



REPORT AND ACCOUNTS June 2019

SUMMIT
Properties Ltd

INDEX	Page
Summary	1-2
Chairman's and Managing Director's report	3-10
Independent auditor's review report	12
Condensed Consolidated Statements of Financial Position	13-14
Condensed Consolidated Statements of Comprehensive Income	15
Condensed Consolidated Statements of Changes in Equity	16-18
Condensed Consolidated Statements of Cash Flows	19
Notes to the Condensed Consolidated Financial Statements	20-34



Financial Highlights

Summit Properties Limited 2019 Half Year Results

We are pleased to present the interim unaudited results for the six months ended 30 June 2019 (“the Reporting Period”) for Summit Properties Limited and its subsidiaries (“the Group”).

Profits

- Gross profit of €39.5 million (H1 2018: €29.1 million, FY 2018: €64.8 million)
- Net profit of €47.8 million (H1 2018: €87.1 million, FY 2018: €289.6 million)
- Earnings Per Share (EPS) 9.6 cents (H1 2018: 17.1 cents)
- Profit Before Tax (PBT) of €56.3 million (H1 2018: €102.1 million, FY 2018: €334.2 million)
- EBITDA of €64.2 million (H1 2018: €107.2 million, FY 2018: €345.4 million) of which Revaluation Profit is €38.6 million (H1 2018: €91.8 million, FY 2018: 296.8 million)

NAV

- EPRA NAV increased 6.5% to €922.0 million (FY 2018: €866.0 million)
- Group NAV 5.6% up to €825.7 million (FY 2018: €782.0 million)
- NAV and EPRA NAV per share of €1.81/€2.02 (FY 2018: €1.71/€1.89)
- Total Assets of €1.63 billion (FY 2018: €1.19 billion)

Rent and operations

- Rental income 28.6% up to €40.5 million (H1 2018: €31.5 million, FY 2018: €67.4 million)
- Annualised net rent of €82.2 million, equivalent to 5.4% rental yield
- Funds From Operations (FFO) increased 35.2% to €26.9 million (H1 2018: €19.9 million, FY 2018: €44.3 million)
- Average rent per sqm per month of €7.1m across the portfolio is lower than ERV
- 92% occupancy over the portfolio’s majority (91% including properties for re-development)
- New leases and renewals for approximately 65,000 sqm, securing rental income of ca. €5.7million p.a.

Portfolio

- Portfolio of 103 properties with a Net Market Value (NMV) of €1.5 billion (FY 2018: 103 properties at €1.5 billion NMV)
- A binding agreement for the disposal of an office building at €225 million, 7.9% above its 2018 year-end valuation, completion of which is expected at the end of 2019.
- Further progress on residential development projects; all 62 units sold; €2.2 million profit recognised in the Reporting Period.

Financing

- Refinancing of ca. €27 million of short-term debt facilities. New loan provided for a 20-year term at 2.7% fixed interest rate and 3.00% annual amortisation.
- Following refinancing activities, Group’s Net LTV is 36.6% (FY 2018: 39.5%) with an average interest rate of 2.2% and average unexpired term of 6.7 years.

Dividends

- An interim dividend of 0.5 of a cent per share declared today and we intend to declare a further interim dividend of 0.5 of a cent per share in 2019. Following completion of the sale of the office building referred to above and subject to market conditions, we expect to declare a further interim dividend of 1 cent per share.

Harry Hyman, Chairman, commented: “I’m pleased with the portfolio performance, which benefited again from our experienced property and asset management platform. The outlook for Germany’s commercial property markets remains positive and I’m confident that we will continue to generate attractive income and capital returns for our shareholders.”

Zohar Levy, Managing Director, commented: “During another very active half year we identified numerous opportunities to capitalise upon our portfolio’s potential and built up revenues from our existing properties. The disposal of one property is expected to release capital for further strategic investments, as well as for the development of our existing surplus building rights. We carefully monitor the macro-economic environment and are more selective with new investments. However, our portfolio is under rented and reflects substantial reversionary potential and upside due to additional building rights in many of our properties. The strong investment and letting markets bode well for the full year and beyond and we are confident that we will further enhance asset quality and future returns.”



Chairman's and Managing Director's Report

Chairman's and Managing Director's Report

We are pleased to present the interim results of Summit Properties Limited and its subsidiaries ("the Group") for the six months ended 30 June 2019.

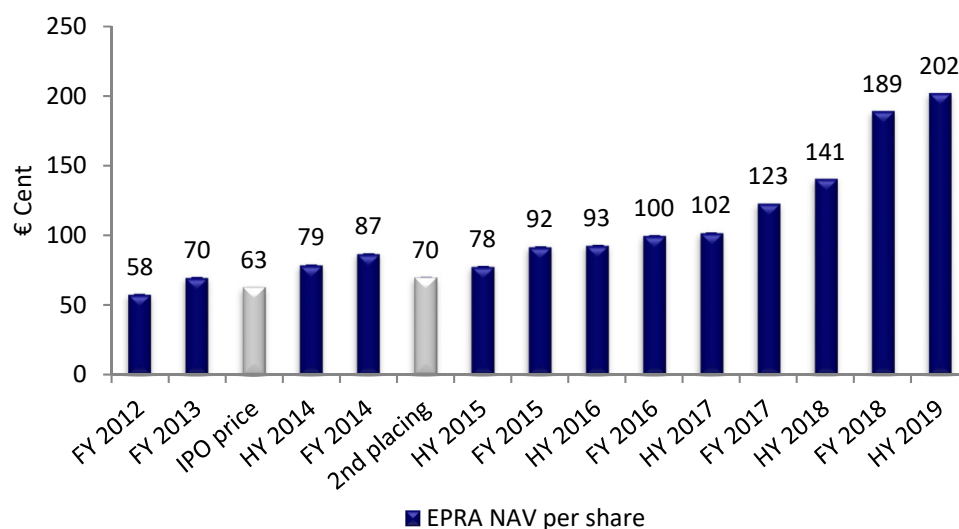
This was another positive period for the Group portfolio, during which, our existing assets benefited from steady new lettings and lease renewals. Net rents were also buoyed by the contribution of well-let properties acquired in the second half of 2018.

