REPORT AND ACCOUNTS June 2018

SUMMIT
Germany Ltd

INDEX

Carrée Seestraße GbR, Berlin

Financial Highlights

Summit Germany Limited

2018 Half Year Results

We are pleased to present the interim unaudited results for the six months ended 30 June 2018 ("the Reporting Period") for Summit Germany Limited and its subsidiaries ("the Group").

Profits

- Net profit of €87.1 million (H1-2017: €12.9 million, FY 2017: €113.0 million)
- Profit Before Tax (PBT) of €102.1 million (H1-2017: €14.1 million, FY 2017: €128.7 million)
- EBITDA of €107.2 million (H1-2017: €19.1 million, FY 2017: €146.0 million)
- Gross profit of €29.1 million (H1-2017:€26.2 million, FY 2017: €55.8 million)

NAV

- EPRA NAV increased 14.3% to €655.0 million (FY 2017: €572.9 million)
- Group's NAV increased 13.4% to €605.0 million (FY 2017: €533.3 million)
- NAV and EPRA NAV per share of €1.30 and €1.41, respectively (FY 2017: €1.15 and €1.23, respectively)

Rent and operations

- Rental income increased by 10.9% to €31.5 million (H1-2017: €28.4 million, FY 2017: €60.5 million)
- €64.5 million annualised net rent
- Funds From Operations (FFO) 13.7% up to €19.9 million (H1-2017: €17.5 million, FY 2017: €36.5 million)
- Average rent per sqm per month of €6.6 across the portfolio is lower than ERV
- 92% occupancy over the portfolio's majority, excluding properties for re-development
- New leases and renewals for approximately 46,000 sqm securing rental income of ca. €4.1 million p.a.

Events post reporting period

- Acquisition of controlling stake in a Frankfurt-listed real estate company, including:
  - €166 million office portfolio of 12 properties located in German major cities
  - Total lettable area of 106,700 sqm, 89% let
  - Rent of approximately €10.8 million p.a.

  The result of this acquisition will be reflected in the Group's results for the third quarter of 2018.
- Disposal of non-strategic property for €3.5 million.

Financing

- €300 million placement of senior fixed rate notes at 2.00% p.a. for seven year term in January 2018.
- Refinancing €232 million of medium term secured debt facilities using bond proceeds:
  - Repayment of ca. €220 million of debt facilities bearing average 3.6% interest p.a.
  - Acquisition of €12.2 million of debt bearing 3.7% interest p.a.
  - Total interest savings of approximately €3.4 million p.a.
- Following refinancing activities, Group's LTV is at 45% as at 30 June 2018 with an average interest rate of 2.17% and average duration of almost seven years.

Dividend

- Total dividend distributions of €9.3 million during the Reporting Period, reflecting 2.00 cents per share.
- Additional €4.65 million paid post Reporting Period, reflecting 1.00 cents per share.

Harry Hyman, Chairman commented: “The performance of the Group portfolio in combination with the financing activity during the first half of the year have fixed the portfolio in a strong position. We achieved significant portfolio growth, both an uplift in the value of our existing assets as well as a major acquisition just after the period end. The latter will contribute net rent and provide high-quality assets to respond to hands on asset management. We expect this to support us in outperforming our underlying markets over the next periods.”

Zohar Levy, Managing Director commented: ”Our core strategy continues to focus on working our assets to grow the rental base and occupancy rates. That has been supplemented by two major acquisitions in the last 18 months, and substantial improvement in the terms of group debt. Our activity in developing surplus building rights on existing properties has progressed and we expect it to raise a significant upside, resulting in additional inherent value of the portfolio. The German real estate market remains very attractive and we believe that the impact of our asset management skills on our under rented portfolio will be reflected in portfolio performance and further growth in asset values.”

Deutsche Med, Rostock

Chairman’s and Managing Director's Report

Chairman's and Managing Director's Report

We are pleased to present the interim results of Summit Germany Limited and its subsidiaries ("the Group") for the six months ended 30 June 2018.

The Group made strong progress on all key measures during the period, which resulted in material uplifts in the value of the portfolio. The outlook is underpinned by the potential full impact from both asset management initiatives completed during the first six months, as well as a new acquisition post the period end. We are happy to report that these actions have enhanced both the scale and quality of our property portfolio and its tenant and geographical diversification.

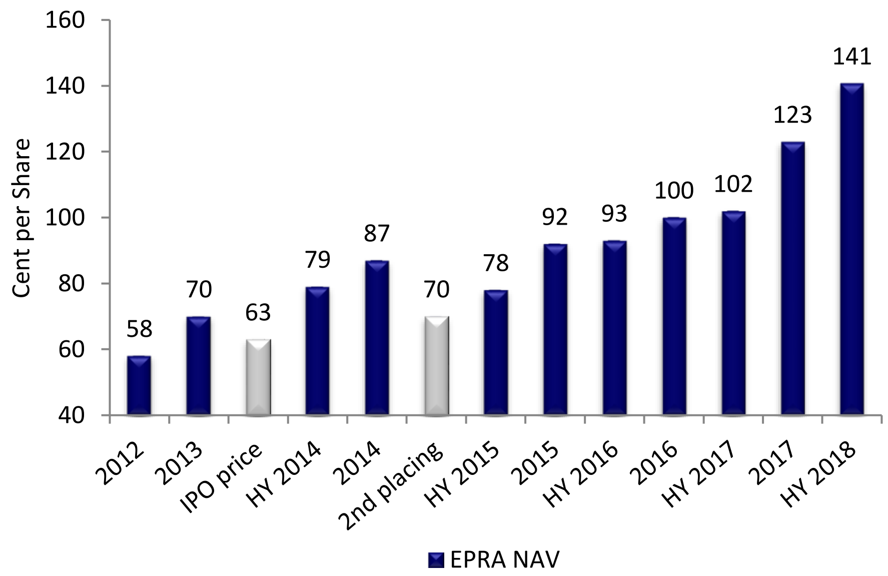
Major refinancing activities took place during the reporting period, as we completed a successful €300 million placement of senior fixed rate notes and refinanced €232 million of debt facilities. This resulted in cutting the Group's average cost of debt while extending the weighted average debt maturity.

