REPORT AND ACCOUNTS June 2020

SUMMIT
Properties Ltd

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Deutsche Med, Rostock

Management Review

Summit Properties Limited
2020 Half Year Results

We are pleased to present the interim unaudited results for the six months ended 30 June 2020 ("the Reporting Period") of Summit Properties Limited ("the Company") and its subsidiaries ("the Group").

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 12A of the Group's condensed consolidated financial statements.

Financial Review

Profits

- Gross profit of €35.2 million (HY 2019: €39.5 million, FY 2019: €78.6 million)
- EBITDA of €27.2 million (HY 2019: €64.2 million, 2019: €180.9 million)
- Net profit of €16.6 million (H1 2019: €47.8 million, FY 2019: €137.5 million)
- Profit Before Tax (PBT) of €19.8 million (HY 2019: €56.3 million, FY2019: €166.5 million)

NAV

- EPRA NAV[1] of €0.85 billion (FY 2019: €1.01 billion)
- Group's NAV of €0.74 billion (FY 2019: €0.89 billion)
- NAV and EPRA NAV per share of €2.29/€2.66 (FY 2019: €2.01/€2.26)
- Total Assets of €1.54 billion (FY 2019: €1.71 billion)

EPRA NAV decreased mainly as a result of buy back of shares amounting to €179.9 million (including acquisition costs), offset by €23.2 million Funds From Operations (FFO[1]).

Operational Review

Rent

- Rental income of €37.6 million (H1 2019: €40.5 million, FY 2019: €82.1 million); Decrease was mainly due to sale of an office building in December 2019.
- FFO of €23.2 million (HY 2019: €26.9 million, FY 2019: €53.2 million)

[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 101(c) 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.
Net LTV:
Loans net of cash, to value of investment properties

On like for like basis, rental income decreased by 0.9%, while FFO increased by 2.2% (excluding residential development) – for further information see note 12A of the Group's condensed consolidated financial statements.

Portfolio

- 91% occupancy over the portfolio's majority (90% including properties for re-development)
- Signing 74 new lease agreements and renewals during the reporting period; 67,000 sqm worth €5.3 million of rental income p.a.
- Acquisition of an office building of 4,700 sqm in Hannover for approx. €6.5 million.

Financing and capital resources

- New €4.8 million secured debt facility 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%.
- Group's credit facilities are at net LTV[1] of ca. 36.0% with 2.2% average fixed interest rate and an average duration of 5 years.
- For more information on the Group's debt facilities, see note 6 of the Group's condensed consolidated financial statements.

Dividends and equity

- Tender offer and cancellation of the admission of the Company's shares to trading on AIM; 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 10D of the Group's condensed consolidated 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 30 June 2020, the Group's available cash amounted to approx. €91 million, Net LTV of ca. 36% and unencumbered assets of approx. €663 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 30 June 2020 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 12A of the Group's condensed consolidated financial statements.

Trebbinerstr. 36, Potsdam

Financial statements

Deloitte.

INDEPENDENT REVIEW REPORT TO SUMMIT PROPERTIES LIMITED

Introduction

We have reviewed the condensed consolidated statement of financial position of Summit Properties Limited as of 30 June 2020 and the related condensed consolidated statements of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flow for the six-month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting," as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." 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 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 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting," as adopted by the European Union.

Brightman Almagor Zohar & Co.

Certified Public Accountants
A Firm in the Deloitte Global Network
Haifa, 16 September 2020.

Tel Aviv - Main Office
1 Azrieli Center Tel Aviv, 6701101 P.O.B. 16593 Tel Aviv, 6116402 | Tel: +972 (3) 608 5555 | info@deloitte.co.il

Jerusalem	Haifa	Eilat	Nazareth
3 Kiryat Ha'Mada Har Hotzvim Tower Jerusalem, 914510 D. BOX 45396	5 Ma'aleh Hashichrur P.O.B. 5648 Haifa, 3105502	The City Center P.O.B. 583 Eilat, 8810402	9 Marj Ibn Amer St. Nazareth, 16100
Tel: +972 (2) 501 8888 Fax: +972 (2) 537 4173 info-jer@deloitte.co.il	Tel: +972 (4) 860 7333 Fax: +972 (4) 867 2528 info-haifa@deloitte.co.il	Tel: +972 (8) 637 5676 Fax: +972 (8) 637 1628 info-eilat@deloitte.co.il	Tel: +972 (73) 399 4455 Fax: +972 (73) 399 4455 info-nazareth@deloitte.co.il