During the Reporting Period we signed a binding agreement for the disposal of a €225 million office property, where we expect the transaction to be completed by the end of the current year. Through the terms of the transaction, we expedited the realisation of the property's inherent potential and can subsequently reinvest the imminent funds proceeds.

EPRA NAV growth and valuation¹

EPRA NAV increased 6.5% to €922.0 million during the Reporting Period (FY 2018: €866.0 million), followed by a corresponding increase in EPRA NAV per share to €2.02 (FY 2018: €1.89). The Group's NAV increased 5.6% to €825.7 million (FY 2018: €782.0 million), resulting in NAV per share of €1.81 (FY 2018: €1.71).

The major components of that increase include €38.6 million revaluation profit, offset mainly by a €6.7 million provision for one-off costs associated with the disposal of an office property, as further explained in Note 6 of the Group's Half Year Report. That was supplemented by a €26.9 million FFO contribution, offset by a €3.8 million of non-controlling interests.



As of 30 June 2019 the portfolio comprised 103 properties at NMV of €1.5 billion (FY 2018: 103 properties at €1.5 billion NMV). The NMV of the portfolio is based on an external valuation as of 30 June 2019 and includes one property held for sale carried at its sale price of €225 million, as further explained in Note 4C of the Group's Half Year Report.

¹ Alternative performance measures

The Group prepares its financial statements using IFRS. However, it also uses a number of adjusted measures in assessing and managing performance of the business.

EPRA metrics:

Performance measures used by the Group include those defined by EPRA, are designed to enhance transparency and comparability across the European real estate sector. The Group considers these standard metrics to be the most appropriate method of reporting the value of the business and a reconciliation to IFRS numbers is included in note 11(d) of the financial statements.

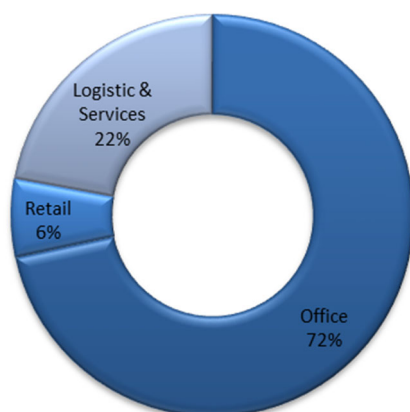
Funds From Operations ('FFO'):

The Group considers this measure to be most appropriate when considering its dividend policy as it is a cash measure and it is familiar to non-property and international investors. Funds From Operations is a measure determined by cash profits, which includes realised recurring cash profits, realised cash profits or losses on the sale of properties and excludes other one off or non-cash adjustments.

Financial Review

The results of the first half of 2019 reflect the impact of recent improvements to leases and lettings due to our ongoing intensive asset management activities. Including the first full rental contribution from the last two acquisitions completed in the second half of 2018, rental income was 28.4% ahead of the comparable figure and amounted to €40.5 million (H1 2018: €31.5 million, FY 2018: €67.4 million). On an underlying, like-for-like basis, rental income increased by 2.5%.

The growth in the portfolio's income is also reflected in the Net Operating Income ("NOI"), which increased by 35.7% to €39.5 million (HY 2018: €29.1 million, FY 2018: €64.8 million) and was generated by all portfolio sectors, as illustrated below. The NOI included €2.2 million profit related to one of the residential development projects in Frankfurt (HY 2018: €0 million, FY 2018: €2.8 million).



NOI By Sector

This increase also provided also the impetus for a 35.2% increase in FFO to €26.9 million (HY 2018: €19.9 million, FY 2018: €44.3 million). On a like-for-like basis, FFO was 19.6% above prior year. FFO per share amounted to 5.9 cents (HY 2018: 4.3 cents, FY 2018: 9.5 cents).

FFO (€m)	30.6.2019	30.6.2018	FY 2018
Gross profit*	39.5	29.1	64.8
G&A expenses	-5.7	-4.0	-9.3
Interest expenses, net	-6.9	-5.1	-11.2
FFO	26.9	19.9	44.3
Weighted average amount of shares (million)	457.3	465.4	464.9
FFO per share (€cent)	5.9	4.3	9.5

*- including €2.2 million from sale of apartments in HY 2019 (HY 2018: €0 million, FY 2018: €2.8 million)

The increase in G&A expenses is anticipated, as it is in line with costs related to management of an enlarged portfolio. The business model is, however, operationally geared and spare capacity within current asset management infrastructure exists. This will enable future rental growth to be efficiently translated into an increase in key measures of profitability.

The uplift in properties values in HY 2019 was considerable and resulted in profit from fair value adjustments of investment properties of €38.6 million. This profit, however, was below the substantial equivalents of 2018 (HY 2018: €91.8 million, FY 2018: €296.8 million) and as such, PBT amounted to €56.3 million and was below its HY 2018 comparable figure of €102.1 million (FY 2018: €334.2 million).

PBT (€m)	30.6.2019	30.6.2018	FY 2018
Gross profit*	39.5	29.1	64.8
G&A expenses	-5.7	-4.0	-9.3
Profit from fair value adjustments of investment properties	38.6	91.8	296.8
Financial expenses (net)	-7.8	-4.7	-10.7
One-off items	-8.2	-10.1	-7.5
Profit Before Taxes	56.3	102.1	334.2

*- including €2.2 million from sale of apartments in HY 2019 (HY 2018: €0 million, FY 2018: €2.8 million)

The result also reflects one-offs provisions related primarily to the sale of an office property, which is due to complete by the end of the current financial year, as further explained in Note 6 of the Group's Half Year Report. On an underlying basis, excluding fair value adjustments and one-off items, PBT amounted to €25.9 million, 27.0% ahead of the comparable period last year.

