



REPORT AND ACCOUNTS HY 2022

SUMMIT
Properties Ltd

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Triangle Town Center, North Carolina, USA

Management Overview

Summit Properties Limited

2022 Half Year Results

We are pleased to present the interim unaudited results for the six months ended 30 June 2022 ("the Reporting Period") of Summit Properties Limited ("the Company") and its subsidiaries ("the Group").

During the first half of 2022, the Company continued its expansion in the US real estate market, investing further in the residential sector in New York City ("NYC") as well as in commercial assets throughout the US.

Financial Review

Profits

- Net profit of €62.1 million (H1 2021: €30.4 million, FY 2021: €122.9 million)
- Profit Before Tax (PBT) of €77.3 million (H1 2021: €33.0 million, FY 2021: €154.9 million)
- EBITDA of €83.5 million (H1 2021: €40.6 million, FY 2021: €169.6 million)
- Revaluation profit of €51.3 million (H1 2021: €3.8 million expense, FY 2021: €109.6 million profit)
- Gross profit of €46.4 million (H1 2021: €35.8 million, FY 2021: €61.6 million)

NAV

- EPRA NAV¹ of €1.1 billion (FY 2021: €1.0 billion)
- Group's NAV of €1.0 billion (FY 2021: €0.9 billion)
- Total Assets of €2.1 billion (FY 2021: €1.8 billion)
- Shareholder Equity / Total Assets ratio of 49% (FY 2021: 52%)

The increase in EPRA NAV¹ was mainly due to €51.3 million revaluation uplift and €31.7 million Funds From Operations (FFO)¹ contribution. It was further supplemented by €43.8 million increase in capital reserve due to currency exchange gains.

Operational Review

Rent and Operations

- FFO¹ increased to €31.7 million (H1 2021: €24.2 million, FY 2021: €36.7 million)
- Rental income increased to €73.0 million (H1 2021: €39.6 million, FY 2021: €77.1 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 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.

-
- New lease agreements and renewals in H1 2022:
 - German portfolio – signing agreements for 15,000 sqm worth ca. €1.6 millions of rent p.a.; Additional ca. 26,000 sqm worth ca. €4.2 million p.a. in advanced negotiations.
 - US portfolio – advanced negotiations for 148 new leases and renewals for ca. 105,000 sqm worth \$15.8 million of rent p.a.

Portfolio

- €1.6 billion portfolio as of 30 June 2022 (FY 2021: €1.2 billion) includes:
 - €0.6 billion German Portfolio:
 - Commercial properties well located in major cities
 - Ca. 90% occupancy rate, exc. Properties under development
 - Net lettable area of ca. 329,000 sqm on ca. 537,000 sqm of land
 - Net rent of ca. €20.4 million p.a. expected to increase to €22 million p.a. following the commencement of signed new leases during 2022
 - Low capital value below replacement cost
 - 213,000 sqm of additional building rights
 - €1.0 billion (\$1.1 billion to date) US property portfolio:
 - 89 residential buildings in NYC with net lettable area of 243,000 sqm
 - 26 commercial properties US with net lettable area of 1.0 million sqm
 - \$155 million of identified salable outparcels; \$40 million already sold and \$26 million signed to date
 - located across the US
 - €315.4 million of US properties and notes secured by properties acquired in H1 2022: €105.6 million of NYC residentials and €134.8 million of US commercials
- Further US acquisitions post reporting period:
 - \$42 million of three shopping centres with a total lettable area of ca. 103,000 of sqm, built on ca. 540,000 sqm of land. Annual NOI, based on existing contracts, amounts to ca. \$6.6 million.
 - Acquisition of minority holdings in one of the Company's NYC hotels.

Financing

- Group's net LTV 29% (FY 2021: 15%) with an average interest rate of 3.3% p.a. and average duration of more than 4 years.
- Further financing activities post reporting period:
 - €33.6 million buyback of the Company's outstanding senior notes
 - \$40 million of secured debt facilities obtained on two US portfolio's properties; 15-year term at an average annual interest of 5.4% fixed for 5 years.