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	30 June 2020	30 June 2019	31 December 2019
		(Unaudited)		(Audited)
		Euro (in thousands)		
ASSETS				
NON-CURRENT ASSETS:				
Investment properties	3	1,399,160	1,309,879	1,393,889
Other long-term assets	4	25,317	26,485	22,492
Deferred tax asset		9	253	121
Properties for development		6,154	6,442	6,073
Total non-current assets		1,430,640	1,343,059	1,422,575
CURRENT ASSETS:				
Inventory of buildings under construction		113	1,024	427
Prepaid expenses and other current assets		14,686	14,097	17,534
Contract assets		-	2,193	1,273
Receivables from related parties	5	140	170	220
Trade receivables, net		3,062	2,072	1,873
Investment property held for sale	3	1,493	225,000	-
Cash and cash equivalents		91,393	39,027	262,086
Total current assets		110,887	283,583	283,413
Total assets		1,541,527	1,626,642	1,705,988

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

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	30 June 2020	30 June 2019	31 December 2019
		(Unaudited)	(Unaudited)	(Audited)
		Euro (in thousands)		
EQUITY AND LIABILITIES				
EQUITY:				
Share capital	10	(*) -	(*) -	(*) -
Other reserve		154,473	348,413	334,585
Retained gain		583,408	477,269	559,915
Equity attributable to the owners of the Company		737,881	825,682	894,500
Non-controlling interests		63,951	62,925	69,934
Total equity		801,832	888,607	964,434
NON-CURRENT LIABILITIES:				
Interest-bearing loans and borrowings	6	585,157	590,305	585,077
Other long-term financial liabilities	4	3,421	4,506	1,642
Derivative financial liabilities	7	2,386	2,388	2,052
Deferred tax liability		114,044	94,224	111,169
Total non-current liabilities		705,008	691,423	699,940
CURRENT LIABILITIES:				
Interest-bearing loans and borrowings	6	10,575	11,096	10,269
Payables to related parties	5	445	7,434	3,617
Current tax liabilities		436	173	811
Trade and other payables		23,231	27,909	26,917
Total current liabilities		34,687	46,612	41,614
Total liabilities		739,695	738,035	741,554
Total equity and liabilities		1,541,527	1,626,642	1,705,988
NAV/Share (cent)	10(c)	229.35	180.56	201.00
EPRA NAV/Share (cent)	10(c)	265.54	201.64	226.31

(*) No par value.

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

16 September 2020		
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 2020	Six months ended 30 June 2019	Year ended 31 December 2019
		(Unaudited)	(Unaudited)	(Audited)
		Euro (in thousands)		
Rental income		37,589	40,494	82,052
Revenues from sale of apartments		3,395	8,456	13,999
Operating expenses		(2,658)	(3,225)	(6,397)
Cost of sale of apartments		(3,107)	(6,265)	(11,103)
Gross profit		35,219	39,460	78,551
General and administrative expenses		(5,250)	(5,689)	(11,375)
Fair value adjustments of investment properties	3	(2,689)	38,598	117,836
Other expense		(215)	(8,202)	(4,360)
Operating profit		27,065	64,167	180,652
Financial income	8	641	256	1,723
Financial expenses	8	(7,899)	(8,098)	(15,896)
Total financial expenses		(7,258)	(7,842)	(14,173)
Profit before taxes on income		19,807	56,325	166,479
Tax expenses		(3,196)	(8,490)	(28,999)
Profit for the period/year		**16,611**	**47,835**	**137,480**
Other comprehensive income ("OCI") and expenses:				
Items that may be reclassified subsequently to profit or loss:				
Changes in hedging instruments entered into for cash flow hedges		(267)	(922)	(640)
		(267)	(922)	(640)
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	697
		(267)	**(362)**	**57**
Total comprehensive income for the period/year		**16,344**	**47,473**	**137,537**
Profit for the period/year attributable to:				
Owners of the Company		15,265	44,075	126,721
Non-controlling interests		1,346	3,760	10,759
		16,611	47,835	137,480
Total comprehensive income attributable to:				
Owners of the Company		15,012	43,713	126,763
Non-controlling interests		1,332	3,760	10,774
		16,344	47,473	137,537
Earnings per share:				
Basic (Euro per share)	9	0.042	0.096	0.278
Diluted (Euro per share)		0.042	0.096	0.278