Net profit amounted to €47.8 million (HY 2018: €87.1 million, FY 2018: €289.6 million) resulting in EPS of 9.6 cents (HY 2018: 17.1 cents, FY 2018: 56.6 cents).

EPS	30.6.2019	30.6.2018	FY 2018
Profit attributable to ordinary shareholders (€m)	44.1	79.5	263.3
Weighted average amount of shares (million)	457.3	465.4	464.9
Earnings Per Share (€cent)	9.6	17.1	56.6

Ongoing refinancing activities to optimise capital structure

In parallel to the active management of our property portfolio, our strategy ascribes great importance to the active management of the Group's debt portfolio. This activity aims to enhance underlying earnings visibility, primarily by setting fixed debt costs and extending the maturity of the Group's borrowing.

In March 2019, we pursued this strategy and refinanced approximately €27 million of short-term debt facilities, which was secured on three assets. The new €29.2 million loan is secured over the same three assets and was provided by a German lender for a 20-year term at a 2.7% fixed interest rate and 3.0% annual amortisation.

We retain strong relationships with leading lenders, which have indicated their willingness to provide further facilities. The confidence in the Group also continues to be supported also by the confirmations of our BB+ credit rating by S&P Global Rating and Ba1 credit rating from Moody's. These assessments are based upon a portfolio well-diversified by asset sector and geography, an extensive and varied tenant base and attractive cash flow cover characteristics. It is underpinned by continued improvements in occupancy and rental income achieved via active asset management including, where appropriate, asset sales.

The Group's debt profile provides long-term committed debt at attractive rates. This helps establishing visibility on the Group's cash flows and supports the management's ambitions to direct spare capital towards portfolio enhancement and expansion.

The table below sets out the main details of the Group debt facilities as of 30 June 2019. As at end June 2019, the average cost of debt was 2.2%, with a weighted average maturity of approximately 6 years.

Credit Facility	Financing Date		Loan Amount (€mn)	Interest	Amortis'	Market Value (€mn)	LTV Ratio		DSCR Ratio	
	Start	Maturity					Cov'	Actual	Cov'	Actual
01	03.2015	3.2022	29	1.96%	3.00%	84	65%	34%	125%	274%
02	10.2012	12.2028	4	1.75%	3.00%	15	NR	29%	125%	421%
03	1.2019	12.2025	10	1.90%	2.50%	27	NR	36%	125%	171%
04	6.2014	5.2024	36	4.10%	0.27%	134	NR	27%	225%	NR
05	1.2016	1.2026	9	1.79%	3.00%	21	NR	44%	NR	NR
06	3.2016	3.2026	16	2.26%	2.50%	29	NR	58%	NR	NR
07	4.2016	3.2026	35	2.25%	4.15%	92	NR	42%	NR	NR
08	9.2016	8.2026	3	2.10%	3.50%	0	NR	0%	NR	NR
09	12.2016	12.2026	15	1.76%	3.00%	37	NR	40%	NR	NR
10	11.2016	11.2021	60	2.30%	2.00%	106	NR	56%	150%	174%
11	12.2017	11.2022	11	1.70%	3.50%	19	NR	60%	NR	NR
12	03.2019	12.2038	29	2.70%	3.00%	50	NR	58%	NR	NR
13	04.2018	9.2025	48	2.58%	5.35%	88	NR	55%	NR	NR
Other			1							
Unencumbered Assets			-			833				
Senior Notes	1.2018	1.2025	300							
Total incl. bonds			608			1,535				

Property portfolio overview

As at 30 June 2019 the portfolio comprised 103 assets, approximately 1,065,000 sqm of net lettable space, located on approximately 1,648,000 sqm of land.

The net annualised contracted income of the portfolio at the end of the Reporting Period was €82.2 million, equivalent to a 5.4% p.a. net rental yield, receivable from a diversified base of over 850 tenants. Rent uplifts are either subject to agreed fixed annual increases or linked to CPI.

Type	No. of Assets	Land Size (sqm'000)	Lettable Area (sqm'000)	Vacant Area (sqm'000)	Net Rent (€mn)	Rent/sqm/month
Office	63	823	657	76	58.9	8.4
Retail	14	138	66	11	5.1	7.8
Logistic & Services	26	686	342	13	18.2	4.6
Total	103	1,648	1,065	99	82.2	7.1

The portfolio's income is derived by a high quality multi-tenant base with 43% of the properties comprising of 2-10 tenants. It is also well diversified from sector and geographical perspectives, as further illustrated below.

Over 59% of Group rent is generated from assets located in Germany's five main cities, Berlin (19%), Frankfurt (16%), Stuttgart (8%), Hamburg (6%) and Dusseldorf (8%). Another 33% is derived from Cologne, Munich and other major cities combined, resulting with more than 91% in Germany's major cities. The largest ten properties account for 32% of portfolio income, and 83% of the lettable area is in the former West Germany.

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

	Offices		Logistic & Services		Retail	
	06.2019	12.2018	06.2019	12.2018	06.2019	12.2018
€/sqm/month	8.4	8.4	4.6	4.6	7.8	7.7
Range in €	(5.0-20.0)	(5.0-20.0)	(2.2-12.3)	(2.2-12.3)	(4.2-18.8)	(4.2-18.8)

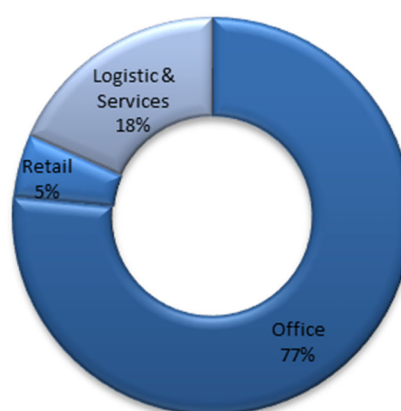
Aggregate portfolio occupancy is currently approximately 91%. The vacancy rate reflects, among others, assets held for future redevelopment. Assuming vacancies will be occupied in the immediate future, annualised net rent would be approximately €89 million p.a., equivalent to a 6.0% p.a. yield on current book value. The Estimated Rental Value ("ERV"), based on third party appraiser as of 30 June 2019, amounted to €106 million p.a., equivalent to a 6.9% annual yield on current book value. During the first 7 months of 2019 we have witnessed a 38% rent rate increase for the new letting on like-for-like basis.