In August 2018, we expanded our portfolio and acquired 72% of GxP German Properties AG (GxP), followed by a further 3.4% later in the month. GxP is a company listed on the Frankfurt stock exchange that owns a €166 million office portfolio of 12 assets located in major German cities. The transaction was completed post reporting period and the Group will consolidate the activity of GxP commencing the third quarter of the year.

A by-product of increased portfolio scale is the ability to leverage our existing asset management platform and we expect to see operational gearing reflected in future profit margins. Ongoing asset management initiatives continue to underpin and improve occupancy, while lease improvements add income certainty. It is our intention to continue to actively manage the portfolio to secure ongoing improvements in asset performance and contribute to further increase in assets values.

Increase in NAV and Valuation

EPRA NAV increased by 14.3% to €655.0 million as of 30 June 2018 (FY 2017: €572.9 million), resulting in a corresponding increase in EPRA NAV per share to €1.41 (FY 2017: €1.23). The Group's NAV increased 13.4% to €605.0 million (FY 2017: €533.3 million), resulting in NAV per share of €1.30 (FY 2017: €1.15).



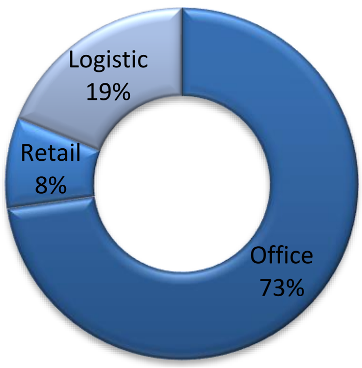
A major portion of this increase is related to a revaluation profit of €91.8 million, as further explained in Note 5 of the Group's Half Year Report. This performance was supplemented by FFO contribution of €19.9 million, which was mainly offset by non-controlling interest of €7.5 million and €9.3 million of the dividends distributed during the period.

As at 30 June 2018 the portfolio consisted of 84 assets, with a Net Market Value ("NMV") of €1.03 billion (FY 2017: 84 properties at €938.7 million), including €3.5 million in respect of a property sold post reporting period. The increase in NMV reflects fair value increases within the existing portfolio during the period.

Financial Review

During the Reporting Period, we maintained our focus on active asset management to secure lettings and increase portfolio rent and occupancy. Rental income increased 10.9% to €31.5 million (HY 2017: €28.4 million, FY 2017: €60.5 million), mainly due to contribution of the Wolfsburg portfolio acquired at the end of June 2017. On a like-for-like basis underlying rental income increased by 1.1% reflecting the achievements of our intensive asset management to increase income, despite the disposal of properties in recent periods.

Net Operating Income ("NOI") grew correspondingly to €29.1 million (HY 2017: €26.2 million, FY 2017: €55.8 million) and was generated by all portfolio sectors.



NOI By Sector

The increase in NOI provided the impetus for a 13.7% increase in FFO, which amounted to €19.9 million (HY 2017: €17.5 million, FY 2017: €36.5 million). On a like-for-like basis, FFO increased by 10.1%.

FFO (€m)	30.6.2018	30.6.2017	FY 2017
Gross profit	29.1	26.2	55.8
G&A expenses	-4.0	-3.5	-7.8
Interest expenses, net	-5.1	-5.2	-11.6
FFO	**19.9**	**17.5**	**36.5**
Weighted ave. amount of shares (million)	465	465	465
FFO per share (€cent)	**4.3**	**3.8**	**7.8**

A €0.5 million increase in G&A expenses relates to administration of an enlarged portfolio. Spare capacity is available within our existing asset management infrastructure, but it is plausible that some growth in overheads is to be anticipated in future periods.

Revaluation profit contributed to the increase in PBT to €102.1 million as of the end of the Reporting Period (HY 2017: €14.1 million, FY 2017: €128.7 million). On an underlying basis and adjusted for one-off items, as further explained in Note 5 of the Group's Half Year Report, FFO drove PBT to €20.4 million, 14.0% ahead of the comparable period last year of €17.9 million.

PBT (€m)	30.6.2018	30.6.2017	FY 2017
Gross profit	29.1	26.2	55.8
G&A expenses	-4.0	-3.5	-7.8
Profit from fair value adjustments of investment properties	91.8	-3.8	88.0
Financial expenses (net)	-4.7	-5.2	-10.4
One-off items	-10.0	-	-7.0
Other (including capital gain on disposal of properties)	-0.1	0.5	10.0
Profit Before Taxes	**102.1**	**14.1**	**128.7**

Net Profit amounted to €87.1 million (HY 2017: €12.9 million, FY 2017: €113.0 million), resulting in EPS of 17.1 cents (HY 2017: 2.6 cents, FY 2017: 21.6 cents).

EPS	30.6.2018	30.6.2017	FY 2017
Profit attributable to ordinary shareholders (€m)	79.5	12.0	100.7
No. of shares	465	465	465
Earnings Per Share (€cent)	**17.1**	**2.6**	**21.6**

Optimising capital structure by refinancing

Financing activities are a core component of our growth strategy and we are pleased to report further major measures in this respect during the first half of the year. We improved net cash flow by reducing interest costs and amortisation obligations, while concluding extended terms, that provide more certainty on future funding costs.

A successful bond issue in the beginning of the year raised €300 million of senior fixed rate notes at 2.00% interest rate with a seven-year term. That total raise was above our original €250 million target, as we were able to capitalise upon strong demand. We used part of the proceeds to refinance approximately €232 million of existing debt facilities, while the balance of the issue is held for general corporate purchases including acquisitions, one of which was announced post the period end.

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%. In March 2018 we repaid approximately €220m of outstanding facilities bearing an average interest rate of 3.6% p.a., as further explained in Note 8 of the Group's Half Year Report. The use of the bond proceeds to refinance these debt facilities resulted in an interest gap equals to approximately €3.4 million p.a. of ongoing savings in interest expenses. This measure has also reduced the cash flow required for agreed debt amortisation.

Our ability to access funding at progressively better terms reflects debt providers' assessment of the Group's business profile. This was also supported by obtaining a BB+ credit rating from S&P Global Rating in January 2018 and a Ba1 rating from Moody's. The senior unsecured notes issued were assigned with BBB-/Ba1 ratings from S&P Global Rating and Moody's, respectively. In addition, a ilAA- Issuer Rating with stable outlook has been obtained from S&P Global Ratings. These agencies' assessments are backed by our well-diversified portfolio, large tenant base and attractive cash flow cover characteristics, as well as our proven ability to extract better performance via active asset management.

