



REPORT AND ACCOUNTS June 2021

SUMMIT
Properties Ltd

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Westerbach Str. 47, Frankfurt

Management Overview

Summit Properties Limited 2021 Half Year Results

We are pleased to present the interim unaudited results for the six months ended 30 June 2021 ("the Reporting Period") of Summit Properties Limited ("the Company") and its subsidiaries ("the Group").

During 2021, the Company has commenced its activity in the US real estate market and has invested in the residential sector in New York City ("NYC") as well as in opportunistic retail assets throughout the US. The entry in the NYC residential market represents a great opportunity for the Company considering the solid fundamentals of the sector, which shows stable rental growth and improving vacancy.

Company's Portfolio

- Following the sale of part of the German portfolio and the execution of the signed deals in the USA, the Group will own a portfolio of ca. €1.0 billion, with a prospected LTV of 26%.
- The Company has an identified and actionable pipeline of ca. €1.0 billion across Germany and the US and cash balances of ca. €0.5 billion that will allow execution of the pipeline and increase of the portfolio to ca. €2 billion in the medium term.

Successful Disposition of German Commercial Portfolio

- The Company sold part of its German commercial properties' portfolio to an international fund at a sale price of ca. €1.0 billion ("Transaction").
- The sale price is in line with the book value of the properties, which were generating annual rental income of €52 million.
- The sold portfolio reflected a Funds From Operations (FFO) yield of ca. 5%.

Remaining German Commercial Portfolio Post Transaction

- The Company's remaining German Portfolio after completion of the Transaction has a NMV of ca. €550 million.
- Properties are well located in or around Germany's top 7 markets; 31% under rented compared to ERV.
- Substantial further upside potential through 213,000 sqm of additional building rights.
- No net financial debt against the properties.

US Portfolio to Date

- The Company current strong focus is on NYC residential properties for rent:
 - \$415 million accumulated acquisitions signed to date, reflecting 5.15% NOI yield
 - Investment in low-risk and defensive market at low capital values below replacement
 - 10% FFO return on investments
 - Pipeline for further \$850 million of acquisitions
- The Company is also targeting opportunistic acquisitions of US retail properties with attractive yields:
 - \$85 million acquisitions signed to date
 - \$25 million NOI p.a. reflecting 28% NOI yield
 - Portfolio includes two hotels located near Times Square

Prospective Combined Portfolio and Financing

- Portfolio's expected future allocation is approx. 50% German commercial properties with meaningful upside, ca. 40% low-risk and defensive residential properties in NYC and ca. 10% of higher yielding retail opportunities acquired at low capital values.
- The Company is contemplating a new investment grade conservative financial policy with a clear commitment to maintain a long-term LTV target of below 40% post acquisition.
- The Company would seek to call its existing €300 million bond and issue a new bond with longer duration, based on a rating that would reflect its strong financial position and the resilience of its portfolio.

HY 2021 Financial Highlights

Profits

- Net profit of €30.4 million (HY 2020: €16.6 million, FY 2020: €97.8 million)
- Profit Before Tax (PBT) of €33.0 million (HY 2020: €19.8 million, FY 2020: €116.4 million)
- EBITDA of €40.6 million (HY 2020: €27.2 million, FY 2020: €130.3 million)
- Gross profit of €35.8 million (HY 2020: €35.2 million, FY 2020: €70.9 million)

NAV

- EPRA NAV of €0.9 billion (FY 2020: €0.9 billion)
- Group's NAV of €0.8 billion (FY 2020: €0.8 billion)
- Total Assets of €1.3 billion (FY 2020: €1.6 billion)
- Shareholder Equity / Total Assets ratio of 63% (FY 2020: 50%)

Portfolio and Rent

- Rental income amounted to €39.6 million (HY 2020: €37.6 million, FY 2020: €76.4 million)
- FFO¹ of €24.2 million (HY 2020: €23.2 million, FY 2020: €47.5 million)
- No material changes in FFO on like-for-like basis
- In June 2021, the Company completed the sale of ca. €1.0 billion of German commercial properties to an international fund. For pro-forma financial information, please refer to the respective pro-forma section
- Portfolio as of 30 June 2021 includes ca. €550 million of German commercial portfolio and ca. €63 million of US portfolio

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 10(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.