Portfolio occupancy and income, adjusted for acquisitions and disposals, have both been improved over the last few years. Lettings were steady and occupancy has increased to 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 37,000 sqm, and renewed existing lease agreements for a further approximately 28,000 sqm. This is worth a total of approximately €5.7 million p.a. We see a constant increasing demand for most of our assets at higher rent rates and believe it will result in further increases in both occupancy and rental income.

Offices are the largest component of the portfolio as at 30 June 2019 and comprised 77% of the NMV (FY 2018: 76%). This is fully in line with our long-term strategy to focus on this segment, as it is where we see attractive prospects with increasing demand. It is an area in which we can capitalise upon management's depth of experience and one where we have a proven competitive advantage.

NMV by Sector



Offices	Logistic & Services	Retail	Total NMV (€bn)
1.2	0.3	0.1	1.5
77%	18%	5%	100%

Asset management initiatives

Portfolio performance during the first half was buoyed by asset management initiatives. This is reflected in successful lettings during the Reporting Period as well as steady occupancy on improved terms, the full benefit of which will be seen over future periods.

Recent acquisitions have added attractive assets in central locations to the Group portfolio. These properties have performed as anticipated and their first full contributions in HY 2019 had a positive and material impact on the Group's rental income.

We continue to review opportunities to enlarge and enhance our portfolio with assets intended to be held as long-term investments. Nevertheless, we remain willing to dispose of assets if we can achieve attractive exit prices which, in our opinion, enable us to realise that property's potential and release capital to reinvest in high yielding investments.

In this respect, in June 2019 we signed a binding agreement for the disposal of an office building for €225.0 million, which is 7.9% above its 2018 year-end valuation. This price is based upon €4.6 million annual rental income and is equivalent to a 2.1% rental yield. This transaction is due to complete upon receipt of the sale proceeds by the end of 2019.

Our portfolio provides multiple opportunities for our in-house asset management team and contains significant potential to capitalise upon additional building rights and development of existing surplus land. The team's expertise enables it to meet new challenges as they arise and will respond to such opportunities as the market evolves. Such response should result in NAV accretion from investment in development projects to be held or to be sold.

This is evident from our ongoing activities, particularly our current development of residential space on our existing properties. During the Reporting Period we sold all 62 residential units we built on an existing plot located in a highly desirable Frankfurt residential area and recognised €2.2 million of the profit in this regard. We also further promoted the construction of 70 residential units on another existing Group plot in Frankfurt.

We remain confident regarding the prospects for German commercial property and expect to further secure ongoing improvements in underlying asset performance. We will continue to identify opportunities to expand our portfolio through new acquisitions as well as to release latent value in our portfolio through development of existing building rights.

Dividends

We are pleased to announce today an interim dividend of 0.5 of a cent per share and intend to declare a further interim dividend of 0.5 of a cent per share in 2019. Following completion of the sale of the office building referred to above and subject to market conditions, we expect to declare a further interim dividend of 1 cent per share.

Outlook

Germany's commercial real estate markets benefited from a healthy domestic economy and has remained attractive throughout recent periods. This has led to strong investment and letting markets and resulted in increasing ongoing demand, historic low vacancy rates and increasing rent rates for German properties.

We are, however, aware that several external issues may affect the course of both the global and German economies. Key concerns would surround the impact on the German commercial property markets of any acceleration in the China-United States trade war, a disorderly Brexit, concerns over a possible German economic recession and German political uncertainties. Other considerations may include Berlin's governmental proposal to freeze residential rents in the German capital.

Such factors may have a negative effect on the German real estate market. Their impact may however, still be offset by other considerations.

Most significant are the market dynamics, characterised by increasing demand and limited supply of new German commercial space. Such market dynamics have pushed up rent levels, which we expect to further support our ongoing initiatives designed to realise the substantial inherent upside potential in our under-rented property portfolio. This will translate into enhanced cash generation and higher property values.

We also expect this scenario to buoy up our efforts to unlock latent value via the development of commercial and residential spaces within existing group plots. We will, however, remain prudent regarding such projects and intend to only develop units or lettable space, either for sale or to hold, on a non-speculative, pre-let basis and to focus on areas, where we see relatively limited supply of new space.

The German real estate market is also being supported by the prevailing low interest environment in Europe. We expect this to continue to help our refinancing activities, as it should provide opportunities to secure further long-term facilities at modest rates. Refinancing activities, such as the recent €29 million 20-year fixed-rate facility, will improve and extend the terms of the Group's debt portfolio and provide significant reassurance regarding the future affordability of our debt portfolio.

Against an uncertain political and economic outlook, we also remain confident in our commercial property portfolio to continue to anchor our activities and generate attractive cash from diversified assets in Top 7 German cities and other main cities with high quality multi-tenant base.

Our strong internal management and platform capabilities include an experienced management team with an excellent track record and sourcing capabilities. It will further enable us to manage risks and portfolio growth, as well as to improve operational efficiency and decrease vacancy rates.

As ever, we seek to adapt our strategy to meet the challenges presented by a dynamic market. We remain pragmatic and will continue to make prudent investment decisions which fit our strict asset quality and tenant covenant criteria. We intend to continue to build our German commercial property portfolio and plan to undertake strategic investments, as well as to invest in existing assets to further deliver attractive income and capital returns for our shareholders.