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 (Unaudited)					
	Issued capital	Other Reserve (Note 10)	Retained Earnings	Total equity attributable to owners of the parent Company	Non-Controlling interests	Total equity
	Euro in thousands					
Balance at 1 January 2020	**(*) -**	**334,585**	**559,915**	**894,500**	**69,934**	**964,434**
Profit for the period	-	-	15,265	15,265	1,346	16,611
Other comprehensive loss for the period, net of income tax	-	(253)	-	(253)	(14)	(267)
Total comprehensive profit (loss)	-	(253)	15,265	15,012	1,332	16,344
Transaction with non-controlling interests (note 10 E)	-	-	8,228	8,228	(7,315)	913
Buy back of shares	-	(179,859)	-	(179,859)	-	(179,859)
Balance at 30 June 2020	**(*)-**	**154,473**	**583,408**	**737,881**	**63,951**	**801,832**

(*) 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 (Unaudited)					
	Issued capital	Other Reserve (Note 10)	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
Dividend distribution	-	-	-	-	(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					
	Issued capital	Other Reserve (Note 10)	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 year	-	-	126,721	126,721	10,759	137,480
Other comprehensive profit for the year, net of income tax	-	42	-	42	15	57
Total comprehensive profit	-	42	126,721	126,763	10,774	137,537
Dividend distribution	-	(2,286)	-	(2,286)		(2,286)
Buy back of shares	-	(15,504)	-	(15,504)	-	(15,504)
Transactions with the Company`s controlling shareholder	-	3,558	-	3,558	-	3,558
Acquisition of non-controlling interest	-	-	-	-	(159)	(159)
Balance at 31 December 2019	**(*) -**	**334,585**	**559,915**	**894,500**	**69,934**	**964,434**

(*) 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
	2020	2019	2019
	(Unaudited)		(Audited)
	Euro (in thousands)		
Cash flows from operating activities:			
Profit for the period/year	16,611	47,835	137,480
Adjustments for:			
Deferred taxes	2,988	8,720	28,437
Financial expenses, net	7,258	7,842	14,173
Fair value adjustment of investment properties	2,689	(38,598)	(117,836)
Transactions with the Company`s shareholder	-	-	3,558
Depreciation of property, plant and equipment	142	215	179
Amortization and impairment of intangible assets	14	14	29
Other long-term assets	274	13	45
	13,365	(21,794)	(71,415)
Changes in operating assets and liabilities:			
Decrease in trade receivables and contract assets	84	2,123	3,242
Decrease in trade and other payables	(2,639)	(3,986)	(4,768)
(Decrease) increase in payables to related parties and shareholders	(3,092)	4,919	1,045
Decrease in inventory of buildings under construction and properties for developments	233	395	1,360
(Increase) decrease in prepaid expenses and other current assets	(615)	173	1,697
(Decrease) increase in other non-current liabilities	(388)	1,084	(239)
	(6,417)	4,708	2,337
Net cash flows from operating activities	23,559	30,749	68,402
Cash flows from investing activities:			
Payments for property, plant and equipment	-	(124)	(76)
Change in deposits	665	280	(3,800)
Change in loans to third party	3,193	(18)	6,564
Addition to investment properties	(9,453)	(5,352)	(12,086)
Proceeds from sale of investment property	-	-	225,000
Interest income received	-	-	-
Net cash flows from (used in) investing activities	(5,595)	(5,214)	215,602
Cash flows from financing activities:			
Proceeds from borrowings from banks	4,781	29,172	29,172
Repayment of borrowings	(6,854)	(31,595)	(38,935)
Proceeds from loans to third parties	-	3,235	-
Interest expense paid	(6,725)	(6,705)	(13,731)
Net cash outflow on acquisition on non-controlling interest	-	(140)	(159)
Buy back of shares	(179,859)	-	(15,504)
Dividend distribution	-	-	(2,286)
Net cash flows from financing activities	(188,657)	(6,033)	(41,443)
Increase (Decrease) in cash and cash equivalents	(170,693)	19,502	242,561
Cash and cash equivalents at the beginning of period/year	262,086	19,525	19,525
Cash and cash equivalents at the end of period/year	91,393	39,027	262,086

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

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

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. 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 2019. The presentation of the Unaudited Condensed Interim Financial Statements is consistent with the Annual Financial Report.