Pro-Forma Financial Information

Consolidated Profit and Loss Pro-Forma

| | For the six months period ended on 30 June | | | | | |
|---|--|-------------|---------------------------------|------------------------|-------------|---------------------------------|
| | 2021 | | | 2020 | | |
| | As previously reported | Adjustments | Pro-forma financial information | As previously reported | Adjustments | Pro-forma financial information |
| | Thousands Euro | | | Thousands Euro | | |
| | (Unaudited) | | | (Unaudited) | | |
| Rental income | 39,615 | (26,708) | 12,907 | 37,589 | (27,160) | 10,428 |
| Revenue from sale of apartments | - | | - | 3,395 | | 3,395 |
| Total Revenue | 39,615 | | 12,907 | 40,984 | | 13,823 |
| Operational expenses | 3,766 | (2,382) | 1,384 | 2,658 | (2,271) | 387 |
| Cost of apartments | - | | - | 3,107 | | 3,107 |
| Total Operational expenses | 3,766 | | 1,384 | 5,765 | | 3,494 |
| Profit from operations | 35,849 | | 11,523 | 35,219 | | 10,329 |
| General and administration expenses | 4,931 | (2,119) | 2,812 | 5,250 | (2,587) | 2,663 |
| Profit before finance expenses | 30,919 | | 8,712 | 29,969 | | 7,666 |
| Financial expenses - net | 7,482 | (4,317) | 3,164 | 7,259 | (4,263) | 2,996 |
| Profit (Loss) before tax | 23,437 | | 5,547 | 22,710 | | 4,670 |
| Income tax - (income) expense | 2,561 | (1,783) | 779 | 3,196 | (2,171) | 1,025 |
| Profit (Loss) from ordinary activities after tax | 20,876 | | 4,769 | 19,514 | | 3,644 |
| Other (income) expense | (9,570) | 5,953 | (3,617) | 2,903 | (3,099) | (196) |
| Profit before minority interest | 30,446 | | 8,386 | 16,610 | | 3,840 |
| Non-controlling interests | 1,828 | (484) | 1,343 | 1,346 | (843) | 503 |
| Net Profit (loss) | 28,618 | | 7,042 | 15,265 | | 3,337 |

| | For the year ended 31 December 2020 | | |
|---|-------------------------------------|-------------|---------------------------------------|
| | As previously reported | Adjustments | Pro-forma financial information |
| | Thousands Euro | | |
| | (Unaudited) | | |
| Rental income | 76,376 | (55,246) | 21,130 |
| Revenue from sale of apartments | 4,473 | - | 4,473 |
| Total Revenue | 80,849 | | 25,603 |
| Operational expenses | 5,981 | (4,469) | 1,512 |
| Cost of apartments | 3,993 | - | 3,993 |
| Total Operational expenses | 9,974 | | 5,505 |
| Profit from operations | 70,876 | | 20,098 |
| General and administration expenses | 10,151 | (4,006) | 6,144 |
| Profit before finance expenses | 60,725 | | 13,954 |
| Financial expenses - net | 13,646 | (7,686) | 5,960 |
| Profit (Loss) before tax | 47,079 | | 7,994 |
| Income tax - (income) expense | 18,529 | (11,541) | 6,988 |
| Profit (Loss) from ordinary activities after tax | 28,551 | | 1,007 |
| Other (income) expense | (69,271) | 46,104 | (23,167) |
| Profit (Loss) before minority interest | 97,822 | | 24,174 |
| Non-controlling interests | 7,414 | (3,804) | 3,610 |
| Net Profit (loss) | 90,408 | | 20,564 |

Notes

- Management prepared the pro-forma financial information under pro-forma assumptions detailed below.
- The pro-forma event is a disposal transaction detailed in Note 3 of the Group reporting.
- The pro-forma financial information should be read in conjunction with the Group reporting as of 30 June 2021, which comprises the management discussion and analysis and the financial statements for the six-month period ended that date.
- When preparing this pro forma financial information, management applied same accounting policies as in its interim financial statements as of 30 June 2021.
- The pro-forma financial information, has been prepared under the following assumptions:
 - The profit and loss have been prepared under the assumption that the sale transaction detailed in Note 3 has been completed as at the earliest period presented in the pro-forma financial information.
 - The profit and loss and statements do not reflect the Group's profit from the pro-forma event because of its one-time nature.
 - General and Administrative Expenses and Finance Expenses have been presented excluding portion of such expenses that is attributable to the sold assets.



Friedrich Str. 231, Berlin

Financial statements



INDEPENDENT REVIEW REPORT TO SUMMIT PROPERTIES LIMITED

Introduction

We have reviewed the condensed consolidated statement of financial position of Summit Properties Limited as of June 30, 2021 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 2021 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, 29 September, 2021.

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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | | 30 June | | 31 December |
|---|---|---------------------|-----------|-------------|
| | | 2021 | 2020 | 2020 |
| | | (Unaudited) | | (Audited) |
| Note | | Euro (in thousands) | | |
| ASSETS | | | | |
| NON-CURRENT ASSETS: | | | | |
| Investment properties | 3 | 613,219 | 1,399,160 | 1,457,729 |
| Other long-term assets | 4 | 25,924 | 25,317 | 25,472 |
| Deferred tax asset | | - | 9 | - |
| Investment in equity securities | | 803 | - | - |
| Properties for development | | 9,615 | 6,154 | 9,188 |
| Total non-current assets | | 649,561 | 1,430,640 | 1,492,389 |
| CURRENT ASSETS: | | | | |
| Inventory of buildings under construction | | - | 113 | - |
| Prepaid expenses and other current assets | | 10,028 | 14,686 | 10,914 |
| Receivables from related parties | 5 | 20,175 | 140 | 73 |
| Trade receivables, net | | 1,574 | 3,062 | 3,167 |
| Investment property held for sale | 3 | - | 1,493 | 20,750 |
| Cash and cash equivalents | | 659,148 | 91,393 | 109,785 |
| Total current assets | | 690,925 | 110,887 | 144,689 |
| Total assets | | 1,340,486 | 1,541,527 | 1,637,078 |

