

ARGO PROPERTIES NV
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF MARCH 31, 2021

UNAUDITED

IN THOUSANDS OF EUROS

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Auditor Review Report to the Shareholders of Argo Properties NV

Introduction

We have reviewed the accompanying financial information of Argo Properties NV and its subsidiaries (hereinafter – the Group), which includes the condensed consolidated statement of financial position as of March 31, 2021 and the condensed consolidated statements of profit or loss and other comprehensive income, changes of equity and cash flows for the three-month period ending that date. The Board of Directors and Management are responsible for preparing and presenting financial information for these interim periods in accordance with IAS 34, Interim Financial Reporting, and are responsible for preparing financial information for these interim periods in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express our conclusions with regard to the financial information for these interim periods, based on our review.

Scope of the Review

We conducted our review in accordance with Review Standard 2410 (Israel) of the Institute of Certified Public Accountants in Israel, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of financial information for interim periods consists of inquiries, mainly from people responsible for finances and accounting, and of the application of analytical and other reviewing procedures. A review is significantly limited in scope relative to an audit conducted according to generally accepted Israeli auditing standards, and therefore does not allow us to achieve assurance that we have been made aware of all material issues that might have been identified in an audit. Accordingly, we are not expressing an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the above financial information has not been prepared, in all material aspects, in accordance with IAS 34.

In addition to the previous paragraph, based on our review, nothing has come to our attention that causes us to believe that the above financial information does not comply, in all material respects, with disclosure provisions according to Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

בריטמן אלמגור זהר ושות'

רואי חשבון

A Firm in the Deloitte Global Network

Tel Aviv, May 26th 2021

תל אביב - משרד ראשי

מרכז עזריאלי 1 תל אביב, 6701101, ת.ד. 16593 תל אביב 6116402 | טלפון: 03-6085555 | info@deloitte.co.il

משרד נצרת
מרג' אבן עאמר 9
נצרת, 16100

טלפון: 073-3994455
פקס: 073-3994455
info-nazareth@deloitte.co.il

משרד אילת
המרכז העירוני
ת.ד. 583
אילת, 8810402

טלפון: 08-6375676
פקס: 08-6371628
info-eilat@deloitte.co.il

משרד באר שבע
רחוב האנגריה 77, בנין 1
פארק ההייטק, גב ים נגב
באר שבע, 8470912

טלפון: 08-6909500
פקס: 08-6909600
info-beersheva@deloitte.co.il

משרד חיפה
מעלה השחרור 5
ת.ד. 5648
חיפה, 3105502

טלפון: 04-8607333
פקס: 04-8672528
info-haifa@deloitte.co.il

משרד ירושלים
קרית המדע 3
מגדל הר חוצבים
ירושלים, 914510
ת.ח. 45396

טלפון: 02-5018888
פקס: 02-5374173
info-jer@deloitte.co.il

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | <u>March 31,</u> | | <u>December 31,</u> |
|---------------------------|-----------------------|----------------|---------------------|
| | <u>2021</u> | <u>2020</u> | <u>2020</u> |
| | <u>(Unaudited)</u> | | <u>(Audited)</u> |
| | <u>€ in thousands</u> | | |
| <u>Current Assets</u> | | | |
| Cash and cash equivalents | 18,627 | 36,322 | 36,291 |
| Financial assets | 1,796 | 1,484 | 853 |
| Accounts receivable | 4,482 | 2,858 | 5,685 |
| | <u>24,905</u> | <u>40,664</u> | <u>42,829</u> |
| <u>Non-Current Assets</u> | | | |
| Investment property | 337,107 | 211,061 | 302,076 |
| Deferred taxes | 1,005 | 1,235 | 889 |
| | <u>338,112</u> | <u>212,296</u> | <u>302,965</u> |
| | <u>363,017</u> | <u>252,960</u> | <u>345,794</u> |

