

ARGO PROPERTIES NV
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 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 September 30, 2021 and the condensed consolidated statements of profit or loss and other comprehensive income, changes of equity and cash flows for the nine-month and three-month periods ending that date. The Board of Directors and Management are responsible for preparing and presenting the 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 regarding "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, November 15, 2021

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INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<u>September 30,</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	48,837	56,699	36,291
Financial assets	1,546	1,064	853
Accounts receivable	4,665	3,022	5,685
	<u>55,048</u>	<u>63,785</u>	<u>42,829</u>
<u>Non-Current Assets</u>			
Investment property	452,030	265,057	302,076
Deferred taxes	1,373	1,376	889
	<u>453,403</u>	<u>266,433</u>	<u>302,965</u>
	<u>508,451</u>	<u>330,218</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>September 30,</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	3,862	2,151	2,777
Accounts payable	8,520	1,685	2,522
	<u>12,382</u>	<u>3,836</u>	<u>5,299</u>
<u>Non-Current Liabilities</u>			
Loans from banks	144,370	90,626	96,918
Other financial liabilities	33	46	46
Deferred taxes	21,036	11,119	11,991
	<u>165,439</u>	<u>101,791</u>	<u>108,655</u>
<u>Equity Attributable to Company Shareholders</u>			
Share capital	181	151	151
Premium on shares	221,012	171,076	171,076
Share based payment reserve	1,150	197	263
Statutory capital reserve	98,821	50,742	55,602
Retained earnings	9,466	2,425	4,748
Total equity attributable to Company shareholders	<u>330,630</u>	<u>224,591</u>	<u>231,840</u>
<u>Total equity</u>	<u>330,630</u>	<u>224,591</u>	<u>231,840</u>
	<u>508,451</u>	<u>330,218</u>	<u>345,794</u>

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

November 15, 2021

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

	Nine months ended September 30,		Three months ended September 30		Year ended December 31
	2021	2020	2021	2020	2020
	Unaudited				Audited
Revenues from rental of properties	8,027	5,110	2,981	1,831	7,258
Revenues from property management and others	2,803	1,892	973	576	2,486
Property management expenses	(2,803)	(1,892)	(973)	(576)	(2,486)
Cost of maintenance of rental properties	(1,312)	(760)	(486)	(303)	(1,168)
Profit from property rental	6,715	4,350	2,495	1,528	6,090
General and administrative expenses	(2,674)	(1,498)	(1,347)	(569)	(1,960)
Operating profit before gain from appreciation of investment property, net	4,041	2,852	1,148	959	4,130
Total gain from appreciation of investment property, net	51,344	17,609	18,142	4,145	25,366
Operating profit	55,385	20,461	19,290	5,104	29,496
Financial expenses	(1,423)	(860)	(526)	(321)	(1,252)
Change in fair value of financial assets and exchange rate differences	2,330	(1,177)	(178)	(205)	(1,388)
	907	(2,037)	(704)	(526)	(2,640)
Income before taxes on income	56,292	18,424	18,586	4,578	26,856
Taxes on income	(8,355)	(2,945)	(3,033)	(1,109)	(4,194)
Net income	47,937	15,479	15,553	3,469	22,662
Other comprehensive income	-	-	-	-	-
Total net and comprehensive income attributable to equity holders of the Company	47,937	15,479	15,553	3,469	22,662
Basic earnings per share	2.89	121	0.85	24	1.70
Diluted earnings per share	2.72	121	0.76	24	1.70

(*) see Note 5f.

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Nine months ended September 30, 2021 (unaudited)					
	Equity Attributable to Company Shareholders					Total equity attributable to Company shareholders
	Share capital	Share premium	Statutory capital reserve (1)	Share based payment reserve	Retained earnings	
	Euros in thousands					
<u>Balance as of January 1, 2021</u>	151	171,076	55,602	263	4,748	231,840
Issuance of share capital	30	49,936	-	-	-	49,966
Total net and comprehensive income		-		-	47,937	47,937
Classification in accordance with Dutch law	-	-	43,219	-	(43,219)	-
Cost of share based payment	-	-	-	887	-	887
<u>Balance as of September 30, 2021 (unaudited)</u>	<u>181</u>	<u>221,012</u>	<u>98,821</u>	<u>1,150</u>	<u>9,466</u>	<u>330,630</u>