Our new debt profile provides the Group with long-term committed debt at attractive rates. This will enable us to use more of our underlying cash flow for portfolio expansion and investment in existing assets. The table below sets out the main details of the Group debt facilities as of 30 June 2018. As at end June 2018 the Group's average cost of debt was 2.17%, with a weighted average maturity of almost seven years.

	Financing Date		Loan Amount			Market	Loan to Value		DSCR Ratio	
Credit Facility	Start	Maturity	(€mn)	Interest	Amort'	Value (€mn)	Cov'	Actual	Cov'	Actual
1	03.2015	3.2022	30.1	1.96%	3.00%	80.5	65%	37%	125%	261%
2	10.2012	12.2021	4.6	e+1.75%	3.00%	14.2	NR	NR	125%	295%
3	10.2012	2.2019	10.0	e+1.75%	2.65%	20.1	NR	NR	125%	236%
4	6.2014	5.2024	36.8	4.10%	0.27%	130.0	NR	NR	225%	NR
5	1.2016	1.2026	9.7	1.80%	3.00%	19.8	NR	NR	NR	NR
6	3.2016	3.2026	17.4	2.26%	2.50%	34.9	NR	NR	NR	NR
7	4.2016	3.2026	36.6	2.25%	4.15%	80.9	NR	NR	NR	NR
8	9.2016	8.2026	3.6	2.10%	3.50%		NR	NR	NR	NR
9	12.2016	12.2026	15.3	1.76%	3.00%	27.5	NR	NR	NR	NR
Other			1.0			0.0	NR	NR	NR	NR
Unencumbered Assets						622.6				
			165.2			**1030.3**				
Senior Notes	1.2018	1.2025	300.0							
Total			**465.2**			**1,030.3**	**45%**			

Property portfolio overview

At the end of June 2018, the Group's aggregate portfolio comprised 84 assets, approximately 909,000 sqm of net lettable space, located on approximately 1,464,000 sqm of land.

The net annualised contracted income of the portfolio at Reporting Period end was €64.5 million. That is equivalent to a 6.2% p.a. net yield, receivable from ca. 630 tenants. Rent uplifts are either linked to CPI, or subject to agreed fixed annual increases.

Type	No. of Assets	Land Size (sqm'000)	Lettable (sqm'000)	Vacant (sqm'000)	Net Rent (€mn)	Rent/sqm /month
Office	51	739	552	68	47.0	8.2
Retail	14	138	67	11	5.4	8.0
Logistic	19	587	290	18	12.2	3.7
All segments	**84**	**1,464**	**909**	**97**	**64.5**	**6.6**

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

Over 50% of Group rent is generated from assets located in Germany's five main cities, Berlin (18%), Frankfurt (11%), Stuttgart (10%), Hamburg (8%) and Dusseldorf (4%). Another 38% is derived from Cologne, Munich and other major cities combined, resulting with more than 89% in Germany's major cities. The largest ten properties account for 43% of portfolio income, and 83% of the lettable area is in the former West Germany.

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

	Offices		Logistic		Retail	
	6.2018	12.2017	6.2018	12.2017	6.2018	12.2017
€/sqm/month	8.2	8.1	3.7	3.7	8.0	7.9
Range in €	(5.0-13.9)	(4.9-13.6)	(2.4-7.1)	(2.2-7.1)	(4.1-12.7)	(3.9-12.6)

Aggregate portfolio occupancy is currently approximately 89%. The vacancy rate reflects, among others, assets held for future redevelopment. Assuming the portfolio was fully occupied, annualised net rent would be approximately €73.2 million p.a., equivalent to a 7.1% p.a. yield on current book value.

Portfolio occupancy and income, adjusted for acquisitions and disposals, have both been improved over the last years. Net of disposals during the Reporting Period, lettings were steady and occupancy has increased to the level of 92% for the majority of the portfolio.

This stability reflects the Group's strong landlord and tenant relationships, as well as the success of our experienced asset management team and direct approaches made by our marketing unit. During the Reporting Period, we signed new leases for approximately 22,000 sqm, and renewed existing lease agreements for another approximately 24,000 sqm. This is worth a total of approximately €4.2 million p.a. We see a constant increasing demand for most of our assets at higher rent rates and believe it will result with further increase in both occupancy and rental income.

Offices are the largest component of the portfolio as at 30 June 2018 and comprised 76% of the NMV and 72.9% of Net Rent (FY 2017: 75.6% and 73%, respectively). This is fully in line with our long-term strategy to focus on this segment, as it is where we see interesting and attractive prospects. It is an area in which we can capitalise upon management depth of experience and one where we have a proven competitive advantage.

Offices	Logistic	Retail	Total NMV
785.5	172.6	75.7	1,033.8
76.0%	16.7%	7.3%	100%

NMV by Sector

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

Portfolio Expansion and Enhancement

We aim to improve the overall quality of the Group's portfolio by keeping its focus on substantial properties in strong locations. Equivalent valuation yields have fallen significantly over the 12-month period to the end of June 2018. Aside of the underlying market strength, this reflects especially the investment in asset upgrades and an improved portfolio profile post enhanced acquisitions and the disposals of less attractive assets.

We deliberately repositioned our portfolio over the previous 12 months by decreasing its retail component from 32 to 14 assets by the disposal of small retail assets in peripheral locations. This has also increased the average asset size and reflected in an average capital value at the end of June 2018 of €1,138 per sqm, which remains significantly below replacement cost. Post the end of the reporting period, we also sold a non-strategic property located in Düsseldorf for €3.5 million.

Our strategy remains focused on high quality assets with strong income characteristics and tenants. We look at each proposed acquisition critically and seek to identify assets with latent potential, likely to respond positively to our asset management approach, or where we see an opportunity to leverage our strong balance sheet or establish an administrative infrastructure to enhance net returns.

These strategic factors were all met in the acquisition of GxP Properties AG completed after the end of the reporting period. The characteristics of GxP and its portfolio as described below, along the potential to apply our asset management skills to unlock further latent value, made it an excellent strategic addition to the Group’s portfolio.