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

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | | 30 June | | 31 December |
|--|-------|---------------------|-----------|-------------|
| | | 2021 | 2020 | 2020 |
| | | (Unaudited) | | (Audited) |
| | Note | Euro (in thousands) | | |
| EQUITY AND LIABILITIES | | | | |
| EQUITY: | | | | |
| Share capital | 10 | (*) - | (*) - | (*) - |
| Other reserve | | 155,138 | 154,473 | 154,890 |
| Retained gain | | 683,919 | 583,408 | 658,551 |
| Equity attributable to the owners of the Company | | 839,057 | 737,881 | 813,441 |
| Non-controlling interests | | 48,859 | 63,951 | 67,153 |
| Total equity | | 887,916 | 801,832 | 880,594 |
| NON-CURRENT LIABILITIES: | | | | |
| Interest-bearing loans and borrowings | 6 | 329,215 | 585,157 | 525,937 |
| Other long-term financial liabilities | 4 | 2,689 | 3,421 | 3,166 |
| Derivative financial liabilities | 7 | - | 2,386 | 2,190 |
| Deferred tax liability | | 82,914 | 114,044 | 128,236 |
| Total non-current liabilities | | 414,818 | 705,008 | 659,529 |
| CURRENT LIABILITIES: | | | | |
| Interest-bearing loans and borrowings | 6 | 1,138 | 10,575 | 67,916 |
| Payables to related parties | 5 | 2,030 | 445 | 4,665 |
| Current tax liabilities | | 380 | 436 | 1,144 |
| Trade and other payables | | 34,204 | 23,231 | 23,230 |
| Total current liabilities | | 37,752 | 34,687 | 96,955 |
| Total liabilities | | 452,570 | 739,695 | 756,484 |
| Total equity and liabilities | | 1,340,486 | 1,541,527 | 1,637,078 |
| NAV/Share (cent) | 10(c) | 260.80 | 229.35 | 252.83 |
| EPRA NAV/Share (cent) | 10(c) | 286.57 | 265.54 | 293.37 |

(*) No par value.

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

29 September, 2021

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 |
|--|------|-----------------------------|---------------|---------------------------|
| | | 2021 | 2020 | 2020 |
| | | (Unaudited) | | (Audited) |
| | | Euro (in thousands) | | |
| Rental income | | 39,615 | 37,589 | 76,376 |
| Revenues from sale of apartments | | - | 3,395 | 4,473 |
| Operating expenses | | (3,766) | (2,658) | (5,981) |
| Cost of sale of apartments | | - | (3,107) | (3,993) |
| Gross profit | | 35,849 | 35,219 | 70,875 |
| General and administrative expenses | | (4,931) | (5,250) | (10,151) |
| Fair value adjustments of investment properties | 3 | (3,833) | (2,689) | 72,584 |
| Other income (expense) | | 13,403 | (215) | (3,313) |
| Operating profit | | 40,488 | 27,065 | 129,995 |
| Financial income | 8 | 511 | 641 | 1,679 |
| Financial expenses | 8 | (7,992) | (7,899) | (15,323) |
| Total financial expenses | | (7,481) | (7,258) | (13,644) |
| Profit before taxes on income | | 33,007 | 19,807 | 116,351 |
| Tax expenses | | (2,561) | (3,196) | (18,529) |
| Profit for the period/year | | 30,446 | 16,611 | 97,822 |
| Other comprehensive income ("OCI") and expenses: | | | | |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Foreign exchange differences on translation of foreign operations | | (177) | - | - |
| Changes in hedging instruments entered into for cash flow hedges | | - | (267) | (144) |
| Cumulative gain arising in hedging instruments reclassified to profit or loss | | 432 | - | - |
| | | 255 | (267) | (144) |
| Items that will not be classified subsequently to profit or loss: | | | | |
| Net gain arising on revaluation of financial assets through Other Comprehensive Income ("OCI") | | - | - | 269 |
| | | 255 | (267) | 125 |
| Total comprehensive income for the period/year | | 30,701 | 16,344 | 97,947 |
| Profit for the period/year attributable to: | | | | |
| Owners of the Company | | 28,618 | 15,265 | 90,408 |
| Non-controlling interests | | 1,828 | 1,346 | 7,414 |
| | | 30,446 | 16,611 | 97,822 |
| Total comprehensive income attributable to: | | | | |
| Owners of the Company | | 28,866 | 15,012 | 90,572 |
| Non-controlling interests | | 1,835 | 1,332 | 7,375 |
| | | 30,701 | 16,344 | 97,947 |
| Earnings per share: | | | | |
| Basic (Euro per share) | 9 | 0.089 | 0.042 | 0.264 |
| Diluted (Euro per share) | | 0.089 | 0.042 | 0.264 |