Montgomery Mall, North Wales Philadelphia, Pennsylvania, USA

Financial statements

INDEPENDENT REVIEW REPORT TO SUMMIT PROPERTIES LIMITED

Introduction

We have reviewed the condensed interim consolidated statement of financial position of Summit Properties Limited as of June 30, 2022 and the related condensed interim consolidated statements of profit or loss and other comprehensive income, the condensed interim consolidated statement of changes in equity and the condensed interim 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 2022 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, Israel
September 14, 2022

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CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		30 June		31 December
		2022	2021	2021
		(Unaudited)		(Audited)
	Note	Euro (in thousands)		
ASSETS				
NON-CURRENT ASSETS:				
Investment properties	3	1,579,570	613,219	1,236,791
Other long-term assets	4	122,521	25,924	43,789
Investment in equity securities		303	803	775
Properties for development		16,459	9,615	13,502
Total non-current assets		1,718,853	649,561	1,294,857
CURRENT ASSETS:				
Prepaid expenses and other current assets		21,336	10,028	19,570
Receivables from related parties	5	39,301	20,175	38,798
Trade receivables, net		4,413	1,574	2,008
Cash and cash equivalents		281,155	659,148	410,186
Total current assets		346,205	690,925	470,562
Total assets		2,065,058	1,340,486	1,765,419

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		30 June		31 December
		2022	2021	2021
		(Unaudited)		(Audited)
	Note	Euro (in thousands)		
EQUITY AND LIABILITIES				
EQUITY:				
Other reserve		205,154	155,138	161,317
Retained gain		799,832	683,919	749,961
Equity attributable to the owners of the Company		1,004,986	839,057	911,278
Non-controlling interests		132,396	48,859	106,847
Total equity		1,137,382	887,916	1,018,125
NON-CURRENT LIABILITIES:				
Interest-bearing loans and borrowings	6	727,612	329,215	585,035
Other long-term financial liabilities	4	9,571	2,689	6,243
Deferred tax liability		132,126	82,914	113,565
Total non-current liabilities		869,309	414,818	704,843
CURRENT LIABILITIES:				
Interest-bearing loans and borrowings	6	8,444	1,138	4,534
Payables to related parties	5	1,806	2,030	1,831
Current tax liabilities		6,135	380	2,901
Trade and other payables		41,982	34,204	33,185
Total current liabilities		58,367	37,752	42,451
Total liabilities		927,676	452,570	747,294
Total equity and liabilities		2,065,058	1,340,486	1,765,419
NAV/Share (cent)	10(c)	312.38	260.80	283.25
EPRA NAV/Share (cent)	10(c)	353.45	286.57	318.55

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

September 14, 2022

Date of approval of the
financial statements

Zohar Levy
Managing Director

Itay Barlev
Finance Director

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

		Six months ended 30 June		Year ended 31 December
		2 0 2 2	2 0 2 1	2 0 2 1
		(Unaudited)		(Audited)
Note		Euro (in thousands)		
Rental income		72,987	39,615	77,143
Operating expenses		(26,551)	(3,766)	(15,547)
Gross profit		46,436	35,849	61,596
General and administrative expenses		(4,725)	(4,931)	(11,348)
Fair value adjustments of investment properties	3	51,345	(3,833)	109,594
Other income (expense)		(9,703)	13,403	9,549
Operating profit		83,353	40,488	169,391
Financial income	8	5,015	511	1,214
Financial expenses	8	(11,063)	(7,992)	(15,753)
Total financial expenses		(6,048)	(7,481)	(14,539)
Profit before taxes on income		77,305	33,007	154,852
Tax expenses		(15,175)	(2,561)	(31,919)
Profit for the period/year		62,130	30,446	122,933
Other comprehensive income ("OCI") and expenses:				
Items that may be reclassified subsequently to profit or loss:				
Foreign exchange differences on translation of foreign operations		43,844	(177)	5,972
Cumulative gain arising in hedging instruments reclassified to profit or loss		-	432	432
		43,844	255	6,404
Items that will not be classified subsequently to profit or loss:				
Net gain arising on revaluation of financial assets through Other Comprehensive Income ("OCI")		-	-	30
		43,844	255	6,434
Total comprehensive income for the period/year		105,974	30,701	129,367
Profit for the period/year attributable to:				
Owners of the Company		49,871	28,618	96,423
Non-controlling interests		12,259	1,828	26,510
		62,130	30,446	122,933
Total comprehensive income attributable to:				
Owners of the Company		93,708	28,866	102,850
Non-controlling interests		12,266	1,835	26,517
		105,974	30,701	129,367
Earnings per share:				
Basic (Euro per share)	9	0.155	0.089	0.300
Diluted (Euro per share)		0.155	0.089	0.300