<u>Acquisition of GxP German Properties AG</u>

In August 2018, we completed a major transaction and acquired approximately 72% of the Frankfurt listed company GxP German Properties AG. In a short period succeeding the completion, we were able to increase our holdings and now own 75.4% of the company. GxP owns an office portfolio of approximately €166 million located in major German cities, mainly in Frankfurt, Berlin and North Rhine-Westphalia cities. The portfolio consists of 12 properties which are 89% let and generate €10.8 million p.a. of net rent. This equivalent to an implied net rental yield of 6.6% and a 59% LTV ratio.

The consideration for the acquired shares is approximately €45 million, with ca. €40 million payable in cash upon completion and ca. €5 million payable upon publication of GxP’s 30 June 2018 financial reports subject to the achievement of a minimum threshold.

This acquisition has increased our portfolio with quality assets in central locations and we believe there is a substantial upside due to potential letting of vacancies and the opportunity to streamline GxP’s operations. The transaction was completed post reporting period and the Group will consolidate the activity of GxP commencing the third quarter of the year.

<u>Residential market</u>

Further progress has been achieved in our ongoing activities to take advantage of demand for German residential property and we continue to constantly review the potential to unlock additional latent portfolio value by developing residential and commercial spaces on our existing properties.

During the first half of the year we obtained a building permit for the development of 62 residential units on an existing property plot in Frankfurt, Oberursel. Subsequently, major steps have been undertaken to progress this project, which is located in a highly demanded residential area in Frankfurt.

We also completed the acquisition of 865,000 sqm of land for future development and promoted the construction of 70 residential units on existing Group plot in Frankfurt, for which we now own schemes in different planning stages.

Dividend

€9.3 million of dividends were paid during the first half of the year, equivalent to 2.00 cent per share. An additional dividend of 1.00 cent per share was paid after the reporting period and amounted to €4.65 million. We remain confident about the outlook of the Group's portfolio and intend to maintain quarterly dividend distributions to our shareholders.

Outlook

The first half of the year has been another strong period for the Group, in which progressive contributions from acquisitions, new lettings and asset management have been reflected in the Portfolio performance and boosted net rent and FFO. The bond placement at the beginning of the year along with our subsequent refinancing activity, significantly enhanced the portfolio's financing characteristics and underlying cash flows over the long term, as well as optimised its capital structure.

The acquisition of GxP post reporting period made a substantial addition to our portfolio. This acquisition is fully in line with our strategy to seek for opportunities to enhance the spread and diversity of our portfolio, while simultaneously improving net rent via asset management. Such activity may be property specific through improvements in lease and occupancy, as well as through the cutting of net outgoings by capitalisation on synergies available or by improving financing terms in place.

The full impact of recent portfolio growth and financing activities are expected to be seen over the next periods, as transactions results make a full contribution and as we identify opportunities and implement strategies to further build net returns.

Our core strategy will remain focused upon management of existing assets and ongoing review of opportunities to improve finance terms. We look to build strong relationships with tenants, maintain high levels of renewals and portfolio occupancy and seek opportunities to grow and improve the quality of rental income. Investment in upgrades and improvements to existing properties is reflected in parallel enhancements to lease agreements.

We expect acquisitions to remain a driver for portfolio growth in future periods and continue to review deals, which in addition to location and tenant covenant, could also potentially build cash flow and earnings, while keeping our rental revenues resilient. We will however, only pursue acquisitions that fit our strict criteria.

Cash is available to finance further growth, although we may also consider further debt issues, as long as new facilities are available at attractive rates and meet our LTV profile.

The Group's half year results underpin our confidence in Germany's economy and commercial real estate market as a stable investment market. We see a constant increasing demand for most of our assets at higher rent rates and believe it will result with further increase in both occupancy and rental income. Although the more competitive environment may have reduced initial returns from target acquisitions, our asset management initiatives have driven portfolio performance and improved Group access to debt at finer rates, which could largely offset pressure on new initial yields.

This backdrop complements our core objectives, as we plan to maintain a focus on earnings enhancing acquisitions and asset management. We intend to continue to deliver attractive income and capital returns for our shareholders and anticipate the combination of our under rented portfolio with the upside potential in the properties to result in further growth in portfolio value in the near future.

Harry Hyman	Zohar Levy
Chairman	Managing Director

25 September 2018

Hafenstr. 16. Saarbruken

Group Financial statements

INDEPENDENT REVIEW REPORT TO SUMMIT GERMANY LIMITED

We have been engaged by the Company to review the condensed consolidated set of financial statements in the half-yearly financial report for the six months ended 30 June 2018 which comprises the condensed consolidated statement of financial position, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flow and related notes 1 to 14. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors’ responsibilities

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

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting,” as adopted by the European Union.

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the AIM Rules of the London Stock Exchange.

Deloitte LLP
Guernsey, Channel Islands
25 September 2018

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	30 June 2018	30 June 2017	31 December 2017
		(Unaudited)	(Unaudited)	(Audited)
		Euro (in thousands)		
ASSETS				
NON-CURRENT ASSETS:				
Investment properties	5	1,030,295	881,457	938,863
Other long-term assets	6	36,751	20,272	28,504
Deferred tax asset		740	553	699
Total non-current assets		1,067,786	902,282	968,066
CURRENT ASSETS:				
Cash and cash equivalents		111,747	24,614	22,715
Trade receivables, net		1,229	1,316	1,021
Prepaid expenses and other current assets		9,481	18,034	65,069
Receivables from related parties	7	141	165	184
Investment property held for sale	5	3,500	15,060	-
Total current assets		126,098	59,189	88,989
Total assets		1,193,884	961,471	1,057,055