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 | | | | Non-Controlling interests | Total equity |
|--|--|-------------------------|-------------------|---|---------------------------|----------------|
| | Issued capital | Other Reserve (Note 10) | Retained Earnings | Total equity attributable to owners of the parent Company | | |
| | Euro in thousands | | | | | |
| Balance at 1 January 2021 | (*) - | 154,890 | 658,551 | 813,441 | 67,153 | 880,594 |
| Profit for the period | - | - | 28,618 | 28,618 | 1,828 | 30,446 |
| Other comprehensive loss for the period, net of income tax | - | 248 | - | 248 | 7 | 255 |
| Total comprehensive profit | - | 248 | 28,618 | 28,866 | 1,835 | 30,701 |
| Transaction with non-controlling interest | - | - | (3,250) | (3,250) | (20,129) | (23,379) |
| Balance at 30 June 2021 | (*) - | 155,138 | 683,919 | 839,057 | 48,859 | 887,916 |

(*) 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 | | | | Non-Controlling interests | Total equity |
|--|--|-------------------------|-------------------|---|---------------------------|----------------|
| | Issued capital | Other Reserve (Note 10) | Retained Earnings | Total equity attributable to owners of the parent Company | | |
| | 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 |
| Exit from consolidation | - | - | 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 | | | | |
|--|--|-------------------------|-------------------|---|---------------------------|
| | Issued capital | Other Reserve (Note 10) | Retained Earnings | Total equity attributable to owners of the parent Company | Non-Controlling interests |
| | | | | | |
| Euro in thousands | | | | | |
| Balance at 1 January 2020 | (*) - | 334,585 | 559,915 | 894,500 | 69,934 |
| Profit for the year | - | - | 90,408 | 90,408 | 7,414 |
| Other comprehensive profit for the year, net of income tax | - | 164 | - | 164 | (39) |
| Total comprehensive profit | (*) - | 164 | 90,408 | 90,572 | 7,375 |
| Dividend distribution | - | - | - | - | (42) |
| Buy back of shares | - | (179,859) | - | (179,859) | - |
| Transactions with non-controlling interests | - | - | 8,228 | 8,228 | (10,114) |
| Balance at 31 December 2020 | (*) - | 154,890 | 658,551 | 813,441 | 67,153 |
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(*) 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 |
|--|-----------------------------|------------------|---------------------------|
| | 2021 | 2020 | 2020 |
| | (Unaudited) | | (Audited) |
| | Euro (in thousands) | | |
| Cash flows from operating activities: | | | |
| Profit for the period/year | 30,446 | 16,611 | 97,822 |
| Adjustments for: | | | |
| Deferred taxes | 2,259 | 2,988 | 17,210 |
| Financial expenses, net | 7,481 | 7,258 | 13,644 |
| Fair value adjustment of investment properties | 3,833 | 2,689 | (72,584) |
| Profit from sale of subsidiaries | (10,836) | - | - |
| Depreciation of property, plant and equipment | 121 | 142 | 279 |
| Amortization and impairment of intangible assets | 7 | 14 | 29 |
| Other long-term assets | 3,460 | 274 | 321 |
| | 6,325 | 13,365 | (41,101) |
| Changes in operating assets and liabilities: | | | |
| (Increase) Decrease in trade receivables and contract assets | (388) | 84 | (22) |
| Increase (Decrease) in trade and other payables | 2,940 | (2,639) | (2,269) |
| (Decrease) increase in payables to related parties and shareholders | (6,878) | (3,092) | 1,167 |
| (Increase) Decrease in inventors of buildings under construction and properties for developments | (424) | 233 | (2,688) |
| Decrease in prepaid expenses and other current assets | (2,989) | (615) | (144) |
| (Decrease) Increase in other non-current liabilities | (43) | (388) | 233 |
| | (7,782) | (6,417) | (3,723) |
| Net cash flows from operating activities | 28,989 | 23,559 | 52,998 |
| Cash flows from (used in) investing activities: | | | |
| Payments in respect to acquisition of assets and liabilities | (27,253) | - | - |
| Proceeds on disposal of subsidiaries | 571,116 | - | - |
| Change in deposits | (1,921) | 665 | (2,292) |
| Decrease in loan to third party | (2,469) | 3,192 | 6,765 |
| Addition to investment properties | (3,758) | (9,452) | (13,163) |
| Short- term loan to related parties | (20,000) | - | - |
| Proceeds from sale of investment property | 20,750 | - | 1,493 |
| Net cash flows from (used in) investing activities | 536,464 | (5,595) | (7,197) |
| Cash flows from financing activities: | | | |
| Proceeds from borrowings from banks | 4,925 | 4,781 | 8,181 |
| Repayment of borrowings | (16,953) | (6,854) | (13,066) |
| Interest expense paid | (7,223) | (6,725) | (13,316) |
| Net cash outflow on acquisition on non-controlling interest | - | - | - |
| Buy back of shares | - | (179,859) | (179,859) |
| Transaction with non-controlling interest | 3,161 | - | (42) |
| Net cash flows from financing activities | (16,090) | (188,657) | (198,102) |
| Increase (Decrease) in cash and cash equivalents | 549,363 | (170,693) | (152,301) |
| Cash and cash equivalents at the beginning of period/year | 109,785 | 262,086 | 262,086 |
| Cash and cash equivalents at the end of period/year | 659,148 | 91,393 | 109,785 |

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 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. In addition, the Group commenced activity in the US real estate market, as further described in Note 3.