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

CONDENSED INTERIM 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				Total equity
Balance at 1 January 2022 (audited)	(*) -	161,317	749,961	911,278	106,847
Profit for the period	-	-	49,871	49,871	12,259
Other comprehensive income for the period, net of income tax	-	43,837	-	43,837	7
Total comprehensive profit	-	43,837	49,871	93,708	12,266
Investment from non-controlling interest	-	-	-	-	13,283
Balance at 30 June 2022 (unaudited)	(*) -	205,154	799,832	1,004,986	132,396
					1,137,382

(*) No par value.

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

CONDENSED INTERIM 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				Total equity
Balance at 1 January 2021 (audited)	(*) -	154,890	658,551	813,441	67,153
Profit for the period	-	-	28,618	28,618	1,828
Other comprehensive income for the period, net of income tax	-	248	-	248	7
Total comprehensive profit	-	248	28,618	28,866	1,835
Transaction with non-controlling interest	-	-	(3,250)	(3,250)	(20,129)
Balance at 30 June 2021 (unaudited)	(*) -	155,138	683,919	839,057	48,859
					887,916

(*) No par value.

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to owners of the Company					Total equity
	Issued capital	Other Reserve (Note 10)	Retained Earnings	Total equity attributable to owners of the Company		
				Company	Non-Controlling interests	
Euro in thousands						
Balance at 1 January 2021 (audited)	(*) -	154,890	658,551	813,441	67,153	880,594
Profit for the year	-	-	96,423	96,423	26,510	122,933
Other comprehensive income for the year, net of income tax	-	6,427	-	6,427	7	6,434
Total comprehensive profit	(*) -	6,427	96,423	102,850	26,517	129,367
Transactions with non-controlling interests	-	-	(5,013)	(5,013)	13,177	8,164
Balance at 31 December 2021 (audited)	(*) -	161,317	749,961	911,278	106,847	1,018,125

(*) No par value.