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

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	30 June 2018	30 June 2017	31 December 2017
		(Unaudited)	(Unaudited)	(Audited)
		Euro (in thousands)		
EQUITY AND LIABILITIES				
EQUITY:				
Share capital	13	(*) -	(*) -	(*) -
Other reserve		362,778	374,242	370,553
Retained gain		242,252	72,512	162,748
Equity attributable to the owners of the Company		605,030	446,754	533,301
Non-controlling interests		40,443	23,841	32,791
Total equity		645,473	470,595	566,092
NON-CURRENT LIABILITIES:				
Interest-bearing loans and borrowings	8	444,791	409,707	374,921
Other long-term financial liabilities	6	2,620	3,893	3,256
Derivative financial liabilities	9	-	4,088	3,063
Deferred tax liability		50,704	22,467	35,369
Total non-current liabilities		498,115	440,155	416,609
CURRENT LIABILITIES:				
Interest-bearing loans and borrowings	8	15,382	15,508	34,584
Derivative financial liabilities	9	-	1,648	1,885
Payables to related parties	7	2,121	5,835	3,998
Current tax liabilities		1,568	73	1,690
Trade and other payables		31,225	27,657	32,197
Total current liabilities		50,296	50,721	74,354
Total liabilities		548,411	490,876	490,963
Total equity and liabilities		1,193,884	961,471	1,057,055
NAV/Share (cent)	12(d)	130.00	95.99	114.59
EPRA NAV/Share (cent)	12(d)	140.74	101.93	123.10

(*) No par value.

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

25 September 2018		
Date of approval of the financial statements	Zohar Levy Managing Director	Itay Barlev Finance Director

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
		(Unaudited)	(Unaudited)	(Audited)
		Euro (in thousands)		
Rental income		31,540	28,402	60,522
Operating expenses		(2,458)	(2,211)	(4,743)
Gross profit		29,082	26,191	55,779
General and administrative expenses		(3,999)	(3,541)	(7,760)
Fair value adjustments of investment properties	5	91,794	(3,786)	87,984
Other (expense) income		(10,051)	473	10,025
Operating profit		106,826	19,337	146,028
Financial income	10	3,349	935	2,297
Financial expenses	10	(8,086)	(6,161)	(19,652)
Total financial expenses		(4,737)	(5,226)	(17,355)
Profit before taxes on income		102,089	14,111	128,673
Taxation		(15,037)	(1,212)	(15,684)
Profit for the period/year		**87,052**	**12,899**	**112,989**
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
Reclassification to profit and loss of ineffective hedging reserve, net		223	-	265
Net gain on hedging instruments entered into for cash flow hedges		1,419	1,789	2,378
Other comprehensive income for the period/year, net of tax		1,642	1,789	2,980
Total comprehensive income for the period/year		**88,694**	**14,688**	**115,969**
Profit for the period/year attributable to:				
Owners of the Company		79,504	11,998	100,697
Non-controlling interests		7,548	901	12,292
		87,052	12,899	112,989
Total comprehensive income attributable to:				
Owners of the Company		81,042	13,516	103,181
Non-controlling interests		7,652	1,172	12,788
		88,694	14,688	115,969
Earnings per share:				
Basic (Euro per share)	11	0.171	0.026	0.216
Diluted (Euro per share)		0.171	0.026	0.216

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to owners of the Company					
	Issued capital	Other Reserve (Note 12)	Retained Earnings	Total equity attributable to owners of the parent Company	Non-Controlling interests	Total equity
	Euro in thousands					
Balance at 1 January 2018	**(*) -**	**370,553**	**162,748**	**533,301**	**32,791**	**566,092**
Profit for the period	-	-	79,504	79,504	7,548	87,052
Other comprehensive profit for the period, net of income tax	-	1,538	-	1,538	104	1,642
Total comprehensive profit	-	1,538	79,504	81,042	7,652	88,694
Dividend distribution (Note 12c)	-	(9,313)	-	(9,313)	-	(9,313)
Balance at 30 June 2018	**(*) -**	**362,778**	**242,252**	**605,030**	**40,443**	**645,473**

(*) No par value.

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

(*) No par value.

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to owners of the Company					
	Issued capital	Other Reserve (Note 12)	Retained Earnings	Total equity attributable to owners of the parent Company	Non-Controlling interests	Total equity
	Euro in thousands					
Balance at 1 January 2017	**(*) -**	**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	-	(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.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended 30 June		Year ended 31 December
	2018	2017	2017
	(Unaudited)		(Audited)
	Euro (in thousands)		
Cash flows from operating activities:			
Profit for the period/year	87,057	12,899	112,989
Adjustments for:			
Deferred taxes	14,901	1,149	13,821
Sale of subsidiaries	-	-	(10,283)
Financial expenses, net	4,733	5,226	17,355
Fair value adjustment of investment properties	(91,794)	3,786	(87,984)
Depreciation of property, plant and equipment	13	13	31
Amortization and impairment of intangible assets	140	(133)	45
	(72,007)	10,041	(64,015)
Changes in operating assets and liabilities:			
(Increase) decrease in trade receivables	(208)	45	340
Increase (decrease) in trade and other payables	11,624	(1,165)	(214)
(Decrease)Increase in payables to related parties and shareholders	(51)	252	(1,337)
Decrease in prepaid expenses and other current assets	85	529	1,414
Increase (decrease) in other non-current liabilities	146	(37)	(118)
	11,596	(376)	85
Net cash flows from operating activities	26,646	22,564	46,059
Cash flows from investing activities:			
Investments in other long term assets	(6,413)	(270)	(1,150)
Net cash outflow on acquisition of asset companies	-	(25,961)	(27,096)
Change in deposits	593	1,057	1,945
Increase in loan to third party	(1,497)	(6,353)	(11,624)
Payments for acquisitions of investment properties	(3,665)	(6,631)	(13,712)
Proceeds from sale of investment property	50,612	2,500	17,560
Interest income received	6	972	1,129
Net cash flows from investing activities	39,636	(34,686)	(32,948)
Cash flows from financing activities:			
Proceeds from borrowings from banks	300,000	-	-
Proceeds from borrowing from related parties	(22,738)	-	19,751
Repayment of borrowings	(231,678)	(7,264)	(43,895)
Finance expense paid	(13,522)	(5,430)	(11,102)
Dividend distribution	(9,313)	(4,728)	(9,308)
Net cash flows from financing activities	22,749	(17,422)	(44,554)
Increase (Decrease) in cash and cash equivalents	89,031	(29,544)	(31,443)
Cash and cash equivalents at the beginning of period/year	22,715	54,158	54,158
Cash and cash equivalents at the end of period/year	111,747	24,614	22,715

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: GENERAL

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

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

NOTE 2: ACCOUNTING POLICIES

Basis of preparation:
The annual financial statements of Summit Germany Limited are prepared in accordance with IFRSs as adopted by the European Union. The same accounting policies and methods of computation have been applied to the Unaudited Condensed Interim Financial Statements as in the Annual Financial Report at 31 December 2017. The presentation of the Unaudited Condensed Interim Financial Statements is consistent with the Annual Financial Report.
The condensed set of financial statements included in this half yearly financial report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as adopted by the European Union.