Harry Hyman
Chairman
24 September 2019

Zohar Levy
Managing Director



Group Financial statements

INDEPENDENT REVIEW REPORT TO SUMMIT PROPERTIES 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 2019 which comprises the condensed consolidated statement of financial position, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flow and related notes 1 to 13. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by Financial Reporting Council ("FRC"). 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 FRC 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 2019 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

Jersey, Channel Islands
24 September 2019

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		30 June		31 December
		2019	2018	2018
		(Unaudited)		(Audited)
Note		Euro (in thousands)		
ASSETS				
NON-CURRENT ASSETS:				
Investment properties	4	1,309,879	1,030,295	1,488,967
Other long-term assets	5	26,485	36,751	27,013
Deferred tax asset		253	740	391
Properties for development		6,442	-	5,125
Total non-current assets		1,343,059	1,067,786	1,521,496
CURRENT ASSETS:				
Inventory of buildings under construction		1,024	-	2,736
Prepaid expenses and other current assets		14,097	9,481	15,941
Contract assets		2,193	-	3,643
Receivables from related parties	6	170	141	177
Trade receivables, net		2,072	1,229	2,745
Investment property held for sale	4C	225,000	3,500	-
Cash and cash equivalents		39,027	111,747	19,525
Total current assets		283,583	126,098	44,767
Total assets		1,626,642	1,193,884	1,566,263

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

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		30 June		31 December
		2019	2018	2018
		(Unaudited)		(Audited)
	Note	Euro (in thousands)		
EQUITY AND LIABILITIES				
EQUITY:				
Share capital	11	(*) -	(*) -	(*) -
Other reserve		348,413	362,778	348,775
Retained gain		477,269	242,252	433,194
Equity attributable to the owners of the Company		825,682	605,030	781,969
Non-controlling interests		62,925	40,443	59,319
Total equity		888,607	645,473	841,288
NON-CURRENT LIABILITIES:				
Interest-bearing loans and borrowings	7	590,305	444,791	576,789
Other long-term financial liabilities	5	4,506	2,620	2,519
Derivative financial liabilities	8	2,388	-	965
Deferred tax liability		94,224	50,704	83,503
Total non-current liabilities		691,423	498,115	663,776
CURRENT LIABILITIES:				
Interest-bearing loans and borrowings	7	11,096	15,382	26,299
Payables to related parties	6	7,434	2,121	2,548
Current tax liabilities		173	1,568	1,576
Trade and other payables		27,909	31,225	30,776
Total current liabilities		46,612	50,296	61,199
Total liabilities		738,035	548,411	724,975
Total equity and liabilities		1,626,642	1,193,884	1,566,263
NAV/Share (cent)	11(d)	180.56	130.00	171.00
EPRA NAV/Share (cent)	11(d)	201.64	140.74	189.39

(*) No par value.

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

24 September, 2019

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June		Year ended 31 December
		2019	2018	2018
		(Unaudited)		(Audited)
		Euro (in thousands)		
Rental income		40,494	31,540	67,376
Revenues from sale of apartments		8,456	-	9,905
Operating expenses		(3,225)	(2,458)	(5,390)
Cost of sale of apartments		(6,265)	-	(7,096)
Gross profit		<u>39,460</u>	<u>29,082</u>	<u>64,795</u>
General and administrative expenses		(5,689)	(3,999)	(9,258)
Fair value adjustments of investment properties	4	38,598	91,794	296,840
Other expense		(8,202)	(10,051)	(7,489)
Operating profit		<u>64,167</u>	<u>106,826</u>	<u>344,888</u>
Financial income	9	256	3,349	3,051
Financial expenses	9	(8,098)	(8,086)	(13,718)
Total financial expenses		<u>(7,842)</u>	<u>(4,737)</u>	<u>(10,667)</u>
Profit before taxes on income		56,325	102,089	334,221
Tax expenses		(8,490)	(15,037)	(44,639)
Profit for the period/year		<u>47,835</u>	<u>87,052</u>	<u>289,582</u>
Other comprehensive income ("OCI") and expenses:				
Items that may be reclassified subsequently to profit or loss:				
Reclassification to profit and loss of ineffective hedging reserve, net		-	223	223
Reclassification to profit and loss of hedging reserve, net		-	1,419	1,573
Changes in hedging instruments entered into for cash flow hedges		(922)	-	-
		<u>(922)</u>	<u>1,642</u>	<u>1,796</u>
Items that will not be classified subsequently to profit or loss:				
Net gain arising on revaluation of financial assets through Other Comprehensive Income ("OCI")		560	-	-
		<u>(362)</u>	<u>1,642</u>	<u>1,796</u>
Total comprehensive income for the period/year		<u>47,473</u>	<u>88,694</u>	<u>291,378</u>
Profit for the period/year attributable to:				
Owners of the Company		44,075	79,504	263,330
Non-controlling interests		3,760	7,548	26,252
		<u>47,835</u>	<u>87,052</u>	<u>289,582</u>
Total comprehensive income attributable to:				
Owners of the Company		43,713	81,042	265,022
Non-controlling interests		3,760	7,652	26,356
		<u>47,473</u>	<u>88,694</u>	<u>291,378</u>
Earnings per share:				
Basic (Euro per share)	10	<u>0.096</u>	<u>0.171</u>	<u>0.566</u>
Diluted (Euro per share)		<u>0.096</u>	<u>0.171</u>	<u>0.566</u>

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

Summit Properties Limited Half Year Report: 30 June 2019

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to owners of the Company					
	Issued capital	Other Reserve (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 2019	(*) -	348,775	433,194	781,969	59,319	841,288
Profit for the period	-	-	44,075	44,075	3,760	47,835
Other comprehensive loss for the period, net of income tax	-	(362)	-	(362)	-	(362)
Total comprehensive profit (loss)	-	(362)	44,075	43,713	3,760	47,473
Additional non-controlling interest	-	-	-	-	(154)	(154)
Balance at 30 June 2019	(*) -	348,413	477,269	825,682	62,925	888,607

(*) No par value.