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended 30 June		Year ended 31 December
	2022	2021	2021
	(Unaudited)		(Audited)
	Euro (in thousands)		
Cash flows from operating activities:			
Profit for the period/year	62,130	30,446	122,933
Adjustments for:			
Deferred taxes	15,155	2,259	31,615
Financial expenses, net	6,048	7,481	14,538
Fair value adjustment of investment properties	(51,345)	3,833	(109,594)
Profit from sale of subsidiaries	-	(10,836)	(10,836)
Depreciation of property, plant and equipment	87	121	242
Amortization and impairment of intangible assets	-	7	7
Other long-term assets	(119)	3,460	581
	(30,174)	6,325	(73,447)
Changes in operating assets and liabilities:			
Decrease (increase) in trade receivables and contract assets	704	(388)	4,773
Increase in trade and other payables	1,142	2,940	1,002
Decrease in payables to related parties and shareholders	(527)	(6,878)	(9,374)
Increase in inventories of buildings under construction and properties for developments	(2,957)	(424)	(4,314)
Decrease (increase) in prepaid expenses and other current assets	2,166	(2,989)	2,272
Increase (decrease) in other non-current liabilities	663	(43)	130
	1,191	(7,782)	(5,511)
Net cash flows from operating activities	33,147	28,989	43,975
Cash flows from (used in) investing activities:			
Grant of short- term loan to related parties	-	(20,000)	(35,000)
Payments in respect to acquisition of assets and liabilities	(178,321)	(27,253)	(266,291)
Distribution from an associate	919	-	-
Proceeds on disposal of subsidiaries	-	571,116	570,530
Change in deposits	299	(1,921)	(4,528)
Decrease in loan to third party	(773)	(2,469)	(401)
Investment in investment properties	(3,861)	(3,758)	(13,274)
Proceeds from sale of investment property	15,362	20,750	28,634
Net cash flows from (used in) investing activities	(166,375)	536,464	279,670
Cash flows from financing activities:			
Proceeds from borrowings from banks	14,339	4,925	4,925
Repayment of borrowings from banks	(14,058)	(16,953)	(17,255)
Interest expense paid	(6,569)	(7,223)	(14,079)
Transaction with non-controlling interest	(499)	3,161	3,165
Net cash flows from financing activities	(6,787)	(16,090)	(23,244)
Effect of change in exchange rates on cash balances hold in foreign currency	10,984	-	-
Increase (Decrease) in cash and cash equivalents	(129,031)	549,363	300,401
Cash and cash equivalents at the beginning of period/year	410,186	109,785	109,785
Cash and cash equivalents at the end of period/year	281,155	659,148	410,186

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

NOTES TO THE CONDENSED INTERIM 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 portfolio of investment properties in Germany and in the US. In Germany, the Group owns, enhances and operates commercial real estate assets including office buildings, logistic centres and others, which are leased to numerous commercial and industrial tenants. The US portfolio comprises commercial properties throughout the US leased to numerous tenants and multi-tenant residential properties in New York City.

The Group invests primarily in such properties that provide substantial income flows and potential for value increase through asset management.

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 2021. 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 INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: ACCOUNTING POLICIES (cont.):

Valuation of investment properties (Cont.)

Regarding properties for development, at each interim reporting date, the Company also examines the costs that were invested in the construction of the property, the estimate of the costs required to complete the construction, the progress and other changes in the relevant real estate market such as rental prices.

As of 30, June 2022, the Company has revaluated some of its properties, based on valuations prepared by its external appraiser. For the rest of the properties (including properties acquired during the period), the Company examined whether there were signs that the fair value of the investment properties differs substantially from the value estimated by external appraisers during the year 2021, or the acquisition price (for properties acquired recently). Based on such analysis, no changes occurred that can lead to a significant change in the fair value of those investment properties. 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

	<u>Euro in thousands</u>
Balance at 1 January 2021 (audited)	1,457,729
Additions for the year	575,234
Disposals during the year	(916,379)
Foreign currency translation reserve	6,908
Fair value adjustments during the year	109,594
Other	3,705
Balance at 31 December 2021 (audited)	<u>1,236,791</u>
Additions during the period (B)	244,229
Disposals during the period (C)	(15,362)
Foreign currency translation reserve	62,530
Fair value adjustments during the period	51,345
Other	37
Balance at 30 June 2022 (unaudited)	<u>1,579,570</u>

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3: INVESTMENT PROPERTIES (cont.):

B. Additions:

Additions in USA during the reporting period

a. Acquisitions of residential properties:

During the reporting period, transactions were completed for the purchase of 700 housing units for rent in New York for approximately \$110 million. The residential buildings purchased include an area for rent of approximately 60 thousand square meters. The expected net return on these transactions is approximately 5.1%. The acquisition was financed from the Company's own resources and bank financing.

Total bank financing related to the above transactions amounted to approximately \$80 million at an average fixed annual interest rate of approximately 3%, without principal repayments in the first three years and without financial covenants.