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 IFRS 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 2020. 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 of its investment properties in relation to the fair value that was determined when last valuation was conducted, in order to examine whether the estimate represents an accurate estimate 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 of 30, June 2021, the company used valuations prepared by its external appraiser to determine the fair value of some of its investment properties. For the rest of the properties (properties acquired during the period), the Company determined that the acquisition price was the best indication of their fair value. For further details see Note 3.

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.

NOTE 3: INVESTMENT PROPERTIES**A. Movements in the balance of investment properties**

| | Euro in thousands |
|--|------------------------------|
| Balance at 1 January 2020 | 1,393,889 |
| Additions for the year (B (1)) | 13,499 |
| Disposals during the year (C (1)) | (1,493) |
| Reclassification to property held for sale (D) | (20,750) |
| Fair value adjustments during the year (E) | 72,584 |
| Balance at 31 December 2020 | <u>1,457,729</u> |
| Additions during the period (B (2)) | 64,698 |
| Disposals during the period (C (2)) | (909,080) |
| Fair value adjustments during the period | (3,833) |
| Other | 3,705 |
| Balance at 30 June 2021 | <u><u>613,219</u></u> |

B. Additions**1) Additions during the year**

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 2020 and was financed by a new secured debt facility (Note 6A) and Group's own resources. Rest of the additions were capital expenditures on properties.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**NOTE 3: INVESTMENT PROPERTIES (cont.):****B. Additions (cont.):****2) Additions in USA during the period**

- a. During the reporting period a subsidiary of the Company acquired three commercial properties located in the State of Michigan, USA, for a total consideration of approximately \$17.5 million. The properties spread across 825,000 square meters and consist of approximately 128,000 square meters of lettable space. 48% of the acquisition was funded from the subsidiary's own resources (\$8.5 million) and 52% was funded by external debt (\$9 million).

The properties are acquired by a company controlled by a Company's subsidiary (the "Foreign Entity"), which is held together with a local partner, unrelated to the Company or its controlling shareholders (the "Local Partner"). Pursuant to the agreement with the Local Partner, the Company controls the Foreign Entity and the asset companies owned by it, while the Local Partner is responsible for the ongoing operations of the properties. The Company has funded 90% of the capital required for the transaction and the Local Partner - 10% of the required capital. The agreement with the Local Partner includes provisions related to distributions and promote mechanism according to which first distributions are made as per the parties in proportion to their capital investments, until the return of their investment plus 12% per annum. Once the entire investment and the preferred interest is returned, all retained earnings of the asset companies will be distributed so that shareholders in the Foreign Entity and the Local Partner will be entitled to 50% as a promotion fee, until shareholders in the Foreign Entity receives 20% IRR over their investment .

In addition, foreign subsidiaries (at 52% ownership) and a Local Partner (at 48% ownership)

acquired the lease rights to two hotels with 514 rooms in Times square in New York. The hotels consist of approximately 27,000 square meters build on land leased for a period of 25-90 years.

- b. In May 2021, subsidiaries of the Company reached agreements with a partner in the US specializing in the acquisition, management and maintenance of residential buildings in New York City (the "Local Partner") for acquisition of residential properties for rent in New York City.

The acquisitions are carried out through special purpose companies, which are controlled by the Company, while the Local Partner is responsible for the ongoing operation of the properties and the special purpose companies. The Company will fund 85% of the capital required for each transaction and the Local Partner will fund the remaining 15% of required capital. The available cash flow of the asset companies will be distributed between the parties in proportion to their capital investment until returns of each partner's capital investment plus minimal agreed IRR, beyond which the Local Partner shall be entitled to success fees as customary in similar transactions.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**NOTE 3: INVESTMENT PROPERTIES (cont.):****B. Additions (cont.):****2) Additions in USA during the period (cont.)**

