Summit Properties Limited
2019 Full Year Results

We are pleased to present the audited results for the year ended 31 December 2019 ("the Reporting Period") of Summit Properties Limited ("the Company") and its subsidiaries ("the Group").

The portfolio's outperformance in the Reporting Period is an outcome of our ongoing efforts to continue and build the underlying performance of our investment portfolio via intensive asset management of existing assets, new acquisitions and debt refinancing. The outstanding results are summarised below and are further detailed in the Group's financial statements and accompanying notes.

In the first quarter of 2020 we have proposed a tender offer and delisting to our shareholders. Following the shareholders' approval, the Company's shares were delisted on 17 March 2020.

For events related to COVID-19 after the end of the Reporting Period, see note 24 of the Group's financial statements.

For the full report please download the PDF.

Financial Review

Profits

- Net profit of €137.5 million (FY 2018: €289.6 million)
- Profit Before Tax (PBT) of €166.5 million (FY 2018: €334.2 million)
- EBITDA of €180.9 million (FY 2018: €345.4 million)
- Gross profit of €78.6 million (FY 2018: €64.8 million)
- Earnings Per Share (EPS) 9.6 cents (H1 2018: 17.1 cents)
- The results above include 2019 revaluation profit of €117.8 million (FY 2018: 296.8 million)

NAV

- EPRA Net Asset Value (NAV[1]) increased 16.4% to €1,007.6 million (FY 2018: €866.0 million)
- Group NAV 14.4% up to €894.5 million (FY 2018: €782.0 million)
- NAV and EPRA NAV per share of €2.00/€2.26 (FY 2018: €1.71/€1.89)
- Total Assets of €1.71 billion (FY 2018: €1.57 billion)

The major increases in EPRA NAV include €117.8 million revaluation profit, offset mainly by a €3.1 million provision for one-off costs associated with the disposal of an office property, as further explained in Note 5 of the Group's financial statements. That was supplemented by a €53.2 million Funds From Operations (FFO[1]) contribution, offset by a €10.8 million of non-controlling interests and €16.7 million that returned to shareholders via dividend distribution and share buyback.

[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 recurring operating profits, deducted by the Group's interest expenses and excludes other one off expenses or fair value adjustments.

Operational Review

Rent and operations

- Rental income 21.8% up to €82.1 million (FY 2018: €67.4 million)
- Annualised net rent of €78.0 million, equivalent to 5.6% rental yield
- FFO increased 20.0% to €53.2 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
- New leases and renewals for approximately 162,000 sqm, securing rental income of ca. €11.4 million p.a.

Increase in rental income and FFO was mainly attributable to full contributions from the acquisitions completed during the last quarter of 2018. On like-for-like basis, rental income and FFO increased by 3.5% and 2.1%, respectively.

Portfolio

- Portfolio of 102 properties with a Net Market Value (NMV) of €1.4 billion (FY 2018: 103 properties at €1.5 billion NMV)
- Disposal of an office building at €225 million, 7.9% above its 2018 year-end valuation
- Further progress on residential development projects; all 62 units sold; €2.9 million profit recognised in the Reporting Period and is included in the Group's results (FY 2018: €2.5 million).
- Acquisition of an office building of 4,700 sqm in Hannover for a total consideration of approx. €6.5 million post reporting period; The acquisition was financed by a new secured debt facility and the Group's own resources.
- For further analysis and information of the Group's portfolio, see note 5 of the Group's financial statements

Financing and capital resources

- 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 3.0% annual amortisation.
- As at the end of the Reporting Period, the Group's Net LTV is approx. 24% (FY 2018: 39.5%) with an average interest rate of 2.2% and average unexpired term of approx. 5.5 years.
- New €4.8 million secured debt facility post Reporting Period to finance the property acquisition in Hannover. Loan is provided for a 10-year term at 1.1% fixed interest rate p.a. and annual amortisation of 3.00%.
- For more information on the Group's debt facilities, see note 7 of the Group's financial statements.

Dividends and equity

- €2.29 million dividend distributions were paid in 2019

- €15.4 million were returned to shareholders through buy-back and cancelation of approx. 12 million shares at an average price of €1.28 per share
- Tender offer and cancellation of the admission of the Company's shares to trading on AIM post Reporting Period; Approx. 124 million shares (being approx. 28% of the Company's issued share capital) were tendered and repurchased by the Company at a price of €1.45 per share.
- Delisting of the Company's shares from AIM on 17 March 2020. For more information, see note 24 of the Group's financial statements.

Main Risks and Uncertainties

Below are the key risks the Group is exposed to during the Reporting Period, the measures taken to mitigate them and additional commentary:

Financial risks:

Risk: **Exposure to interest rate movement**

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

Mitigation: The Group mitigates its exposure to interest rate movements on floating rate facilities through the use of interest rate swaps and other derivative instruments or alternatively by agreement with debt providers on a fixed interest rate.

Risk: **Limited credit market capacity**

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

Mitigation: The Group regularly monitors its cash flow and debt funding requirements in order to ensure that it can meet its liabilities. The Group strives to achieve long term financing arrangements and begins to investigate refinancing opportunities well in advance of maturity dates.

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

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

Mitigation: Liquidity and gearing are kept under review by management and the board of directors. Forward funding commitments are only entered into if supported by committed, available funds. As of 31 December 2019, the Group's available cash amounted to approx. €262 million, LTV of 43% and unencumbered assets of approx. €660 million.

Risk: **Banking facilities include various covenant requirements**

Impact: A failure to meet loan covenants could result in possible default or penalties.

Mitigation: The Group regularly monitors compliance with covenants and addresses any issue that may arise. One of the measures taken is seeking to maintain headroom within its debt facility covenants by maintaining borrowings at levels below the maximum covenant requirements. The group also strives to retain flexibility of substituting security or

refinancing loans should it need to. As at 31 December 2019 the Group complies with the covenants included in loan agreements.

Property market risks

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

Impact: Changes in the German economic environment expose the Group to several risks including loss of rental income and increased vacancy costs should significant decrease in demands or devaluation of the portfolio occur.

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

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

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

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

Risk **Major decrease in property values**

Impact: Major decrease in property values may have an impact on the Group's loan to value borrowing covenants.

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

Taxation risks:

Risk: **Changes in government legislation**

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

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

COVID-19:

See note 24 of the Group's financial statements.

For further information please contact:

Summit Properties Limited	Tel: +44 (0) 1481 700 300
Zohar Levy - Managing Director	
Itay Barlev - Finance Director	
Non-Executive Chairman	Tel: +44 (0) 20 7451 7050
Harry Hyman	
Carey, Company Secretary	Tel: +44 (0) 1481 700 300
Chris Le Page / Tom Lancaster-King	