As of the date of approval of these interim financial statements, the Company holds 90 residential buildings in New York City, including approximately 3,000 housing units with a total lettable area of approximately 250 thousand square meters and expected annual Net Operating Income ("NOI"), based on existing contracts, of approximately \$27.5 million.

b. Acquisitions of commercial properties

During the reporting period 7 commercial properties were acquired for a total consideration of approximately \$140 million. The said properties include lettable area of approximately 330 thousand sqm. At the time of acquisition, the average occupancy rate of the assets was approximately 85% and the expected Net Operating Income ("NOI"), based on existing net contracts, amounts to approximately \$23 million.

In addition, during the reporting period, a subsidiary of the Company acquired notes which are secured by the lien on two commercial properties, for a consideration of approximately \$78 million. The commercial properties include a lettable area of approximately 100 thousand square meters and where the annual NOI, based on existing contracts is approximately \$13 million. After the reporting period, the ownership over one of the properties securing a note of \$50 million, was transferred to the subsidiary.

After the reporting period, 3 commercial properties were acquired for about \$42 million, which includes a rental area of about 100 thousand square meters and land area is about 540 thousand square meters. The annual income, based on existing contracts, net of operating expenses, is about 6.6 million dollars.

In addition, the Company entered into agreements to purchase two commercial properties for approximately \$35 million. The properties include a lettable area of approximately 75 thousand square meters where the expected NOI is approximately \$6.4 million. Completion of the acquisition is expected in the coming months.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3: INVESTMENT PROPERTIES (cont.):

B. Additions (cont.):

Additions in USA during the reporting period (Cont.)

b. Purchase of commercial properties (cont.)

As of the date of approval of these interim financial statements, the Company holds 26 commercial properties across the United States, with a total lettable area of approximately 1 million square meters and expected annual income from them, based on existing contracts, net of operating expenses of \$80 million.

c. Following is a list of assets and liabilities acquired during the reporting period (in connection with the above acquisitions):

	Euro in thousands
Consideration	178,321
Investment properties	240,369
Other tangible assets	406
Other assets	79,387
Interest bearing loans and borrowings	(121,434)
Other liabilities	(8,582)
Total assets, Net	190,146
Attributable to equity holders of the Company	178,321
Attributable to non-controlling interests	11,825

C. Disposals

Since the beginning of the year 2022 and up to the date of this report, €35.4 million outparcels were sold. The total annual NOI for the sold properties was approximately \$1.95 million. Since the activity in the USA began in the year 2021 and up to the date of this report, \$44.2 million outparcels were sold and their total annual NOI was \$2.6 million.

D. For additional information about investment properties and movement in the balance during the year 2021, see Note 5 of the consolidated financial statements as of 31 December 2021.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4: OTHER LONG-TERM ASSETS AND LIABILITIES

	30 June	31 December
	2022	2021
	2021	2021
	Euro in thousands	
<u>Other long-term financial assets:</u>		
Financial assets measured at fair value through OCI (1)	3,625	3,595
Long-term loans receivable measured at amortised cost (2)	12,544	7,744
Financial assets measured at fair value through profit and loss (3)(4)	102,282	10,140
Other financial assets	1,073	1,938
Total long-term financial assets	<u>119,524</u>	<u>23,417</u>
<u>Other long-term non-financial assets:</u>	<u>2,997</u>	<u>2,507</u>
<u>Other long-term financial liabilities (5):</u>		
Other Financial liabilities	<u>9,571</u>	<u>2,689</u>
	<u>6,243</u>	

- (1) See Note 6 of the consolidated financial statements as of 31 December 2021.
- (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, 2022 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) In 2021 a subsidiary of the Company acquired a debt of approximately \$21 million secured by a lien on a residential building in New York city, totalling approximately \$19 million. The property, located in Manhattan, includes 56 units in a total area of approximately 46 thousand square feet.

During the reporting period, a subsidiary of the Company acquired notes secured by the lien on two commercial properties, in the amount of approximately \$78 million, as detailed in note 3B(1)b.