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Nine months ended September 30, 2020 (unaudited)					
	Equity Attributable to Company Shareholders					Total equity attributable to Company shareholders
	Share capital	Share premium	Statutory capital reserve (1)	Share based payment reserve	Retained earnings	
	Euros in thousands					
<u>Balance as of January 1, 2020</u>	12,064	116,672	35,808	-	1,880	166,424
Capital reduction	(11,992)	11,992	-	-	-	-
Issuance of share capital	79	42,412	-	-	-	42,491
Total net and comprehensive income	-	-	-	-	15,479	15,479
Classification in accordance with Dutch law	-	-	14,934	-	(14,934)	-
Cost of share based payment	-	-	-	197	-	197
<u>Balance as of September 30, 2020 (unaudited)</u>	<u>151</u>	<u>171,076</u>	<u>50,742</u>	<u>197</u>	<u>2,425</u>	<u>224,591</u>

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Three months ended September 30, 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
	Euros in thousands					
<u>Balance as of July 1, 2021</u>	181	221,012	83,604	649	9,130	314,576
Total net and comprehensive income	-	-	-	-	15,553	15,553
Classification in accordance with Dutch law	-	-	15,217	-	(15,217)	-
Cost of share based payment	-	-	-	501	-	501
<u>Balance as of September 30, 2021 (unaudited)</u>	<u>181</u>	<u>221,012</u>	<u>98,821</u>	<u>1,150</u>	<u>9,466</u>	<u>330,630</u>

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Three months ended September 30, 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
	Euros in thousands					
<u>Balance as of July 1, 2020</u>	122	129,114	47,382	131	2,316	179,065
Issuance of share capital	29	41,962	-	-	-	41,991
Total net and comprehensive income	-	-	-	-	3,469	3,469
Classification in accordance with Dutch law	-	-	3,360	-	(3,360)	-
Cost of share based payment	-	-	-	66	-	66
<u>Balance as of September 30, 2020 (unaudited)</u>	<u>151</u>	<u>171,076</u>	<u>50,742</u>	<u>197</u>	<u>2,425</u>	<u>224,591</u>

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 share capital	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

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2021	2020	2021	2020	2020
	Unaudited				Audited
	€ in thousands				
<u>Cash flows from operating activities:</u>					
Net income	47,937	15,479	15,553	3,469	22,662
Adjustments required to present net cash provided by operating activities:					
<u>Adjustments to profit or loss:</u>					
Finance expenses (income), net	(907)	2,096	704	585	2,712
Profit from appreciation of investment property, net	(51,344)	(17,609)	(18,142)	(4,145)	(25,366)
Cost of share based payment	887	197	501	66	263
Deferred taxes, net	8,561	2,886	3,219	1,081	4,246
Cash flows from operating activities before changes in asset and liability items	5,134	3,049	1,835	1,056	4,517
<u>Changes in assets and liabilities items:</u>					
Decrease in restricted deposits and other receivables	390	326	5	58	327
Increase in accounts payable	(422)	193	278	225	149
Net cash flows provided by operating activities	5,102	3,568	2,118	1,339	4,993
<u>Cash flows from investing activities:</u>					
Purchase of investment property	(91,330)	(52,856)	(32,057)	(24,108)	(80,752)
Additions in respect of investment property	(1,871)	(1,477)	(647)	(824)	(1,971)
Loans to employees	366	(350)	-	-	(350)
Placement of restricted deposits and prepaid transaction costs, net	264	(1,108)	(610)	(180)	(3,758)
Net cash used in investing activities	(92,571)	(55,791)	(33,314)	(25,112)	(86,831)

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2021	2020	2021	2020	2020
	Unaudited				Audited
	€ in thousands				
<u>Cash flows from financing activities:</u>					
Interest paid	(1,286)	(854)	(536)	(359)	(1,210)
Receipt of long-term loans, net	52,797	48,690	9,940	11,752	55,910
Repayment of long-term loans	(4,197)	(1,510)	(2,590)	(584)	(2,167)
Increase in accounts payable	905	-	-	-	-
Issuance of shares, net	49,966	42,491	-	41,991	42,491
Net cash provided by financing activities	98,185	88,817	6,814	52,800	95,024
Change in cash and cash equivalents	10,716	36,594	(24,382)	29,027	13,186
Effect of changes in exchange rates on cash balances held in foreign currency	1,830	-	161	-	-
Balance of cash and cash equivalents at the beginning of the period	36,291	23,105	73,058	30,672	23,105
Balance of cash and cash equivalents at the end of the period	48,837	59,699	48,837	59,699	36,291
 (a) <u>Non cash transactions</u>					
Transaction costs for purchasing investment property	3,678	510	291	(243)	1,153
Purchase of real estate (*)	-	-	-	-	3,000

* see Note 6 to the financial statements as of December 31, 2020.