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: ACCOUNTING POLICIES (Cont.)

- **Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses**

  The amendments clarify the following:

  1. Decreases below cost in the carrying amount of a fixed-rate debt instrument measured at fair value for which the tax base remains at cost give-rise to a deductible temporary difference, irrespective of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use, or whether it is probable that the issuer will pay all the contractual cash flows;

  2. When an entity assesses whether taxable profits will be available against which it can utilise a deductible temporary difference, and the tax law restricts the utilisation of losses to deduction against income of a specific type (e.g. capital losses can only be set off against capital gains), an entity assesses a deductible temporary difference in combination with other deductible temporary differences of that type, but separately from other types of deductible temporary differences;

  3. The estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and

  4. In evaluating whether sufficient future taxable profits are available, an entity should compare the deductible temporary differences with future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences.

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

- **IFRS 9 Financial Instruments**

  Accounting for financial instruments:

  As of January 1, 2018, the Group adopted IFRS 9 (2014), "Financial Instruments" ("the Standard"), which superseded IAS 39, "Financial Instruments: Recognition and Measurement". The adoption of the Standard did not have a material effect on the financial statements.

  Initial adoption method:

  In general, the Standard's provisions regarding financial assets and liabilities will be applied retrospectively, except for certain exceptions as determined in the Standard's transition provisions. Furthermore, notwithstanding the retrospective adoption, companies that apply the Standard for the first time will not be required to restate comparative figures for previous periods. Also, comparative figures can be restated only when such restatement does not use information in hindsight.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: ACCOUNTING POLICIES (Cont.)

- **IFRS 9 Financial Instruments (Cont.)**

Classification and measurement of financial instruments:

There has been no change in the classification and measurement of all of the Group's other financial assets and liabilities.

As of January 1, 2018, the following accounting policies are applied in respect of financial instruments:

1. Financial assets:

(a) General:

Financial assets are recognized in the statement of financial position when the Group first to become a party to the instrument's contractual terms. Investments in financial assets are initially recognized at fair value with the addition of transaction costs, excluding financial assets that are classified at fair value through profit or loss (loans to others and certain loans to associates) which are initially recognized at fair value. Transaction costs in respect of financial assets measured at fair value through profit or loss are immediately carried as an expense to profit or loss.

After initial recognition, financial assets are measured at amortized cost or at fair value based on their classification.

(b) Classification of financial assets:

Debt instruments are measured at amortized cost when the two following conditions are met:

- The Group's business model consists of holding the financial assets for collecting contractual cash flows therefrom; and
- The contractual terms of the financial asset provide entitlement to cash flows which only include principal payments and interest on the unpaid principal on predetermined dates.

Debt instruments are measured at FVTOCI when the two following conditions are met:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: ACCOUNTING POLICIES (Cont.)

- **IFRS 9 Financial Instruments (Cont.)**

1. Financial assets (Cont.):

(c) Financial assets measured at amortized cost and the effective interest method:

The amortized cost of a financial asset is the amount used to measure it upon initial recognition less principal payments, by adding or subtracting the accumulated amortization, using the effective interest method of any difference between the initial amount and the repayment amount, adjusted for any provision for loss.

The effective interest method is used to calculate amortized costs of debt instruments and to allocate and recognize interest income in profit or loss over the relevant period.

Interest income is calculated using the effective interest method. The calculation is made by applying the effective interest rate to the gross carrying amount of the financial asset, excluding the following:

- For credit impaired purchased or created financial assets from the date of initial recognition, the Group applies the effective interest rate adapted to the credit risk to the financial asset's amortized cost.

- For purchased or created financial assets which were not originally credit impaired but later became such, the Group applies the effective interest rate to the financial asset's amortized cost (less a provision for expected credit losses) in subsequent reporting periods. If in subsequent reporting periods the financial instrument's credit risk improves whereby the asset is no longer credit impaired, the Group calculates the interest income in subsequent periods by applying the effective interest rate to the gross carrying amount.

d) Impairment of financial assets:

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group 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 of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: ACCOUNTING POLICIES (Cont.)

- **IFRS 9 Financial Instruments (Cont.)**

1. Financial assets (Cont.):

e) Derecognition of financial assets:

The Group derecognizes a financial asset only 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 recognizes 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 recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received. On derecognition of a financial asset measured at mortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

2. Financial liabilities:

Financial liabilities are presented and measured at amortized cost.

Financial liabilities are initially recognized at fair value less transaction costs. After initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

The effective interest method calculates the amortized cost of a financial liability and of attributing interest costs over the relevant credit term. The effective interest rate accurately discounts the expected future cash flows over the expected life of the financial liability to its carrying amount, or, if applicable, to a shorter term.

The Group derecognizes a financial liability only when the financial liability is settled, cancelled or expires. The difference between the carrying amount of the settled financial liability and the consideration paid is recognized in profit or loss.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: ACCOUNTING POLICIES (Cont.)

- **IFRS 15 Revenue from Contracts with Customers**

On January 1, 2018, the Group initially adopted the revenue recognition guidelines of IFRS 15, "Revenue from Contracts with Customers" ("the Standard"). The initial adoption of the Standard did not have a material effect on the condensed interim consolidated financial statements.

The new standard 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.

1. 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.

2. Satisfaction of performance obligations

For each contract with tenants, the Group is required to assess whether it meets the performance obligation over time or at a point in time to determine the most appropriate revenue recognition method.

The Group meets the performance obligations and recognizes revenue over time if one of the following criteria is met:

a) The customer simultaneously receives and consumes the benefits provided by the entity's performances, insofar as they are performed by the entity; or

b) The entity's performances create or improve an asset (such as work in progress) which is controlled by the customer in the process of its creation or improvement; or

c) The entity's performances do not create an asset with alternative use to the entity and the entity has an enforceable right to receive payment for performances completed by that date.