- (5) Other long-term non-financial assets:

As of 30 June 2022, the balance is mainly due to the impact of adopting IFRS 16 (€2 million) starting from 1 January 2019, whereby a right of use assets has been recognized for the Group's leased office premises, and due to Tenant Security Deposit (€5.4 million).

NOTES TO THE CONDENSED INTERIM 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
	2022	2021	2021	2022	2021	2021
	(unaudited)		(audited)	(unaudited)		(audited)
	Euro in thousands					
Related parties	39,301	20,175	38,798	1,806	2,030	1,831

As of June 30, 2022, Summit Real Estate Holdings Ltd ("SHL") holds approximately 99.10% 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, performance-based bonus and Special bonus (as detailed below), in the amount of €2.6 thousand, net of other credits to the same related party in the amount of €0.8 thousand.

The balance owed by related party as of 30 June 2022 comprised of a short-term loan to SHL. The loan bears an interest rate of 3-month Libor plus a margin of 1%-1.35% p.a. As at the date of approval of these financial statements the total amount of short-term loan to SHL is 39.3 million Euro.

Terms and conditions of the management agreements

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%.

As of 30 June 2022, the performance criteria were met and a pro-rata provision in the amount of €750,000, which includes management fees and performance-based bonus, 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 INTERIM 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 31 December 2022 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.

As of 30 June 2022, the criteria for the Special Bonus were met and the Company recorded a provision in the amount of € 2.3 million during the period. The payment of the special 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 INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6: INTEREST - BEARING LOANS AND BORROWING

As of 30 June 2022, and 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.

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 2021 for valuation approach adopted on investment property.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7: FAIR VALUE (Cont.)

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

30 June 2022			
Level 1	Level 2	Level 3	Total
Euro in thousands			
Non-financial assets			
Investment properties (Note 3)	-	-	1,579,570
Financial assets			
Financial assets measured at fair value through profit and loss (Note 4)	-	-	103,782
Financial assets at FVTOCI	-	-	3,625
Total	-	-	1,686,977

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

31 December 2021			
Level 1	Level 2	Level 3	Total
Euro in thousands			
Non - Financial assets:			
Investment properties (note 5)	-	-	1,236,791
Financial assets			
Financial assets measured at fair value through profit and loss (a)	-	-	27,565
Financial assets at FVTOCI	-	-	3,625
Total	-	-	1,267,981

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8: FINANCIAL EXPENSES (INCOME)

	Six months ended 30 June	Year ended 31 December
	2022	2021
	2022	2021
	Euro in thousands	
Financial expenses:		
Interest on borrowings	9,871	6,681
Amortization of cost of raising loans	423	681
Other	769	630
Total financial expenses	<u>11,063</u>	<u>7,992</u>
Financial income:		
Total financial income	<u>5,015</u>	<u>511</u>
	<u>13,671</u>	<u>15,753</u>

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
	2022	2021
	2022	2021
	Euro in thousands	
Earnings		
Earnings for the purposes of basic earnings per share being net profit attributable to owners of the Company	<u>49,871</u>	<u>28,618</u>
	<u>96,423</u>	<u>96,423</u>

	Six months ended 30 June	Year ended 31 December
	2022	2021
	2022	2021
	in thousands	
Number of shares		
Weighted average number of ordinary shares for the purposes of the basic earnings per share	<u>321,722</u>	<u>321,722</u>
	<u>321,722</u>	<u>321,722</u>

	Six months ended 30 June	Year ended 31 December
	2022	2021
	2022	2021
	(Unaudited)	(Audited)
Earnings per share:		
Basic (Euro per share)	<u>0.155</u>	<u>0.089</u>
Diluted (Euro per share)	<u>0.155</u>	<u>0.089</u>
	<u>0.30</u>	<u>0.30</u>

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

NOTES TO THE CONDENSED INTERIM 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.

	<u>Issued and outstanding Number of shares</u>
At 1 January 2021	321,722,372
Change in the period	-
At 30 June 2021	321,722,372
Change in the period	-
At 31 December 2021	321,722,372
Change in the period	-
At 30 June 2022	<u>321,722,371</u>

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 2022 is €151.2 million (as of 30 June 2021 €151.2 million, as of 31 December 2021: €151.2 million). This balance is included in other reserves.