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | <u>March 31,</u> | | <u>December 31,</u> |
|--|-----------------------|----------------|---------------------|
| | <u>2021</u> | <u>2020</u> | <u>2020</u> |
| | <u>(Unaudited)</u> | | <u>(Audited)</u> |
| | <u>€ in thousands</u> | | |
| <u>Current Liabilities</u> | | | |
| Current maturities of loans from banks | 3,002 | 1,991 | 2,777 |
| Accounts payable | 2,618 | 2,894 | 2,522 |
| | <u>5,620</u> | <u>4,885</u> | <u>5,299</u> |
| <u>Non-Current Liabilities</u> | | | |
| Loans from banks | 106,868 | 69,071 | 96,618 |
| Other financial liabilities | 46 | 50 | 46 |
| Deferred taxes | 13,195 | 8,316 | 11,991 |
| | <u>120,109</u> | <u>78,067</u> | <u>108,655</u> |
| <u>Equity Attributable to Company Shareholders</u> | | | |
| Share capital | 151 | 12,114 | 151 |
| Premium on shares | 171,076 | 117,122 | 171,076 |
| Share based payment reserve | 328 | 65 | 263 |
| Statutory capital reserve | 59,295 | 39,207 | 55,602 |
| Retained earnings | 6,438 | 1,500 | 4,748 |
| Total equity attributable to Company shareholders | <u>237,288</u> | <u>170,008</u> | <u>231,840</u> |
| <u>Total equity</u> | <u>237,288</u> | <u>170,008</u> | <u>231,840</u> |
| | <u>363,017</u> | <u>252,960</u> | <u>345,794</u> |

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

| | | | |
|---|---------------------------|------------------|--|
| <u>May 26th, 2021</u> | | | |
| Date of approval of the financial statements | Ofir Rahamim Joint CEO | Guy Priel CFO | Ron Senator Chairman of the Board of Directors |

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Three months ended | | Year ended |
|--|---------------------------|-------------|---------------------|
| | March 31, | | December 31, |
| | 2021 | 2020 | 2020 |
| | (Unaudited) | | (Audited) |
| | € in thousands | | |
| Revenues from rental of properties | 2,365 | 1,567 | 7,258 |
| Revenues from property management and others | 892 | 717 | 2,486 |
| Property management expenses | (892) | (717) | (2,486) |
| Cost of maintenance of rental properties | (381) | (231) | (1,168) |
| Profit from property rental | 1,984 | 1,336 | 6,090 |
| General and administrative expenses | (440) | (549) | (1,960) |
| Operating profit before changes in fair value of investment property, net | 1,544 | 787 | 4,130 |
| Changes in fair value of investment property, net | 4,387 | 3,438 | 25,366 |
| Operating profit | 5,931 | 4,225 | 29,496 |
| Financial expenses | (387) | (279) | (1,252) |
| Change in fair value of financial assets | 921 | (685) | (1,388) |
| | 534 | (964) | (2,640) |
| Income before taxes on income | 6,465 | 3,261 | 26,856 |
| Taxes on income | (1,082) | (242) | (4,194) |
| Net income | 5,383 | 3,019 | 22,662 |
| Other comprehensive income | - | - | - |
| Total comprehensive income | 5,383 | 3,019 | 22,662 |
| Net and comprehensive income attributable to equity holders of the Company | 5,383 | 3,019 | 22,662 |
| Basic and diluted earnings per share | 0.2 | 0.25 | 1.70 |

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Three months ended March 31, 2021 (unaudited)

Equity Attributable to Company Shareholders

| | Share Capital | Share premium | Statutory capital reserve (1) | Share based payment reserve | Retained earnings | Total equity attributable to Company shareholders |
|---|------------------|------------------|-------------------------------------|-----------------------------------|----------------------|--|
| <u>Balance as of January 1, 2021</u> | 151 | 171,076 | 55,602 | 263 | 4,748 | 231,840 |
| Total net and comprehensive income | - | - | - | - | 5,383 | 5,383 |
| Classification in accordance with Dutch law | - | - | 3,693 | - | (3,693) | - |
| Cost of share based payment | - | - | - | 65 | - | 65 |
| <u>Balance as of March 31, 2021 (unaudited)</u> | <u>151</u> | <u>171,076</u> | <u>59,295</u> | <u>328</u> | <u>6,438</u> | <u>237,288</u> |

Three months ended March 31, 2020 (unaudited)

Equity Attributable to Company Shareholders

| | Share Capital | Share premium | Statutory capital reserve (1) | Share based payment reserve | Retained earnings | Total equity attributable to Company shareholders |
|---|------------------|------------------|-------------------------------------|-----------------------------------|----------------------|--|
| <u>Balance as of January 1, 2020</u> | 12,064 | 116,672 | 35,808 | - | 1,880 | 166,424 |
| Total net and comprehensive income | - | - | - | - | 3,019 | 3,019 |
| Issuance of share capital (*) | 50 | 450 | - | - | - | 500 |
| Classification in accordance with Dutch law | - | - | 3,399 | - | (3,399) | - |
| Cost of share based payment | - | - | - | 65 | - | 65 |
| <u>Balance as of March 31, 2020 (unaudited)</u> | <u>12,114</u> | <u>117,122</u> | <u>39,207</u> | <u>65</u> | <u>1,500</u> | <u>170,008</u> |