- c. The following transactions were completed during the reporting period:
Two transactions for purchasing 67 units in New York for a total consideration of approximately \$21 million, as follows:
- I. 46 units in Manhattan of 48,600 square feet for a total consideration of approximately \$17 million, reflecting a price of \$350 per square foot. The expected yield in this transaction is 3.5%. 35% of the acquisition was funded from the subsidiary's own resources and 65% was funded by external bank debt.
 - II. 21 units in the upper west side of Manhattan for a total consideration of approximately \$4 million, reflecting a price of \$250 per square foot. The company's intent is renovating the vacant units in the building and letting or selling them later. This transaction was funded by the company's own resources and by 65% external bank debt.
- d. **Following is a list of assets and liabilities acquired (in connection with the above acquisitions):**

| | |
|---|---------------|
| Consideration | 27,253 |
| Investment properties | 60,939 |
| Other tangible assets | 86 |
| Other assets | 2,882 |
| Interest bearing loans and borrowings | (19,065) |
| Other liabilities | (14,134) |
| Total assets, Net | 30,708 |
| Attributable to equity holders of the Company | 27,253 |
| Attributable to non-controlling interests | 3,455 |

- e. Up to the date of publication of this report, the Company has signed acquisitions for approximately 2,250 units for approximately \$404 million.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**NOTE 3: INVESTMENT PROPERTIES (cont.):****C. Disposals****1) Disposals during 2020**

The Company sold two properties for a consideration of €1.49 million, which was similar to their fair value. The transaction was completed during July 2020.

2) Disposals during the period

At the end of June 2021, the Company sold part of its portfolio of assets in Germany. As a result of the sale, the Company recognised a profit of approximately €10 million, which was charged to the item other income in the income statement.

| | |
|--|----------------|
| Trade receivables and other assets | 8,532 |
| Other tangible Assets | 43 |
| Investment properties | 909,080 |
| Trade accounts and other payables | (11,482) |
| Interest bearing loans and borrowings | (271,560) |
| Deferred tax liabilities | (47,581) |
| Non-controlling interests | (26,753) |
| Total assets, Net | 560,280 |
| Funds received | 571,116 |
| Profit from the sale of the subsidiaries | 10,836 |

D. Classification from investment properties to property held for sale

During 2020, the Company signed binding agreements for the disposal of three properties for a consideration of €20.8 million. These properties were classified as held for sale as of 31 December 2020 and the disposal transactions were completed during the reporting period.

E. For additional information about investment properties and movement in the balance during the year 2020, see Note 5 of the consolidated financial statements as of 31 December 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**NOTE 4: OTHER LONG TERM ASSETS AND LIABILITIES**

| | 30 June | | 31 December |
|---|--------------------------|---------------|--------------------|
| | 2021 | 2020 | 2020 |
| | Euro in thousands | | |
| <u>Other long-term financial assets:</u> | | | |
| Financial assets measured at fair value through OCI (1) | 3,595 | 4,518 | 4,817 |
| Long-term loans receivable measured at amortised cost (2) | 7,744 | 9,283 | 6,310 |
| Financial assets measured at fair value through profit and loss (3) | 10,140 | 8,339 | 10,140 |
| Other financial assets | 1,938 | 490 | 1,648 |
| Total long-term financial assets | <u>23,417</u> | <u>22,630</u> | <u>22,915</u> |
| <u>Other long-term non-financial assets: (4)</u> | <u>2,507</u> | <u>2,687</u> | <u>2,557</u> |
| <u>Other long-term financial liabilities:</u> | | | |
| Other Financial liabilities | <u>2,689</u> | <u>3,421</u> | <u>3,166</u> |

- (1) See Note 6 of the consolidated financial statements as of 31 December 2020.
- (2) Long-term loans receivable including loans to third parties.
- (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 June 30, 2021 the fair value of the loans is €11.6 million (including an amount of €1.5 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 2021, 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 |
| | 2021 | 2020 | 2020 | 2021 | 2020 | 2020 |
| | Euro in thousands | | | | | |
| Related parties | 20,175 | 140 | 73 | 2,030 | 445 | 4,665 |

As of June 30, 2021, 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 €750 thousand including Special Bonus provision as detailed below (2020: €4,491 thousand).

The balance owed by related party as of 30 June 2021 comprised of a short-term loan to SHL to be repaid before 15 December 2021. The loan is limited to a maximum amount of €35 million and bears an interest rate of 3-month Libor plus a margin of 1% p.a. As at the date of approval of these financial statements the total amount of short-term loan to SHL is 35 million Euro.

Terms and conditions of the management agreement

According to the management agreement, SMC is responsible for providing certain corporate 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 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 2021 the performance criteria were met and a pro-rata provision in the amount of €750,000 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.

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 addition to the performance based bonus detailed above, 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.

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 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), in the amount of €3.5 million, will be paid in 2021, subject to a pre-tax profit of the Group for 2020 not to be less than €70 million. The amount was paid during the reporting period.

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 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%. The loan was part of the sold portfolio. See note 3 c.
- B.** In 2020, a new €3.4 million secured debt facility obtained to refinance a property in Hannover. Loan is provided for a 10-year term at 1.3% fixed interest rate p.a. and annual amortization of 3.00%. The loan was part of the sold portfolio. See note 3 c.
- C.** During the reporting period, the Company reached an agreement with an existing lender that enables the company to release certain pledged assets for a release price, in consideration of increase of SPL guarantee to the bank. The loan was part of the sold portfolio and the guarantee was released as part of the transaction. See note 3 c.
- D.** 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:**

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.