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:

	<u>As of 30 June 2022</u>		<u>As of 30 June 2021</u>		<u>As of 31 December 2021</u>	
	<u>€, thousands</u>	<u>€, per share</u>	<u>€, thousands</u>	<u>€, per share</u>	<u>€, thousands</u>	<u>€, per share</u>
NAV (*)	1,004,986	3.12	839,057	2.61	911,278	2.83
Deferred Tax, net	132,126		82,914		113,565	
EPRA NAV (**)	<u>1,137,112</u>	3.53	<u>921,971</u>	2.87	<u>1,024,843</u>	3.19

(*) 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 INTERIM 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 in Germany.

Segment B – commercial investment properties - Leasing property for rental income in the US.

Segment C - residential investment properties – Leasing property for rental income in the US.

Segment D – Other.

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 June 30, 2022:

	Investment Properties - Germany	Commercial investment properties - USA	Residential investment properties - USA	Other	Total
	Euro in thousands				
Income	10,422	32,765	22,326	7,474	72,987
Segment profit (*)	(2,877)	63,272	22,715	-	83,110
Expenses not allocated to the segment					243
Operating profit					83,353
Finance expenses, net					(6,048)
Profit before taxes on income					77,305
(*) Includes revaluation gain of investment properties	(3,935)	38,572	16,708	-	51,345

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11: OPERATING SEGMENTS (Cont.):

June 30, 2022:

	Investment Properties Germany	Commercial investment properties - USA	Residential investment properties - USA	Other	Total
	Euro in thousands				
Segment assets	890,478	576,588	551,710	46,282	2,065,058
Assets not allocated to the segment					-
Total assets					<u>2,065,058</u>
Segment liabilities	335,036	96,670	350,674	13,170	795,550
Liabilities not allocated to the segment					132,126
Total Liabilities					<u>927,676</u>

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)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11: OPERATING SEGMENTS (Cont.):

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

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>

Year ended December 31, 2021:

	Investment Properties - Germany	Commercial investment properties - USA	Residential investment properties - USA	Other	Total
	Euro in thousands				
Income	45,977	17,791	7,323	6,052	77,143
Segment profit (*)	59,282	114,573	(1,227)	(3,237)	169,391
Expenses not allocated to the segment					-
Operating profit					<u>169,391</u>
Finance expenses, net	(6,239)	(6,612)	(1,688)	-	(14,539)
Profit before taxes on income					<u>154,852</u>
(*) Includes revaluation gain of investment properties	10,900	103,808	(5,114)	-	109,594

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11: OPERATING SEGMENTS (Cont.):

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

Year ended December 31, 2021:

	Investment Properties Germany	Commercial investment properties - USA	Residential investment properties - USA	Other	Total
	Euro in thousands				
Segment assets	1,039,561	291,137	398,668	36,053	1,765,419
Assets not allocated to the segment					-
Total assets					<u><u>1,765,419</u></u>
Segment liabilities	330,394	52,657	246,841	3,837	633,729
Liabilities not allocated to the segment					113,565
Total Liabilities					<u><u>747,294</u></u>

NOTE 12: SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

- A. In July 2022, a subsidiary company made a partial repurchase in amount of €33.6 million of the Company's outstanding senior notes for 93% of the notes' principal amount.
- B. Subsidiaries of the Company refinanced loans in the US whereby \$40 million of secured debt facilities were obtained on two US portfolio's properties. The term of the loans is 15 years, at an average annual interest of 5.4% fixed for 5 years.
- C. 3 US commercial properties were acquired for about \$42 million, which include a lettable area of about 100 thousand square meters built on ca. 540 thousand square meters of land. The annual Net Operating Income, based on existing contracts, is about 6.6 million dollars.
- D. A subsidiary of the Company completed an acquisition of minority holdings in one of the Company's NYC hotels.