Based on its rent contracts with tenants, the Group has concluded that the first criterion described above is met and therefore the Group recognizes revenue over time.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: ACCOUNTING POLICIES (Cont.)

- **IFRS 15 Revenue from Contracts with Customers (Cont.)**

2. Satisfaction of performance obligations (Cont.)

Revenue is measured and recognized at fair value of the consideration received or receivable based on the payments determined in the contract terms. The Group assesses the revenue amount to be recognized according to specific criteria to decide whether it operates as principal supplier or as agent.

Revenue is recognized in the consolidated statements of profit or loss to the extent that it is likely that the economic benefits will flow to the Group, and that the revenue and related costs, if applicable, can be reliably measured.

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty:

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

Revaluation of investment properties:

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Taxation:

Uncertainties might exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the Group's international business relationships and the nature of contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

Deferred taxes
Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits (See also note 17 to the annual accounts).

Acquisition of assets:

In regard to the transactions detailed in note 5, the Group management and the Directors have reviewed the characteristics of the transaction and the properties over which control was acquired by the Group, in accordance with the requirements of IFRS 3. Although control over corporate entities was gained as a result of the transaction, these entities were special purpose vehicles for holding properties rather than separate business entities – this judgment was made mainly due to the absence of business processes inherent in these entities. Consequently, the Directors consider that the transaction meets the criteria of acquisition of assets and liabilities rather than business combination, and accounted for the transaction as such.
In regard to the transaction detailed in note 14a, management considers that transaction as a business combination as the acquired business includes processes.

NOTE 4: ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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. Movements in the balance of investment properties

	Euro in thousands
Balance at 1 January 2017	795,579
Additions during the year (B)	111,720
Disposals during the year (C)(1)(2)	(56,420)
Fair value adjustments during the year	87,984
Balance at 31 December 2017	938,863
Additions during the period	3,138
Disposals	-
Reclassification to property held for sale (C)(3)	(3,500)
Fair value adjustments during the period	91,794
Balance at 30 June 2018	1,030,295

The investment properties are stated at fair value. The fair value represents the amount at which the assets could be exchanged between a willing buyer and willing seller in an arm's length transaction at the date of valuation, after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. Valuations are prepared by external valuators and reviewed and approved by the directors.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5: INVESTMENT PROPERTIES (Cont.)

B. Additions

In June 2017, the Group completed an acquisition of a portfolio of commercial properties located in four different sites in the city of Wolfsburg, Germany, at a total purchase price of approximately €111 million including acquisition costs and capital expenditures in the amount of approximately €11 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 leading Companies in the automotive industry. The properties generate annual net rent of approximately €7.9 million.

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

C. Disposals

1. 18 properties valued at approximately €15.1 million were sold during 2017 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.

2. 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) were approximately €30 million. These proceeds were received and the loan repaid prior to the end of the reporting period.

3. As of 30 June 2018, property valued at approximately €3.0 million was classified as held for sale. After the end of the reporting period, this property was sold for a consideration of €3.5 million.

D. The Company has recorded a provision in the amount of €10 million (recognised in other expenses in profit and loss) related mostly to a certain property, around which the local municipality has been developing the public areas. The provision was made based on management assessment of the costs that are expected to incur when the municipality charge the Company for such development.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6: OTHER LONG TERM ASSETS AND LIABILITIES

	30 June 2018	30 June 2017	31 December 2017
	Euro in thousands		
Other long-term financial assets:			
Available-for-sale investment – unquoted equity shares (1)	2,710	2,373	2,710
Long-term loans receivable (2)	26,256	17,085	24,381
Other financial assets	178	728	1,286
	29,144	20,186	28,377
Other long-term non-financial assets: (3)	7,607	86	127
Other long-term financial liabilities:			
Other Financial liabilities	2,620	3,893	3,256

(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).

(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 the 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 €21.5 million.

b. Loan of €5.9 million to the purchaser of properties as detailed in note 5B1.

(3) Other long-term non-financial assets:
Expenditures in regard of residential projects for 132 units on two property plots in Frankfurt.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7: BALANCES AND TRANSACTIONS WITH RELATED PARTIES

	Amounts owed by related parties			Amounts owed to related parties		
	30 June		31 December	30 June		31 December
	2018	2017	2017	2018	2017	2017
	Euro in thousands					
Related parties	141	165	184	2,121	5,835	3,998

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 balance owed to related parties includes a provision for management fees to SMC (including a provision for a performance-based compensation) of €2,059 thousand.

See also note 8c to the annual accounts in regard of loan received from SHL which was repaid during the reporting period.

NOTE 8: INTEREST - BEARING LOANS AND BORROWING

a. In January 2018, the Company issued €300 million senior fixed rate notes. The senior notes have a term of seven years and bear an annual interest rate of 2.00%. The proceeds from the senior notes placement will be used to refinance existing secured indebtedness of certain subsidiaries of the Company as detailed hereafter and for general corporate purposes including the acquisition of assets.
b. In February 2018, the Company acquired from a current lender a debt amounted to €12.2 million, which was secured over certain of the Group's properties.

c. In March 2018, the Company repaid approximately €220 million of existing debt facilities and its associated derivative instruments, including a €19.5 million loan from SHL.

d. To the date of this report the borrowing entities comply with all the covenants set in their financing agreements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9: FAIR VALUE

Fair value of financial instruments carried at amortised cost:

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

Fair value measurements recognised in the statement of financial position:

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

- Level 1 fair value measurements marketable securities are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements (swaps transactions) are derived from inputs other than quoted prices that are observable for those instruments directly (i.e. as prices).
- Level 3 fair value measurements (certain long term loans receivable and unquoted equity shares) are derived from valuation techniques that include inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). Refer to Note 5 for valuation approach adopted on investment property.

	30 June 2018			
	Level 1	Level 2	Level 3	Total
	Euro in thousands			
Non-financial assets	-	-	1,033,795	1,033,795
Investment properties (see note 5)				
Financial assets				
Long term loans receivable (a)	-	-	21,549	21’549
Unquoted equity shares (b)	-	-	2,710	2,710
Total	-	-	1,058,054	1,058,054
Financial liabilities				
Derivative instruments – swaps (c)	-	-	-	-

(a) See note 6(2)a. Following the adoption of IFRS9 at the beginning of 2018, the Company measures long-term loans given to finance certain residential construction projects in Berlin at fair value.