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

*See Note 5(g)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended December 31, 2020 (Audited)
Equity Attributable to Company Shareholders

| | Share Capital | Share premium | Statutory capital reserve (1) | Share based payment reserve | Retained earnings | Total equity attributable to Company shareholders |
|---|--------------------------|--------------------------|--|--|------------------------------|--|
| <u>Balance as of January 1, 2020</u> | 12,064 | 116,672 | 35,808 | - | 1,880 | 166,424 |
| Conversion of equity to premium | (11,992) | 11,992 | - | - | - | - |
| Issuance of shares, net | 79 | 42,412 | - | - | - | 42,491 |
| Total net and comprehensive income | - | - | - | - | 22,662 | 22,662 |
| Classification in accordance with Dutch law | - | - | 19,794 | - | (19,794) | - |
| Cost of share based payment | - | - | - | 263 | - | 263 |
| <u>Balance as of December 31, 2020</u> | <u>151</u> | <u>171,076</u> | <u>55,602</u> | <u>263</u> | <u>4,748</u> | <u>231,840</u> |

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Three months ended | | Year ended |
|--|---------------------------|-------------|---------------------|
| | March 31, | | December 31, |
| | 2021 | 2020 | 2020 |
| | (Unaudited) | | (Audited) |
| | € in thousands | | |
| <u>Cash flows from operating activities:</u> | | | |
| Net income | 5,383 | 3,019 | 22,662 |
| Adjustments required to present net cash provided by operating activities: | | | |
| <u>Adjustments to profit or loss:</u> | | | |
| Finance expenses, net | (534) | 993 | 2,712 |
| Changes in fair value of investment property, net | (4,387) | (3,438) | (25,366) |
| Cost of share based payment | 65 | 65 | 263 |
| Deferred taxes, net | 1,088 | 225 | 4,246 |
| Cash flows from operating activities before changes in asset and liability items | 1,615 | 864 | 4,517 |
| <u>Changes in assets and liabilities items:</u> | | | |
| Decrease (increase) in restricted deposits and other receivables | 283 | 227 | 327 |
| Increase in accounts payable | (367) | 242 | 149 |
| Net cash flows provided by operating activities | 1,531 | 1,333 | 4,993 |
| <u>Cash flows from investing activities:</u> | | | |
| Purchase of investment property | (29,602) | (12,826) | (80,752) |
| Additions in respect of investment property | (550) | (366) | (1,971) |
| Loans to employees | - | (350) | (350) |
| Placement of restricted deposits and prepaid transaction costs, net | 869 | (926) | (3,758) |
| Net cash used in investing activities | (29,283) | (14,468) | (86,831) |

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Three months ended | | Year ended |
|---|---------------------------|-------------|---------------------|
| | March 31, | | December 31, |
| | 2021 | 2020 | 2020 |
| | (Unaudited) | | (Audited) |
| | € in thousands | | |
| <u>Cash flows from financing activities:</u> | | | |
| Interest paid | (332) | (271) | (1,210) |
| Receipt of long-term loans, net | 11,170 | 26,495 | 55,910 |
| Repayment of long-term loans | (750) | (372) | (2,167) |
| Issuance of shares, net | - | 500 | 42,491 |
| Net cash provided by financing activities | 10,088 | 26,352 | 95,024 |
| Change in cash and cash equivalents | (17,664) | 13,217 | 13,186 |
| Balance of cash and cash equivalents at the beginning of the period | 36,291 | 23,105 | 23,105 |
| Balance of cash and cash equivalents at the end of the period | 18,627 | 36,322 | 36,291 |

(a) Non cash transactions

| | | | |
|--|-----|-----|-----|
| Transaction costs for purchasing investment property | 871 | 850 | 511 |
|--|-----|-----|-----|

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1: - General

ARGO PROPERTIES N.V (the Company) was incorporated in January 2018 and commenced its operations in July 2018. The Company is a Dutch resident company engaging, through investees, in the purchase and management of investment property in Germany in the income generating commercial real estate and income generating residential real estate. In May 2021, the Company issued shares as part of an IPO in the stock exchange in Israel.