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to owners of the Company					Total equity
	Issued capital	Other Reserve (Note 11)	Retained Earnings	Total equity attributable to owners of the parent Company	Non-Controlling interests	
	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	-	(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 condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to owners of the Company					Total equity
	Issued capital	Other Reserve (Note 11)	Retained Earnings	Total equity attributable to owners of the parent Company	Non-Controlling interests	
	Euro in thousands					
Balance at 1 January 2018	(*) -	370,553	162,748	533,301	32,791	566,092
Profit for the year	-	-	263,330	263,330	26,252	289,582
Other comprehensive profit for the year, net of income tax	-	1,692	-	1,692	104	1,796
Total comprehensive profit	-	1,692	263,330	265,022	26,356	291,378
Dividend distribution	-	(13,970)	-	(13,970)	-	(13,970)
Buy back of shares	-	(9,500)	-	(9,500)	-	(9,500)
Acquisition of non-controlling interest	-	-	7,116	7,116	(18,405)	(11,289)
Additional non-controlling interest on acquisition of subsidiary	-	-	-	-	18,577	18,577
Balance at 31 December 2018	(*) -	348,775	433,194	781,969	59,319	841,288

(*) No par value.

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended 30 June		Year ended 31 December
	2019	2018	2018
	(Unaudited)		(Audited)
	Euro (in thousands)		
Cash flows from operating activities:			
Profit for the period/year	47,835	87,052	289,582
Adjustments for:			
Deferred taxes	8,720	14,901	43,324
Financial expenses, net	7,842	4,737	10,667
Fair value adjustment of investment properties	(38,598)	(91,794)	(296,840)
Depreciation of property, plant and equipment	215	13	86
Amortization and impairment of intangible assets	14	140	39
Other long-term assets	13	-	(363)
	(21,794)	(72,003)	(243,087)
Changes in operating assets and liabilities:			
Decrease (increase) in trade receivables and contract assets	2,123	(208)	(4,523)
(Decrease) increase in trade and other payables	(3,986)	11,626	4,129
Increase (decrease) in payables to related parties and shareholders	4,919	(51)	735
Decrease in inventors of buildings under construction and properties for developments	395	-	264
Decrease in prepaid expenses and other current assets	173	85	321
Increase in other non-current liabilities	1,084	146	127
	4,708	11,598	1,053
Net cash flows from operating activities	30,749	26,647	47,548
Cash flows from investing activities:			
Payments for property, plant and equipment	(124)	(6,413)	(71)
Net cash outflow on acquisition of asset and liabilities	-	-	(31,942)
Net cash outflow on business combination	-	-	(44,066)
Change in deposits	280	593	139
Decrease in loan to third party	(18)	(1,497)	(1,624)
Addition to investment properties	-	(3,665)	(11,615)
Proceeds from sale of investment property	(5,352)	50,612	54,867
Interest income received	-	6	9
Net cash flows from investing activities	(5,214)	39,636	(34,303)
Cash flows from financing activities:			
Proceeds from borrowings from banks	29,172	300,000	300,000
Payment of borrowing from related parties	-	(22,738)	(22,738)
Repayment of borrowings	(31,595)	(231,678)	(235,274)
Proceeds from loans to third parties	3,235	-	-
Finance expense paid	-	-	(13,471)
Interest expense paid	(6,705)	(13,522)	(10,193)
Net cash outflow on acquisition on non-controlling interest	(140)	-	(11,289)
Buy back of shares	-	-	(9,500)
Dividend distribution	-	(9,313)	(13,970)
Net cash flows from financing activities	(6,033)	22,749	(16,435)
Increase (Decrease) in cash and cash equivalents	19,502	89,032	(3,190)
Cash and cash equivalents at the beginning of period/year	19,525	22,715	22,715
Cash and cash equivalents at the end of period/year	39,027	111,747	19,525

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**NOTE 1: GENERAL**

Summit Properties 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 Properties Limited are prepared in accordance with IFRSs as adopted by the European Union. Except for the adoption of IFRS 16 Leases described below, 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 2018. 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:

IFRS 16 Leases

Starting from 1 January 2019, the company started to apply IFRS 16, which 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.

This standard have insignificant effect on the financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**NOTE 2: ACCOUNTING POLICIES (Cont.)****Application of new and revised international Financial Reporting Standards (IFRSs) (Cont.)****Annual Improvements to IFRS Standards 2015–2017 Cycle *Amendments to IAS 12 Income Taxes***

The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

IFRIC 23 *Uncertainty over Income Tax Treatments*

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
 - If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
 - If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**NOTE 3: CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont.)****Key sources of estimation uncertainty (cont.):**

- **Valuation of investment properties:**

The Group carries its investment properties at fair value, with changes in fair values being recognised in the profit or loss. The Group engages independent valuation specialists to determine fair value of investment properties 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 4.

- **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 judgement 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).

- The risks relating to the Group's business are set out in full in Note 3 of the Group's annual accounts.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**NOTE 4: INVESTMENT PROPERTIES****A. Movements in the balance of investment properties**

	<u>Euro in thousands</u>
Balance at 1 January 2018	938,863
Additions for the year	11,615
Additions from business combination	167,149
Additions from acquisition of assets and liabilities	85,000
Disposals during the year	(3,500)
Reclassification to inventory of buildings under construction	(3,000)
Reclassification to properties for development	(4,000)
Fair value adjustments during the year	296,840
Balance at 31 December 2018	<u>1,488,967</u>
Additions for the period	7,352
Reclassification to property held for sale (C)	(225,000)
Fair value adjustments during the period (B)	38,598
Other	(38)
Balance at 30 June 2019	<u>1,309,879</u>

B. Fair value of investment properties

The investment properties are stated at fair value. The fair value represents the amount at which the assets could be exchanged between a willing buyer and willing seller in an arm's length transaction at the date of valuation, after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. Valuations are prepared by external valuers 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 4: INVESTMENT PROPERTIES (Cont.)****B. Fair value of investment properties (cont.)**

The valuations consider 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 €5-20 per month per square meter (2018: €5-20); for retail properties, between €4-19 per month per square meter (2018: €4-19); for logistics properties between €2-12 per month per square meter (2018: €2-12). For office, commercial and logistics properties, discount rates range between 4%-8% (2018: 4%-8%).