The Group does not operate in an industry where significant or cyclical variations, as a result of seasonal activity, are experienced during any particular financial period.

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.

Valuation of investment properties

For the purpose of determining the fair value of the investment properties, the Company relies on a valuation performed by an independent external appraiser at least once a year. In addition, at each interim reporting date, the Company examines the need to update the estimation of the fair value for its investment properties in relation to the fair value that was determined at the last date on which the last valuation was conducted, in order to examine whether these estimates represent a reliable estimates of fair value as of the interim reporting date. This examination is done by reviewing changes in the relevant real estate market, lease agreements, the macroeconomic environment of the investment properties, new information regarding material transactions made in the properties` environment and similar properties and any other information that may indicate changes in the fair value of the properties. If, according to the Company's estimation, there are signs with respect to certain investment properties that the fair value as of the reporting date differs materially from the fair value estimated at the last date on which the last valuation was conducted, the Company estimates the fair value of these investment properties at the interim reporting date.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: ACCOUNTING POLICIES (cont.):

Valuation of investment properties (cont.)
As at 30 June 2020, the Company examined whether there were any indications that the fair value of the investment properties was materially different from the value estimated by an external appraiser on 31 December 2019. The company estimates that there were no significant changes in the value of its investment properties comparing to the last date on which the valuation was conducted, for further details see Note 12A.

Taxation
The tax expense for the period is based on an estimated annual effective rate, which requires management to make its best estimate of annual pre-tax income for the year. During the year, management regularly updates its estimates based on changes in various factors.

ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

New and revised IFRSs in issue but not yet effective:

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

Amendments to IAS 1 Classification of Liabilities as Current or Non-current

The amendments affect only the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. They:

- Clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;

- Clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and

- Explain that rights are in existence if covenants are complied with at the end of the reporting period.

- Introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and are to be applied retrospectively. Earlier application is permitted.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3: INVESTMENT PROPERTIES

A. Movements in the balance of investment properties

	Euro in thousands
Balance at 1 January 2019	1,488,967
Additions for the year	12,086
Disposals during the year	(225,000)
Fair value adjustments during the year	117,836
Balance at 31 December 2019	1,393,889
Additions during the period (B)	9,453
Reclassification to property held for sale (C)	(1,493)
Fair value adjustments during the period	(2,689)
Balance at 30 June 2020	1,399,160

B. Additions

In December 2019, GxP has signed an agreement to acquire an office building of 4,700 sqm in Hannover for total acquisition cost of ca. €6.5 million. The acquisition was completed during the reporting period and was financed by a new secured debt facility (note 6A) and Group's own resources.

C. Classification from investment properties to property held for sale

In the 2nd quarter of 2020, the Company signed a binding agreement for the disposal of building for a consideration of €980 thousand. 22.5% above its €800 thousand valuation as at 31 December 2019. The property was classified as property held for sale. The sale was completed during July 2020.

In the 2nd quarter of 2020, the Company signed a binding agreement for the disposal of building for a consideration of €513 thousand. 31.5% above its €390 thousand valuation as at 31 December 2019. The property was classified as property held for sale. The sale was completed during July 2020.

D. For additional information about investment properties and movement in the balance during the year 2019, see note 5 of the consolidated financial statements as of 31 December 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4: OTHER LONG TERM ASSETS AND LIABILITIES

	30 June		31 December
	2020	2019	2019
	Euro in thousands		
Other long-term financial assets:			
Financial assets measured at fair value through OCI (1)	4,518	4,381	4,518
Long-term loans receivable measured at amortised cost (2)	9,283	13,467	8,081
Financial assets measured at fair value through profit and loss (3)	8,339	7,259	8,640
Other financial assets	490	139	591
	22,630	25,246	21,830
Other long-term non-financial assets: (4)	2,687	1,239	662
Other long-term financial liabilities:			
Other Financial liabilities	3,421	4,506	1,642

(1) See note 6 of the consolidated financial statements as of 31 December 2019.

(2) Long-term loans receivable including loans to third parties. For additional information, see note 6(2) of the consolidated financial statements as of 31 December 2019.

(3) 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 €16.1 million (including an amount of €7.8 million, which is presented in short term assets, in the prepaid expenses and other current assets line item).