These financial statements have been prepared in a condensed format as of March 31, 2021 and for the three-month period then ended (hereinafter – the Consolidated Interim Financial Statements). These statements should be read in conjunction with the annual financial statements as of December 31, 2020 and for the year then ended and the accompanying notes (the consolidated annual financial statements).

Note 2: - Significant accounting policies**a. Preparation format of the Interim Consolidated Financial Statements**

The Consolidated Interim Financial Statements are prepared in accordance with International Accounting Standard 34 Interim Financial Reporting and in accordance with the provisions of disclosure pursuant to Chapter D of the Securities (Immediate and Periodic Reports) Regulations, 1970.

b. The significant accounting policies implemented in preparing the Interim Consolidated Financial Statements are consistent with those implemented in preparing the consolidated annual Financial Statements other than section c below.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**Note 3: - Financial instruments**

a. Financial instruments not measured at fair value

Management has estimated that the balance of cash, short term deposits, trade receivables, trade payables, overdrafts and other current liabilities and bank loans presented at amortized cost approximates their fair value.

b. Financial instruments measured at fair value

The table below presents the financial assets and the financial liabilities of the group according to fair value:

| | Carrying value | | | Fair value | | |
|-----------------------|-------------------------|--------------|-------------|--------------|--------------|-------------|
| | March 31 | | December 31 | March 31 | | December 31 |
| | 2021 | 2020 | 2020 | 2021 | 2020 | 2020 |
| | EUR in thousands | | | | | |
| Financial derivatives | 1,796 | 1,484 | 853 | 1,796 | 1,484 | 853 |
| Financial liabilities | (46) | (50) | (46) | (46) | (50) | (46) |
| | <u>1,750</u> | <u>1,434</u> | <u>807</u> | <u>1,750</u> | <u>1,434</u> | <u>807</u> |

The fair value of financial instruments not traded in active market is determined using a valuation technique. Valuation techniques specific to financial instruments include:

- The fair value of interest swap contracts and SWAP agreements is based on calculating the present value of the estimated future cash flows using observable return of the Euribor curve.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Note 4: - Operating Segments

For description of the Company's operating segments see note 16 of the consolidated financial statements as of December 31, 2020.

| | Income- generating residential real estate | Income- generating commercial real estate | Total |
|--|---|--|--------------|
| Euros in thousands | | | |
| For the period of three months ended March 31, 2021 (unaudited) | | | |
| Revenues from property rental | 2,192 | 173 | 2,365 |
| Revenues from property management and others | 872 | 20 | 892 |
| Property management expenses | (872) | (20) | (892) |
| Rental property maintenance expenses | (347) | (34) | (381) |
| Gross profit | 1,845 | 139 | 1,984 |
| General and administrative expenses | | | (440) |
| Changes in fair value of investment property, net | 4,464 | (77) | 4,387 |
| Financial expenses, net | | | 534 |
| Income before taxes on income | | | <u>6,465</u> |

| | Income- generating residential real estate | Income- generating commercial real estate | Total |
|--|---|--|--------------|
| Euros in thousands | | | |
| For the period of three months ended March 31, 2020 (unaudited) | | | |
| Revenues from property rental | 1,393 | 174 | 1,567 |
| Revenues from property management and others | 698 | 19 | 717 |
| Property management expenses | (698) | (19) | (717) |
| Rental property maintenance expenses | (214) | (17) | (231) |
| Gross profit | 1,179 | 157 | 1,336 |
| General and administrative expenses | | | (549) |
| Changes in fair value of investment property, net | 3,534 | (96) | 3,438 |
| Financial expenses, net | | | (964) |
| Income before taxes on income | | | <u>3,261</u> |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 4: - Operating Segments (Cont.)

| | Income- generating residential real estate | Income- generating commercial real estate (*) | Total |
|---|---|--|----------------------|
| | Euros in thousands | | |
| For the year ended December 31, 2020 (audited) | | | |
| Revenues from property rental | 6,564 | 694 | 7,258 |
| Revenues from property management and others | 2,406 | 80 | 2,486 |
| Property management expenses | (2,406) | (80) | (2,486) |
| Rental property maintenance expenses | (1,056) | (112) | (1,168) |
| Gross profit | <u>5,508</u> | <u>582</u> | <u>6,090</u> |
| General and administrative expenses | | | (1,960) |
| Changes in fair value of investment property, net | 25,686 | (320) | 25,366 |
| Financial expenses, net | | | <u>(2,640)</u> |
| Income before taxes on income | | | <u><u>26,856</u></u> |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 5: MATERIAL EVENTS IN THE REPORTED PERIOD AND THEREAFTER