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

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 the fair value of investment properties 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.

C. Classification from investment properties to property held for sale

In June 2019 the Company signed a binding agreement for the disposal of a German office building for a consideration of €225.0 million, 7.9% above its €208.6 million valuation as at 31 December 2018.

The property was classified as property held for sale. Completion of this transaction is expected at the end of 2019.

D. For additional information about investment properties and movement in the balance during the year 2018, see note 5 of the consolidated financial statements as of 31 December 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**NOTE 5: OTHER LONG TERM ASSETS AND LIABILITIES**

	30 June		31 December
	2019	2018	2018
	Euro in thousands		
<u>Other long-term financial assets:</u>			
Financial assets measured at fair value through OCI (1)	4,381	2,710	3,851
Long-term loans receivable measured at amortised cost (1)	13,467	9,114	11,786
Financial assets measured at fair value through profit and loss (2)	7,259	17,142	9,495
Other financial assets	139	178	1,622
	<u>25,246</u>	<u>29,144</u>	<u>26,754</u>
<u>Other long-term non-financial assets: (3)</u>	<u>1,239</u>	<u>7,607</u>	<u>259</u>
<u>Other long-term financial liabilities:</u>			
Other Financial liabilities	<u>4,506</u>	<u>2,620</u>	<u>2,519</u>

- (1) See note 6 to the group annual financial statements for the year 2018.
- (2) The Group is engaged in agreements to provide financing to several residential construction projects in Berlin. The projects are for construction of 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. As of the end of the reporting period, the fair value of the loans is €17.1 million (including an amount of €9.8 million, which is presented in short term assets, in the prepaid expenses and other current assets line item).
- (3) Other long-term non-financial assets:
As of 30 June 2019, the balance is mainly due to the impact of adopting IFRS 16, as of January 1, 2019, whereby a right of use assets has been recognized for the Group's leased office premises.
In 30 June 2018 the balance included capitalized expenditures in regard of residential projects.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**NOTE 6: BALANCES AND TRANSACTIONS WITH RELATED PARTIES**

	Amounts owed by related parties			Amounts owed to related parties		
	30 June		31 December	30 June		31 December
	2019	2018	2018	2019	2018	2018
	Euro in thousands					
Related parties	170	141	177	7,434	2,121	2,548

As of December 31, 2018, Summit Real Estate Holdings Ltd ("SHL") holds approximately 50.89% of the Ordinary shares of Summit Properties limited. SHL is under the control of Mr. Zohar Levy. 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 €7,328 thousand including special bonus provision as detailed below (HY.2018: €2,059 thousand, 2018: €2,470 thousand).

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 and is calculated based on 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%.

As at 30 June 2019 the performance criteria were met and a pro-rata provision in the amount of €375 thousand was made during the period. The payment of the performance-based bonus is subject to the approval of the Remuneration and Nomination Committee of the Group after the end of the relevant accounting year.

SMC shall be additionally 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 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 a result of the transaction mentioned in note 4C, the threshold triggering a special bonus is expected to be met during 2019. Therefore, during the period, the Company recorded a provision for the Special Bonus in the amount of €6.7 million (the expense was recorded in the other expenses line item in profit and loss).

NOTE 6: BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Cont.)**Terms and conditions of the management agreement (Cont.)**

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.

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. The likelihood that SMC would be entitled to receive any carried interest is 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 7: INTEREST - BEARING LOANS AND BORROWING

- a. In March 2019, the Company refinanced approximately €27 million of short term debt facilities, which were at an interest rate of 2.1% and secured by three properties. A new loan of approximately €29m was provided by a German lender for a 20 year term at a fixed interest rate of 2.7% p.a. and annual amortisation rate of 3.0%. The loan is secured by the same Company's properties and bears no covenants.
- b. 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 8: 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 4 for valuation approach adopted on investment property.

	30 June 2019			
	Level 1	Level 2	Level 3	Total
	Euro in thousands			
Non-financial assets				
Investment properties (see note 4)	-	225,000	1,309,879	1,534,879
Financial assets				
Financial assets measured at fair value through profit and loss (note 5(2))	-	-	17,059	17,059
Financial assets at FVTOCI	-	-	4,381	4,381
Total	-	225,000	1,331,319	1,556,319
Financial liabilities				
Derivative instruments – swaps	-	(2,388)	-	(2,388)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**NOTE 8: FAIR VALUE (Cont.)****Fair value measurements recognised in the statement of financial position (Cont.):**

	31 December 2018			
	Level 1	Level 2	Level 3	Total
	Euro in thousands			
Non-financial assets				
Investment properties	-	-	1,488,967	1,488,967
Financial assets				
Financial assets measured at fair value through profit and loss	-	-	20,295	20,295
Financial assets at FVTOCI	-	-	3,851	3,851
Total	-	-	1,513,113	1,513,113
Financial liabilities				
Derivative instruments - swaps	-	(965)	-	(965)
	30 June 2018			
	Level 1	Level 2	Level 3	Total
	Euro in thousands			
Non-financial assets				
Investment properties	-	-	1,033,795	1,033,795
Financial assets				
Financial assets measured at fair value through profit and loss	-	-	21,549	21,549
Financial assets at FVTOCI	-	-	2,710	2,710
Total	-	-	1,058,054	1,058,054

NOTE 9: FINANCIAL EXPENSES (INCOME)