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.

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 issued a supplementary notice in respect of which [(above and below collectively - "the prospectus"). The securities, the object 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 in accordance with Regulation 11(a)(1) of the Offering Regulations. On May 18, 2021, trading of the Company's shares began for the first time on the Tel Aviv Stock Exchange Ltd.

These Financial Statements have been prepared in a condensed format as of September 30, 2021 and for the nine-month and three-month periods 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 acceptable accounting principles for preparing financial statements for interim periods as stated in 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 and calculation methods implemented in preparing the Interim Consolidated Financial Statements are consistent with those implemented in preparing the consolidated annual 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 3: - Financial instruments (Cont.)

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		
	September 30		December 31	September 30		December 31
	2021	2020	2020	2021	2020	2020
	EUR in thousands					
Financial derivatives	1,546	1,064	853	1,546	1,064	853
Financial liabilities	(34)	(46)	(46)	(34)	(46)	(46)
	<u>1,512</u>	<u>1,018</u>	<u>807</u>	<u>1,512</u>	<u>1,018</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 curves.

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

a. General

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

b. Analysis of revenues and results by operating segments:

	Income- generating residential real estate	Income- generating commercial real estate	Total
Euros in thousands			
For the period of nine months ended September 30, 2021 (unaudited)			
Revenues from property rental	7,537	490	8,027
Revenues from property management and others	2,744	59	2,803
Property management expenses	(2,744)	(59)	(2,803)
Rental property maintenance expenses	(1,216)	(96)	(1,312)
Gross profit	6,321	394	6,715
General and administrative expenses			(2,674)
Appreciation of investment property, net	52,148	(804)	51,344
Financial income, net			907
Income before taxes on income			<u>56,292</u>

	Income- generating residential real estate	Income- generating commercial real estate	Total
Euros in thousands			
For the period of nine months ended September 30, 2020 (unaudited)			
Revenues from property rental	4,589	521	5,110
Revenues from property management and others	1,833	59	1,892
Property management expenses	(1,833)	(59)	(1,892)
Rental property maintenance expenses	(703)	(57)	(760)
Gross profit	3,886	464	4,350
General and administrative expenses			(1,498)
Appreciation of investment property, net			17,609
Financial expenses, net			(2,037)
Income before taxes on income			<u>18,424</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Note 4: - Operating Segments (Cont.)

	Income- generating residential real estate	Income- generating development real estate	Total
	Euros in thousands		
For the period of three months ended September 30, 2021 (unaudited)			
Revenues from property rental	2,825	156	2,981
Revenues from property management and others	954	19	973
Property management expenses	(954)	(19)	(973)
Rental property maintenance expenses	(456)	(30)	(486)
Gross profit	2,369	126	2,495
General and administrative expenses			(1,347)
Appreciation of investment property, net	18,286	(144)	18,142
Financial expenses, net			(704)
Income before taxes on income			<u>18,586</u>

	Income- generating residential real estate	Income- generating development real estate	Total
	Euros in thousands		
For the period of three months ended September 30, 2020 (unaudited)			
Revenues from property rental	1,656	175	1,831
Revenues from property management and others	556	20	576
Property management expenses	(556)	(20)	(576)
Rental property maintenance expenses	(280)	(23)	(303)
Gross profit	1,376	152	1,528
General and administrative expenses			(569)
Appreciation of investment property, net	4,273	(128)	4,145
Financial expenses, net			(526)
Income before taxes on income			<u>4,578</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)	(2,406)
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)
Appreciation of investment property, net			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 654 apartments in 64 assets for a total consideration of EUR 109,706 thousand. In addition, the Company entered into additional transactions (including agreements after the report date) for the purchase of 304 apartments in a total consideration of EUR 47,361 thousand, of which the Company completed after the report date, the purchase of 58 apartments in a total consideration of EUR 10,714 thousand.
- b. In November 2020, the Company entered into two 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. The loans bear fixed interest of 0.79% per annum. 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. During the first quarter of 2021, the Company entered into an additional non-recourse loan agreement with a German bank, totaling EUR 10.3 million the final repayment date of which in April 2028. The loans bear a fixed interest rate of 0.99% per annum. The balance of the loan was fully drawn down during the second quarter of 2021.
- 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 was drawn down in the second quarter of 2021.
- g. 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.
- h. 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, trading of the Company's shares began for the first time on the Tel Aviv Stock Exchange Ltd.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 5: MATERIAL EVENTS IN THE REPORTED PERIOD AND THEREAFTER