(b) No change in unquoted equity shares from 31 December 2017.

(c) The change in derivative instruments from 31 December 2017 to 30 June 2018 derived from the full repayment of these derivatives during the reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9: FAIR VALUE (Cont.)

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

	31 December 2017			
	Level 1	Level 2	Level 3	Total
	Euro in thousands			
Non-financial assets				
Investment properties	-	-	938,863	938,863
Available-for-sale financial assets				
Long term loans receivable (See 9a)	-	-	20,057	20,057
Unquoted equity shares	-	-	2,710	2,710
Total	-	-	961,630	961,630
Financial liabilities				
Derivative instruments - swaps	-	(4,948)	-	(4,948)

	30 June 2017			
	Level 1	Level 2	Level 3	Total
	Euro in thousands			
Non-financial assets				
Investment properties (see note 5)	-	-	896,517	896,517
Available-for-sale financial assets				
Long term loans receivable (See 9a)	-	-	19,444	19,444
Unquoted equity shares	-	-	2,373	2,373
Total	-	-	918,334	918,334
Financial liabilities				
Derivative instruments – swaps	-	(5,736)	-	(5,736)

NOTE 10: FINANCIAL EXPENSES (INCOME)

	Six months ended 30 June		Year ended 31 December
	2018	2017	2017
	Euro in thousands		
Financial expenses:			
Interest on bank borrowings	5,123	5,177	10,910
Amortization of cost of raising loans	2,641	531	1,154
Expenses on currency exchange	-	10	-
Other (a)	322	443	7,588
Total financial expenses	8,086	6,161	19,652
Financial income:			
Total financial income (b)	3,349	935	2,297

(a) In 2017, other financial expenses result mainly from transaction detailed in note 7 to the annual accounts.

(b) Financial income results mainly from accrued interest on loans detailed in 6(2)a.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11: EARNINGS PER-SHARE

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

	Six months ended 30 June		Year ended 31 December
	2018	2017	2017
	Euro in thousands		
Earnings			
Earnings for the purposes of basic earnings per share being net profit attributable to owners of the Company	79,504	11,998	100,697

	Six months ended 30 June		Year ended 31 December
	2018	2017	2017
	in thousands		
Number of shares			
Weighted average number of ordinary shares for the purposes of the basic earnings per share	465,400	465,400	465,400

	Six months ended 30 June		Year ended 31 December
	2018	2017	2017
	(Unaudited)		(Audited)
Earnings per share:			
Basic (Euro per share)	0.171	0.026	0.216
Diluted (Euro per share)	0.171	0.026	0.216

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12: SHARE CAPITAL

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

	Issued and outstanding Number of shares
At 1 January 2017	465,399,862
Change in the period	-
At 30 June 2017	465,399,862
Change in the period	-
At 31 December 2017	465,399,862
Change in the period	-
At 30 June 2018	465,399,862

b. Distributable reserve:

The directors have elected to transfer the premium arising from the issue of ordinary shares by the Company to a distributable reserve, which balance as of 30 June 2018 is €363 million (as of 31 December 2017: €370 million). The change during the year derived from dividends distributed in the first half of the year that ended in 30 June 2018.
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

In February 2018, the Company declared a dividend of 1.00 cent per share. The total amount of €4.65 million was paid to the shareholders in March 2018.

In May 2018, the Company declared a dividend of 1.00 cent per share. The total amount of €4.65 million was paid to the shareholders in June 2018.

d. NAV and EPRA NAV:

	As of 30 June 2018		As of 30 June 2017		As of 31 December 2017	
	€, thousands	€, per share	€, thousands	€, per share	€, thousands	€, per share
NAV (*)	605,030	1.30	446,754	0.96	533,301	1.15
Financial derivative instruments	-		5,736		4,948	
Deferred Tax, net	49,964		21,914		34,670	
EPRA NAV (**)	654,994	1.41	474,404	1.02	572,919	1.23

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13: SIGNIFICANT EVENTS DURING REPORTING PERIOD

In January 2018 the company obtained Ba1 issuer rating and BB+ issuer rating (with stable outlook) by Moody's investors and S&P Global Rating, respectively. The senior unsecured notes issued were assigned with BBB-/Ba1 ratings from S&P Global Rating and Moody's, respectively. In addition, a ilAA- Issuer Rating with stable outlook has been obtained from S&P Global Ratings.

NOTE 14: SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

a. In August 2018, the Company completed an acquisition of approximately 72% interest in GxP German Properties AG, a company listed in Frankfurt stock exchange. After the acquisition, additional shares were acquired and currently the Company holds 75.4% of Gxp. GxP owns an office portfolio of approximately €166 million. The properties are located in major German cities (mainly in Frankfurt, Berlin and NRW). The portfolio consists of 12 properties which are 89% let and generate €10.8 million p.a. of net rent.

The consideration for the acquired shares was approximately €45 million, with approximately €40 million payable in cash upon completion and approximately €5 million payable upon publication of GxP’s 30 June 2018 financial reports (which have not yet been published) and subject to the achievement of a minimum threshold.

The transaction was completed after the end of the reporting period and the Group will consolidate GxP commencing the third quarter of the year.

It is noted that the initial accounting for the business combination was incomplete at the time the Company’s interim financial statements were authorised for issue. Also, at the date of approval of the Company’s interim financial statements, not all financial information of the acquire was readily available. As a result, and as well as per paragraph B66 of IFRS 3, certain disclosures were not included in the Company’s interim financial statements, such as - the fair value of the contingent consideration detailed above, the amounts for each major class of assets acquired (including any goodwill or intangible assets or gains), the liabilities and the provisions assumed and the amounts of non-controlling interests.

b. In August 2018, the company declared a dividend of 1.00 cent per share. The total amount of €4.65 million was paid in September 2018.

c. After the end of the reporting period, the Company acquired additional shares of Deutsche Real Estate AG ("DRE AG"), reflecting approximately 9.1% of DRE AG share capital. Following the acquisition, the Company holds 89.9% of DRE AG.