(4) Other long-term non-financial assets:
As of 30 June 2020, the balance is mainly due to the impact of adopting IFRS 16 starting from 1 January 2019, whereby a right of use assets has been recognized for the Group's leased office premises.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5: BALANCES AND TRANSACTIONS WITH RELATED PARTIES

	Amounts owed by related parties			Amounts owed to related parties		
	30 June		31 December	30 June		31 December
	2020	2019	2019	2020	2019	2019
	Euro in thousands					
Related parties	140	170	220	445	7,434	3,617

As of 30 June 2020, Summit Real Estate Holdings Ltd ("**SHL**") holds approximately 98.23% 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 balance owed to related parties includes a provision for management fees to SMC (including a provision for a performance-based compensation) of €183 thousand (2019: €3,346 thousand including Special Bonus provision as detailed below).

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 board of directors of the Company 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%.

The annual performance-based bonus entitlement of SMC is capped at a maximum of €750,000 per annum.

As at 30 June 2020 the performance criteria were met and a pro-rata provision in the amount of €375,000 was made during the period. The payment of the performance-based bonus is subject to the approval of the board of directors of the Company after the end of the accounting year.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5: BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Cont.)

Terms and conditions of the management agreement (Cont.)

In the first half of 2019, the threshold triggering a special bonus was met. Therefore, during the first half of 2019, the Company recorded a provision for the Special Bonus in the amount of €6.4 million (the expense was recorded in the other expenses line item in profit and loss).
By the end of 2019, it was decided to extend the management agreement with SMC until 31 December 2022. As part of the amendment to the management agreement, it was clarified that the right of the management company to the Special Bonus will remain in effect, provided that the profit from the a qualifying sale or series of sales of any properties that will occur during the extension period will be calculated in relation to the value of the Company's properties as of 30 June 2019. It was further clarified that the Special Bonus would also apply in relation to a partial sale of properties that would meet the profitability conditions described above.
In addition, by the end of 2019, it was agreed that half of the Special Bonus that accrued until the end of 2019 (including the performance-based bonus) will be paid in 2021, subject to a pre-tax profit of the Group for 2020 not to be less than €70 million. This amount (€3.5 million) was credited directly to the Company's Equity under Other Reserve balance, as a transaction with the Company`s controlling shareholder.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6: INTEREST - BEARING LOANS AND BORROWING

A. In the 2nd quarter of 2020, the Company financed €4.8 million debt to facility finance property acquisition (note 3B). The loan is provided for a 10 year term at 1.1% fix interest rate p.a and annual amortization of 3%.

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

NOTE 7: FAIR VALUE

Fair value of financial instruments carried at amortised cost:

Except as detailed below, 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.

The fair value as at 30 June 2020 of the fixed rate interest-bearing loans and borrowings is ca. €474 million comparing to ca. €481 million carrying amounts value.

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). For further information refer to Note 18 of the consolidated financial statements as of 31 December 2019. In addition, refer to Note 5 of the consolidated financial statements as of 31 December 2019 for valuation approach adopted on investment property.

	30 June 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
	Euro in thousands			
Non-financial assets				
Investment properties (note 3)	-	1,493	1,399,160	1,400,653
Financial assets				
Financial assets measured at fair value through profit and loss (note 4(3))	-	-	16,140	16,140
Financial assets at FVTOCI	-	-	4,518	4,518
Total	-	1,493	1,419,818	1,421,311
Financial liabilities				
Derivative instruments – swaps	-	(2,386)	-	(2,386)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7: FAIR VALUE (Cont.)

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

	31 December 2019			
	Level 1	Level 2	Level 3	Total
	Euro in thousands			
Non-financial assets				
Investment properties	-	-	1,393,889	1,393,889
Financial assets				
Financial assets measured at fair value through profit and loss	-	-	16,440	16,440
Financial assets at FVTOCI	-	-	4,518	4,518
Total	-	-	1,414,847	1,414,847
Financial liabilities				
Derivative instruments - swaps	-	(2,052)	-	(2,052)

	30 June 2019			
	Level 1	Level 2	Level 3	Total
	Euro in thousands			
Non-financial assets				
Investment properties	-	225,000	1,309,879	1,534,879
Financial assets				
Financial assets measured at fair value through profit and loss	-	-	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)

NOTE 8: FINANCIAL EXPENSES (INCOME)