	Six months ended 30 June		Year ended 31 December
	2019	2018	2018
	Euro in thousands		
Financial expenses:			
Interest on borrowings	6,769	5,123	10,763
Amortization of cost of raising loans	640	2,641	2,955
Other	689	322	-
Total financial expenses	8,098	8,086	13,718
Financial income:			
Total financial income (a)	256	3,349	3,051

(a) In previous years financial income results mainly from accrued interest on loans detailed in note 5(2).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**NOTE 10: 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
	2019	2018	2018
	Euro in thousands		
Earnings			
Earnings for the purposes of basic earnings per share being net profit attributable to owners of the Company	<u>44,075</u>	<u>79,504</u>	<u>263,330</u>

	Six months ended 30 June		Year ended 31 December
	2019	2018	2018
	in thousands		
Number of shares			
Weighted average number of ordinary shares for the purposes of the basic earnings per share	<u>457,280</u>	<u>465,400</u>	<u>464,866</u>

	Six months ended 30 June		Year ended 31 December
	2019	2018	2018
	(Unaudited)		(Audited)
Earnings per share:			
Basic (Euro per share)	<u>0.096</u>	<u>0.171</u>	<u>0.566</u>
Diluted (Euro per share)	<u>0.096</u>	<u>0.171</u>	<u>0.566</u>

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**NOTE 11: SHARE CAPITAL**

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

	Issued and outstanding Number of shares
At 1 January 2018	465,399,862
Change in the period	-
At 30 June 2018	465,399,862
Change in the period	(8,119,658)
At 31 December 2018	457,280,204
Change in the period	-
At 30 June 2019	457,280,204

- 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 2019 is €348.4 million (as of 30 June 2018 €363 million, as of 31 December 2018: €348.8 million).

- 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.

In August 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 September 2018.

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

	As of 30 June 2019		As of 30 June 2018		As of 31 December 2018	
	€, thousands	€, per share	€, thousands	€, per share	€, thousands	€, per share
NAV (*)	825,682	1.81	605,030	1.30	781,969	1.71
Financial derivative	2,388		-		965	
Deferred Tax, net	93,971		49,964		83,112	
EPRA NAV (**)	922,041	2.02	654,994	1.41	866,046	1.89

(*) 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 12: OPERATING SEGMENTS:****A. General**

Information reported to management for the purposes of resource allocation and assessment of segment performance is focused on the category of customer for each type of activity. The Group's reportable segments under IFRS 8 are therefore as follows:

Segment A - investment properties - Leasing property for rental income.

Segment B - residential development – income and inventory of apartments under construction.

The segment's assets include all of the operating assets used by the segment.

The segment's assets and liabilities do not include deferred taxes.

B. Analysis of income and results by operating segments:

Segment income and expenses include income and expenses arising from the operating activities of the segments that are directly attributable to business segments.

It is noted that up until 2017, the Group had a single reportable segment, being commercial real estate in Germany, which included the leasing activities of the Group. During the second half of 2018, the Group started to undertake activities relating to the development and sale of residential units and as such now presents two separate segments.

Six months ended June 30, 2019:

	Investment Properties	Residential Development	Total
	Euro in thousands		
Income	40,494	8,456	48,950
Segment profit(*)	61,976	2,191	64,167
Expenses not allocated to the segment			-
Operating profit			64,167
Finance expenses, net			(7,842)
Tax expenses			(8,490)
Net income			47,835
(*) Includes revaluation gain of investment properties	38,598	-	38,598

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**NOTE 12: OPERATING SEGMENTS (Cont.):****B. Analysis of income and results by operating segments (cont.):**June 30, 2019:

	Investment Properties	Residential Development	Total
	Euro in thousands		
Segment assets	1,616,405	9,984	1,626,389
Assets not allocated to the segment			253
Total assets			1,626,642
Segment liabilities	643,811	-	643,811
Liabilities not allocated to the segment			94,224
Total Liabilities			738,035

Year ended December 31, 2018:

	Investment Properties	Residential Development	Total
	Euro in thousands		
Income	67,376	9,905	77,281
Segment profit(*)	342,471	2,417	344,888
Expenses not allocated to the segment			-
Operating profit			344,888
Finance expenses, net			(10,667)
Tax expenses			(44,639)
Net income			289,582
(*) Includes revaluation gain of investment properties	296,840	-	296,840

December 31, 2018:

	Investment Properties	Residential Development	Total
	Euro in thousands		
Segment assets	1,533,397	12,475	1,568,872
Assets not allocated to the segment	-		391
Total assets			1,566,263
Segment liabilities	641,472	-	641,472
Liabilities not allocated to the segment			83,503
Total Liabilities			724,975

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**NOTE 12: OPERATING SEGMENTS (Cont.):****C. Additional information regarding residential development segment**

- a. During 2018 the Group entered into a Development project for new residential units over a parking lot. The project includes 62 residential units with a total area of 6,250 sqm and 193 parking spaces, of which 123 are underground parking. No impact is expected on the existing office building and tenancy following the said development. Revenue from the construction project is recognised over time, based on progress of completion of the project. As at 30 June 2019, the percentage of the project completion is 66% (percentage of completion is calculated based on costs incurred to date out of total projected costs). All units were sold.
- a. The Group is developing 70 residential units on an existing parking lot with 114 parking spaces, of which 96 are underground in its property located in Frankfurt. Most of the units are part of a new building while the remaining units will result from the conversion of currently vacant office space, no effect on the current rent expected from the construction process. The Preliminary building permit was received during the reporting period.

NOTE 13: EVENTS DURING REPORTING PERIOD

- a. In relation to note 24A in the annual financial statements for the year 2018, in January 2019, the Company acquired further shares representing 0.2% interest in GxP German Properties AG ("GxP") for €93 thousands. Following this acquisition, the Company hold 77.43% of GxP.
- b. In February 2019, the Company obtained reaffirmation of a Ba1 issuer rating with stable outlook from Moody's Investors Service
- c. In February 2019, the Company changed its name to Summit Properties Limited.