- 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. The fair value of the options was estimated by an external appraiser and amounted to EUR 3,702 thousand for the entire duration of the vesting period and was based on the following assumptions: The Company's value according to the last capital issuance carried out on or about the options grant date, standard deviation of 25%, risk free interest of 0.21% and a dividend yield of 0%. The Company expects to recognize over the next few year, salary expenses against a capital reserve in respect of this agreement. For further details, see Note 11C to the Company's consolidated financial statements as of December 31, 2020.
- j. Further to Note 11d to the consolidated financial statements as of December 31, 2020 (the Note), the Company's board approved 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 according to the terms listed in the founders' agreement of the Company as of the establishment date of the Company as specified in the Note. The Company accounts the grant of the options, as aforesaid, as share based payment for services rendered by the Company's founders.
- k. During the third quarter of 2021, the Company entered into three non-recourse loan agreements with a German bank, totaling EUR 10.1 million, the final repayment date of which is September 2026. The loans bear a fixed interest rate of 0.9% per annum. The loans were drawn down in the third quarter of 2021.

Under this agreement, the Company refinances an existing loan in the amount of approximately EUR 1,705 thousand bearing a fixed interest rate of 1.25% per annum, which the Company took for purchasing shares of a sub-subsidiary in 2018, with a new loan of EUR 2,700 thousand bearing fixed interest at an annual rate of 0.9% per annum.

- l. In the third quarter of 2021, the Company entered into a non-recourse loan agreement with a German bank for a period of 5 years totaling EUR 11.5 million. The loan is bearing a fixed interest rate of 1.29%. The loan was drawn down in November 2021.
- m. In the third quarter of 2021, the Company entered into a non-recourse loan agreement with a German bank for a period of 5 years totaling EUR 2.5 million. The loan is bearing a fixed interest rate of 1.26%. The loan was drawn down in November 2021.

In October, the Company entered into a Memorandum of Understanding (MOU) with a German banking corporation for refinancing at a scope of EUR 40 million for assets the Company acquired in 2018 – 2019 that will replace several existing loans totaling approximately EUR 24.2 million the Company has taken in 2018 – 2019. The loans are secured by a charge placed on 39 buildings containing 404 apartments in Leipzig, Dresden and Magdeburg in Germany. Rental in these assets has increased by 35% from the original financing date when purchased (from EUR 1.7 million per year in the year the original loans were taken to EUR 2.3 million today).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

The new loan is for a period of 5 years bearing a fixed annual interest rate (indicative) of approximately 1.45% with an annual principal repayment at a rate of approximately 2% of the new loan amount.

As part of taking the new loan, the asset companies will have to meet, among other things, the following financial covenants: a maximum LTV ratio of 75% (as of the report publication date, this ratio is about 56%) and a debt yield ratio (80% of annual rental income divided the loan amount (higher than 3.5% (as of the report publication date this ratio is at about 4.6%)). The loan is expected to be drawn down during the first quarter of 2022.

- n. In October 2021, the Company entered into a credit facility agreement with a German banking corporation to draw down loans totaling up to EUR 30 million to be provided to the Company's sub-subsidiaries for the purpose of purchasing new assets in Leipzig and Dresden, Germany. Loans drawn down from the facility (if binding loan agreements are signed) will not be subject to further approval of the banking corporation's credit committee. Such loans will be subject to due diligence and preparation of the loan documents to the satisfaction of the banking corporation.

Under the terms of the facility, the asset companies may draw down loans against the purchase of new assets up to a maximum of 70% of the purchase value or up to an amount that reflects a debt coverage ratio (DSCR) of 1.25, whichever is lower. The new loans will be granted for a period of up to 10 years bearing fixed interest rate. The Company estimates that the annual interest rate on the loans to be drawn down will be in the range of 1% to 1.2%, depending on the withdrawal dates and the duration of the loans. The new loans will be secured, among other, by first ranking charges on the rights of the asset companies in the assets.

The Company estimates that the majority of the facility will be utilized in 2022 for financing the purchase of new assets.