	Six months ended 30 June		Year ended 31 December
	2020	2019	2019
	Euro in thousands		
Financial expenses:			
Interest on borrowings	6,614	6,769	13,841
Amortization of cost of raising loans	632	640	1,140
Other	653	689	915
Total financial expenses	7,899	8,098	15,896
Financial income:			
Total financial income	641	256	1,723

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9: 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
	2020	2019	2019
	Euro in thousands		
Earnings			
Earnings for the purposes of basic earnings per share being net profit attributable to owners of the Company	15,265	44,075	126,721

	Six months ended 30 June		Year ended 31 December
	2020	2019	2019
	in thousands		
Number of shares			
Weighted average number of ordinary shares for the purposes of the basic earnings per share	363,119	457,280	455,273

	Six months ended 30 June		Year ended 31 December
	2020	2019	2019
	(Unaudited)		(Audited)
Earnings per share:			
Basic (Euro per share)	0.042	0.096	0.28
Diluted (Euro per share)	0.042	0.096	0.28

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10: 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 2019	457,280,204
Change in the period	-
At 30 June 2019	457,280,204
Change in the period	(12,045,000)
At 31 December 2019	445,235,204
Change in the period	(123,512,832)
At 30 June 2020	321,722,372

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 2020 is €151.2 million (as of 30 June 2019 €348.4 million, as of 31 December 2019: €331.1 million). This balance is included in other reserves. The change during the period derived from a share buy-back (as detailed in F below).
In accordance with the Companies (Guernsey) law, 2008, any distribution is subject to a solvency test to determine whether the Company is able to distribute funds to shareholders.

c. **NAV and EPRA NAV:**

	As of 30 June 2020		As of 30 June 2019		As of 31 December 2019	
	€, thousands	€, per share	€, thousands	€, per share	€, thousands	€, per share
NAV (*)	737,881	2.29	825,682	1.81	894,500	2.00
Financial derivative	2,386		2,388		2,052	
Deferred Tax, net	114,035		93,971		111,048	
EPRA NAV (**)	854,302	2.66	922,041	2.02	1,007,600	2.26

(*) 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 10: SHARE CAPITAL (Cont.)

D. Share buy-back

In October 2019, the Company has repurchased and cancelled 12,045,000 ordinary shares of no par value in the capital of the Company at average purchase price of €1.28 per share, returning €15.5 million to shareholders. Following the buy-back, the Company has 445,235,204 ordinary shares in issue and admitted to trading on AIM with no ordinary shares in treasury.

On 17 February 2020, The Company announced a proposed tender offer and cancellation of the admission of its Ordinary Shares to trading on AIM, subject to approval by Shareholders. The Tender Offer provides Shareholders with an opportunity to partially realise their investment in the Company by accepting the Tender Offer pursuant to which the Company will, conditionally, offer to purchase, on a pro rata basis, up to 148,275,862 Ordinary Shares (representing 33.3% of the Company's issued share capital) at the Tender Offer Price of €1.45 per Ordinary Share. As of 5 March 2020 following the Tender Offer and the cancellation of the repurchased shares, the Company's share capital in issue is reduced from 445,235,204 Ordinary Shares to 321,722,372 Ordinary Shares (the "Reduced ISC") and the Company does not hold any Ordinary Shares in treasury.

On 17 March 2020 the trading in the Company's ordinary shares on AIM was cancelled.

E. Transaction with non-controlling interests:

During the period, several group entities (which do not hold real estate assets) were deconsolidated. The transaction did not have a significant effect on the Company's net assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11: 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.

Six months ended 30 June 2020:

	Investment Properties	Residential Development	Total
		Euro in thousands	
Revenue from external customers	37,589	3,395	40,984
Segment profit(*)	26,777	288	27,065
Expenses not allocated to any segment			-
Operating profit			27,065
Finance expenses, net			(7,258)
Tax expenses			(3,196)
Net income			16,611
(*) Includes revaluation gain of investment properties	(2,689)	-	(2,689)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11: OPERATING SEGMENTS (Cont.):

B. Analysis of income and results by operating segments (cont.):

30 June 2020:

	Investment Properties	Residential Development	Total
		Euro in thousands	
Segment assets	1,534,884	6,634	1,541,518
Assets not allocated to any segment			9
Total assets			1,541,527
Segment liabilities	624,578	1,073	625,651
Liabilities not allocated to any segment			114,044
Total Liabilities			739,695