As at 30 June 2021 there are no financial instruments of interest-bearing loans and borrowings (31 December 2020: €474 million carrying amounts value). See Note 3 C for further details.

Fair value measurements recognised in the statement of financial position:

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

- Level 1 fair value measurements marketable securities are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements (swaps transactions) are derived from inputs other than quoted prices that are observable for those instruments directly (i.e. as prices).
- Level 3 fair value measurements (certain long term loans receivable and unquoted equity shares) are derived from valuation techniques that include inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). Refer to Note 5 of the consolidated financial statements as of 31 December 2020 for valuation approach adopted on investment property.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**NOTE 7: FAIR VALUE (Cont.)****Fair value measurements recognised in the statement of financial position (Cont.):**

| | 30 June 2021 | | | |
|---|-------------------|---------|---------|---------|
| | Level 1 | Level 2 | Level 3 | Total |
| | Euro in thousands | | | |
| Non-financial assets | | | | |
| Investment properties (Note 3) | - | - | 613,219 | 613,219 |
| Financial assets | | | | |
| Financial assets measured at fair value through profit and loss (Note 4(3)) | - | - | 11,640 | 11,640 |
| Financial assets at FVTOCI | - | - | 3,595 | 3,595 |
| Total | - | - | 628,454 | 628,454 |

| | 31 December 2020 | | | |
|---|-------------------|---------|-----------|-----------|
| | Level 1 | Level 2 | Level 3 | Total |
| | Euro in thousands | | | |
| Non-financial assets | | | | |
| Investment properties (Note 3) | - | 20,750 | 1,457,729 | 1,478,479 |
| Financial assets | | | | |
| Financial assets measured at fair value through profit and loss (Note 4(3)) | - | - | 11,640 | 11,640 |
| Financial assets at FVTOCI | - | - | 4,817 | 4,817 |
| Total | - | 20,750 | 1,474,186 | 1,494,936 |
| Financial liabilities | | | | |
| Derivative instruments – swaps | - | (2,190) | - | (2,190) |

| | 30 June 2020 | | | |
|---|-------------------|--------------|------------------|------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| | Euro in thousands | | | |
| Non-financial assets | | | | |
| Investment properties | - | 1,493 | 1,399,160 | 1,400,653 |
| Financial assets | | | | |
| Financial assets measured at fair value through profit and loss | - | - | 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 8: FINANCIAL EXPENSES (INCOME)**

| | Six months ended 30 June | | Year ended 31 December |
|---------------------------------------|-----------------------------|-------|---------------------------|
| | 2021 | 2020 | 2020 |
| | Euro in thousands | | |
| Financial expenses: | | | |
| Interest on borrowings (A) | 6,681 | 6,614 | 13,345 |
| Amortization of cost of raising loans | 681 | 632 | 1,266 |
| Other | 630 | 653 | 712 |
| Total financial expenses | 7,992 | 7,899 | 15,323 |
| Financial income: | | | |
| Total financial income | 511 | 641 | 1,679 |

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 |
|--|-----------------------------|--------|---------------------------|
| | 2021 | 2020 | 2020 |
| | Euro in thousands | | |
| Earnings | | | |
| Earnings for the purposes of basic earnings per share being net profit attributable to owners of the Company | 28,618 | 15,265 | 90,408 |

| | Six months ended 30 June | | Year ended 31 December |
|---|-----------------------------|---------|---------------------------|
| | 2021 | 2020 | 2020 |
| | in thousands | | |
| Number of shares | | | |
| Weighted average number of ordinary shares for the purposes of the basic earnings per share | 321,722 | 363,119 | 342,308 |

| | Six months ended 30 June | | Year ended 31 December |
|----------------------------|-----------------------------|-------|---------------------------|
| | 2021 | 2020 | 2020 |
| | (Unaudited) | | (Audited) |
| Earnings per share: | | | |
| Basic (Euro per share) | 0.089 | 0.042 | 0.264 |
| Diluted (Euro per share) | 0.089 | 0.042 | 0.264 |

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 2020 | 445,235,204 |
| Change in the period | (123,512,832) |
| At 30 June 2020 | 321,722,372 |
| Change in the period | - |
| At 31 December 2020 | 321,722,372 |
| Change in the period | - |
| At 30 June 2021 | 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 2021 is €151.2 million (as of 30 June 2020 €151.2 million, as of 31 December 2020: €151.2 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 2021 | | As of 30 June 2020 | | As of 31 December 2020 | |
|----------------------|---------------------------|---------------------|---------------------------|---------------------|-------------------------------|---------------------|
| | €, thousands | €, per share | €, thousands | €, per share | €, thousands | €, per share |
| NAV (*) | 839,057 | 2.61 | 737,881 | 2.29 | 813,426 | 2.53 |
| Financial derivative | - | | 2,386 | | 2,190 | |
| Deferred Tax, net | 82,914 | | 114,035 | | 128,236 | |
| EPRA NAV (**) | 921,971 | 2.87 | 854,302 | 2.66 | 943,852 | 2.93 |

(*) 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**

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.