- a. In the period, the Company completed (via subsidiaries and sub-subsidiaries) the purchase of 232 apartments in 20 buildings in 19 different transactions for a total consideration of EUR 29,687 thousand. In addition, the Company entered into additional transactions (including agreements after the report date) for the purchase of 397 apartments in a total consideration of EUR 57.5 million, of which the Company completed after the report date, the purchase of 112 apartments in a total consideration of EUR 15.8 million.
- b. In November 2020, the Company entered into two additional non-recourse loan agreements with another German bank for a total amount of approximately EUR 10.25 million, the final repayment date of which is November 2025. In 2020, the Company drew down EUR 7.3 million of such loans and the balance of the loans was drawn down in the first quarter of 2021.
- c. In December 2020, the Company entered into two additional non-recourse loan agreements with another German bank for a total amount of approximately EUR 8.3 million, the final repayment date of which is December 2025. The loans bear a fixed interest rate of 1.19% per annum. In the first quarter of 2021, the Company drew down the entire loans' balance.
- d. In December 2020, the Company entered into two additional non-recourse loan agreements with another German bank for a total amount of approximately EUR 9.7 million, the final repayment date of which is February 2026. The loans bear a fixed interest rate of 1.29% per annum. On April 1, 2021, the Company drew down the entire loans' balance.
- e. In the first quarter of 2021, the Company entered into additional non-recourse loan agreement with a German bank for a total amount of approximately EUR 10.3 million, the final repayment date of which is April 2028. The loans bear a fixed interest rate of 0.99% per annum. In the second quarter of 2021, the Company drew down the entire loan balance.
- f. In the second quarter of 2021, the Company entered into two additional non-recourse loan agreements with a German bank for a total amount of approximately EUR 11.6 million, the final repayment date of which is May 2026. The loans bear a fixed interest rate of 1.19% per annum. The loan is expected to be drawn down in the second quarter of 2021.
- g. During the first quarter of 2021, the Company entered into three TERM SHEETs for non-recourse loans with a German bank, totaling EUR 10.1 million, the final repayment date of which is April 2026. The loans are expected to bear a fixed interest rate of 0.86% per annum (indicative). Financing is expected to be completed during the second quarter of 2021.

Under this agreement, the Company refinances an existing loan in the amount of approximately EUR 1,887 thousand bearing a fixed interest rate of 1.25% per annum, which the Company took for purchasing shares of a subsidiary in 2018, with a new loan of EUR 2,700 thousand, which is expected to bear fixed interest at an annual rate of 0.86% per annum (indicative).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 5: MATERIAL EVENTS IN THE REPORTED PERIOD AND THEREAFTER (Cont.)

- h. On May 10, 2021, the Company published a shelf prospectus and a supplementary prospectus dated May 11, 2021 and on May 11, 2021, the Company published a supplementary notice (above and below collectively - "the prospectus"). The securities the subject of the prospectus were offered by way of issuance by the Company to institutional investors, as defined in the Securities Regulations (method of offering securities to the public), 2007 ("the Offering Regulations"), by way of non-uniform offer, according to regulation 11(a)(1) of the Offering Regulations. According to the prospectus, institutional investors were offered, by way of a non-uniform offer, 3,082,000 registered ordinary shares of EUR 0.01 par value each of the Company, at a uniform price per share in the amount of NIS 70.09, divided into 30,820 units of 100 shares each (price of each unit NIS 7,009) (the "Offering"). As part of the offering, orders were submitted to the Company for the purchase of 83,077 units, in a total amount of approx. NIS 582,287 thousand, by way of managing a book building procedure out of the orders submitted as aforesaid, the Company accepted orders from institutional investors to purchase 30,820 units, including 3,082,000 shares for a total consideration of approximately NIS 216,017 thousand. On May 18, 2021, the Company's shares began trading for the first time on the Tel Aviv Stock Exchange Ltd.
- i. Pursuant to the Company's Founders Agreement, on May 10, 2021, the Company's Board of Directors approved the allocation of 895,301 non-marketable options (ESOP1) exercisable to the Company's 895,301 shares, to the Company's employees as well as the allocation of 2,069,785 non-marketable options (Initial Investors' Option Warrants) exercisable to 2,069,785 shares of the Company to the Company's founders and other investors in the Company's first fundraising round. For further details, see Note 11C to the Company's Consolidated Financial Statements for 2020.