Germany | 80.33% |
| Verwaltungsgesellschaft Objekte DRESTATE mbH | Intermediate holding company | Germany | 40.16% |
| Grit 68. Vermögensverwaltungs GmbH | Intermediate holding company | Germany | 80.33% |
| Objekt Verwaltungsgesellschaft 2013 Drestate mbH | Intermediate holding company | Germany | 40.16% |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2017

NOTE 22: THE COMPANY'S HOLDINGS AS OF 31 DECEMBER 2017 (Cont.)

| | <u>Principal activity</u> | <u>Country of incorporation</u> | <u>Direct and indirect holdings %</u> |
|---|----------------------------------|--|--|
| Object Verwaltungsgesellschaft 2015 Drestate mbH | Intermediate holding company | Germany | 40.16% |
| Deutsche Shopping GmbH & Co. KG | Intermediate holding company | Germany | 80.33% |
| K-Witt Kaufzentrum Wittenau II GmbH & Co. KG | Real Estate company | Germany | 80.33% |
| DRESTATE Objekt Gießen-Linden, Robert-Bosch-Straße GmbH & Co. KG | Real Estate company | Germany | 80.33% |
| Verwaltung K-Witt Kaufzentrum Wittenau II GmbH | Intermediate holding company | Germany | 80.33% |
| DRESTATE Wohnen GmbH I.L. | Residual Company | Germany | 80.33% |
| BAKOLA Miteigentumsfonds I Objekt Duisburg - Averdunk | Financial Participation | Germany | 56.29% |