Year ended 31 December 2019:

	Investment Properties	Residential Development	Total
		Euro in thousands	
Revenue from external customers	82,052	13,999	96,051
Segment profit(*)	177,756	2,896	180,652
Expenses not allocated to any segment			-
Operating profit			180,652
Finance expenses, net			(14,173)
Tax expenses			(28,999)
Net income			137,480
(*) Includes revaluation gain of investment properties	117,836	-	117,836

31 December 2019:

	Investment Properties	Residential Development	Total
		Euro in thousands	
Segment assets	1,697,871	7,996	1,705,867
Assets not allocated to any segment			121
Total assets			1,705,988
Segment liabilities	630,385		630,385
Liabilities not allocated to any segment			111,169
Total Liabilities			741,554

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11: OPERATING SEGMENTS (Cont.):

B. Analysis of income and results by operating segments (cont.):

30 June 2019:

	Investment Properties	Residential Development	Total
		Euro in thousands	
Revenue from external customers	40,494	8,456	48,950
Segment profit(*)	61,976	2,191	64,167
Expenses not allocated to any 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

30 June 2019:

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12: EVENTS DURING REPORTING PERIOD

A) Implications of the spread of the Corona virus:

Lately, Germany and the world are facing an event with macro-economic implications as a result of the COVID-19 spreading in many countries around the world. This virus was announced as a global pandemic by the world health organization. As a result, many countries including Germany are taking significant measures trying to prevent the spread of the virus, such as the ministry of health's instructions to prohibit the entrance of foreigners to Germany, limitations on the transport of passengers and goods, closing the borders between countries, mandatory isolation for the country's residents, limitations on gatherings in a way that materially adversely affects the economic activity in Germany and more.

The outbreak of the COVID-19 pandemic and the uncertainty as to the spread rate and the different instructions in different countries in handling the virus, have resulted in an economic slowdown and possibly a global financial crisis, and these are reflected in, among other things, sharp declines in world stock exchange rates. Continued outbreak of the epidemic and the steps taken to stop it could have a negative impact on the real estate industry and the operations of the Company and its subsidiaries due to a possible decrease in future demand for spaces. This could also lead to an impairment of the economic strength and cash flow of the tenants, and their ability to meet their lease obligations.

As at this date, Germany continues to experience outbreaks at different locations of the country, however, currently there're no major limitation on movement of residents within the country and on arrival to workplaces. Businesses are open, subject to compliance with the relevant caution measures published by authorities.

It should be emphasised that as at the date of approval of these financial statements, it is not possible to assess the extent of the crisis and its impact on the business environment in which the Company operates in a reliable manner.

Given the uncertainties, the Company monitors the collection of rent from its tenants and as at the date of approval of these financial statements, has not observed significant collection loss. The Company also considers whether to provide rent concessions, or to make certain deferrals of rent to certain tenants whose businesses were shut down at the peak of the pandemic. As a result, the revenues in the period decreased by approximately 0.9 million.

In addition, during the period the Company executed cost savings plans and as a result was able to partially offset the decrease in revenues detailed above.

The Company believes that given the nature of its properties and their geographical spread, the stable cash flow that the properties generate from a diverse mix of tenants, including commercial companies that provide essential services to the wide population even in times of crisis, as well as tenants with an international investment rating, all together with the Company's high level of liquidity, long-term unsecured financial liabilities and available sources of funding during this time, the Company has adequate financial strength to enable it to deal with the crisis both the short and medium term, where the threat of the economic slowdown is expected.

As part of the preparation of the Company's financial statements as of 30 June 2020, the Company conducted an analysis of its portfolio of investment properties and approached the external appraiser, who performed the valuations as of 31 December 2019, in order to examine whether there are major changes that could impact the value of the investment properties. According to the Company's external appraiser, there are no material changes in the main assumptions in the basis of the valuations such as discount and cap rates and the forecast of future cash flows. As part of the examination, an analysis was made, among other things, of the type of use and locations of the properties, as well as the nature and mix of the tenants including their financial strength.

It is noted that as Covid-19 pandemic continues, it could adversely affect the economy, including potential recession. This could lead to a decrease in demand for real estate and effect the tenants, which could lead to a decrease in the Company's revenues, a decrease in current cash flow and a decrease in the fair value of the properties.

The Company is monitoring developments closely.