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 in Germany.

Segment B - investment properties - Leasing property for rental income in the US (see Note 3B).

Segment C - 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**NOTE 11: OPERATING SEGMENTS (Cont.):****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 June 30, 2021:

| | Investment Properties - Germany | Investment properties - USA | Residential Development | Total |
|--|--|--|------------------------------------|---------------|
| | Euro in thousands | | | |
| Income | 36,383 | 3,232 | - | 39,615 |
| Segment profit (*) | 38,451 | 2,037 | - | 40,488 |
| Expenses not allocated to the segment | - | - | - | - |
| Operating profit | | | | 40,488 |
| Finance expenses, net | | | | (7,481) |
| Tax expenses | | | | (2,561) |
| Net income | | | | <u>30,446</u> |
| (*) Includes revaluation gain of investment properties | (3,833) | - | - | (3,833) |

June 30, 2021:

| | Investment Properties - Germany | Investment Properties - USA | Residential Development | Total |
|--|--|--|------------------------------------|------------------|
| | Euro in thousands | | | |
| Segment assets | 1,265,687 | 65,184 | 9,615 | 1,340,486 |
| Assets not allocated to the segment | | | | - |
| Total assets | | | | <u>1,340,486</u> |
| Segment liabilities | 336,432 | 33,225 | - | 369,657 |
| Liabilities not allocated to the segment | | | | 82,913 |
| Total Liabilities | | | | <u>452,570</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**NOTE 11: OPERATING SEGMENTS (Cont.):****B. Analysis of income and results by operating segments (cont.):**December 31, 2020:

| | Investment Properties | Residential Development | Total |
|---|----------------------------------|------------------------------------|----------------|
| | Euro in thousands | | |
| Income | 76,376 | 4,473 | 80,849 |
| Segment profit(*) | | | 129,995 |
| Expenses not allocated to the segment | | | - |
| Operating profit | | | <u>129,995</u> |
| Finance expenses, net | | | (13,644) |
| Tax expenses | | | (18,529) |
| Net income | | | <u>97,822</u> |
| (*) Includes revaluation gain of investment properties | <u>72,584</u> | <u>-</u> | <u>72,584</u> |

December 31, 2020:

| | Investment Properties | Residential Development | Total |
|--|----------------------------------|------------------------------------|------------------|
| | Euro in thousands | | |
| Segment assets | 1,627,712 | 9,366 | 1,637,078 |
| Assets not allocated to the segment | | | - |
| Total assets | | | <u>1,637,078</u> |
| Segment liabilities | 628,248 | - | 628,248 |
| Liabilities not allocated to the segment | | | 128,236 |
| Total Liabilities | | | <u>756,484</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**NOTE 11: OPERATING SEGMENTS (Cont.):****B. Analysis of income and results by operating segments (Cont.):**June 30, 2020:

| | Investment Properties | Residential Development | Total |
|---|----------------------------------|------------------------------------|--------------|
| | Euro in thousands | | |
| Income | 37,589 | 3,395 | 40,984 |
| Segment profit(*) | 26,777 | 288 | 27,065 |
| Expenses not allocated to the 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) |

June 30, 2020:

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

NOTE 12: EVENTS DURING REPORTING PERIOD**A.** See Note 3 for acquisitions and disposals during the reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**NOTE 12: EVENTS DURING REPORTING PERIOD (Cont.)****B. Implications of the spread of the Corona virus - COVID-19**

Following the Note 24 of the annual financial statements, Germany continues to experience outbreaks at different locations of the country, however, currently there are 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.

In light with the uncertainty regarding the continued spread of the virus, the vaccine's effectiveness and resistance over time and against new variants and actions to be taken later in connection with the economic crisis caused by the aforesaid, the end of the crisis and its full impact on the Company's business activities cannot be fully assessed.

According to the Company's management, the distribution and mix of its asset portfolio, which mainly includes offices, logistics properties and residential buildings will allow the Company to reduce its exposure to the crisis, given its relative low exposure to the retail industry assets that were impacted the most by the outbreak.

Given the uncertainties, the Company monitors the collection of rent from its tenants and during the period and as at the date of approval of these financial statements, the collection of rent and management fees is conducted properly, and the collection rates are similar to the rates in the period before the outbreak of the pandemic. 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. In addition, during the period, the Company continued to act and take steps to reduce its expenses.

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.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**NOTE 13: SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD**

During July 2021, a subsidiary of the Company acquired 8 commercial properties across the United States for a total consideration of \$66 million. The said properties include a rental area of approximately 287 thousand square meters built on land in an area of approximately 2.1 million square meters. The average occupancy rate of the assets is approximately 64% and the annual income from them, based on existing contracts, net of operating expenses, is approximately \$18 million.

The subsidiary entered the transaction through a foreign company controlled by the Company (the "Foreign Company"), which is held together with a local partner, not related to the company and / or its controlling shareholders in a format similar to that in the agreement described in the Note 3 B above.