ARGO Properties N.V.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2021

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IN THOUSANDS OF EUROS

INDEX

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AUDITORS' REPORT
To the Shareholders of
ARGO Properties N.V.

We have audited the accompanying consolidated statements of financial position of ARGO Properties N.V. ("the Company") as of December 31, 2021 and 2020 and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2021. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Israel, including those prescribed by the Auditor's Regulations (Auditor's Mode of Performance), 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the board of directors and management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020 and the results of their operations, changes in their equity and cash flows for each of the three years in the period ended December 31, 2021, in conformity with International Financial Reporting Standards ("IFRS") and the Securities Regulations (Annual Financial Statements) – 2010.

Brightman Zohar Almagor & Co
CPAs
A Firm in the Deloitte Global Network

Tel Aviv, February__2022

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31, 2021 Euros in thousands	December 31, 2020 Euros in thousands
CURRENT ASSETS:			
Cash and cash equivalents	3	35,076	36,291
Financial assets	12g	-	853
Accounts receivable	4	7,043	5,685
		42,119	42,829
NON-CURRENT ASSETS:			
Investment property	5	493,291	302,076
Deferred taxes	9	819	889
		494,110	302,965
		536,229	345,794
CURRENT LIABILITIES:			
Current maturities of loans from banks	7	4,142	2,777
Accounts payable	6	9,911	2,522
		14,053	5,299
NON-CURRENT LIABILITIES:			
Loans from banks	7	157,746	96,618
Other financial liabilities	8	24	46
Deferred taxes	9	22,381	11,991
		180,151	108,655
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:			
Share capital	11	181	151
Share premium		221,012	171,076
Statutory capital reserve	11e	110,652	55,602
Share based payment capital reserve		1,650	263
Retained earnings		8,530	4,748
Total equity attributable to equity holders of the company		342,025	231,840
Total equity		342,025	231,840
		536,229	345,794

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

February__, 2022			
Date of approval of the financial statements	Ofir Rahamim Joint CEO	Guy Priel CFO	Ron Tira Chairman of the Board of Directors

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Year ended December 31, 2021 Euros in thousands	Year ended December 31, 2020 Euros in thousands	Year ended December 31 2019 Euros in thousands
Revenues from rental of properties		11,328	7,258	4,338
Revenues from property management and others		3,596	2,486	1,508
Property management expenses		(3,596)	(2,486)	(1,508)
Cost of maintenance of rental properties		(2,041)	(1,168)	(661)
Profit from property rental		9,287	6,090	3,677
General and administrative expenses	13a	(4,209)	(1,960)	(1,779)
Operating income before changes in fair value of investment property, net		5,078	4,130	1,898
Changes in fair value of investment property, net	5	63,744	25,366	22,857
Operating income		68,822	29,496	24,755
Finance expenses	13b	(2,080)	(1,252)	(958)
Change in fair value of financial assets and exchange rate differences	8	2,335	(1,388)	(600)
Income before taxes on income		69,077	26,856	23,197
Taxes on income	9	(10,245)	(4,194)	(3,522)
Net income		58,832	22,662	19,675
Other comprehensive income		-	-	-
Net and comprehensive income attributable to equity holders of the Company		58,832	22,662	19,675
Basic earnings per share	17	3.46	1.70	2.28
Diluted earnings per share		3.15	1.69	2.26

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Year ended December 31, 2021					
	Equity attributable to equity holders of the Company					
	Share capital	Share premium	Statutory capital reserve (1)	Share based payment capital reserve	Retained earnings	Total attributable to equity holders of the Company
	Euros in thousands					
Balance as of January 1, 2021	151	171,076	55,602	263	4,748	231,840
Issuances of share capital, net	30	49,936	-	-	-	49,966
Net and comprehensive income	-	-	-	-	58,832	58,832
Classification in accordance with Dutch law	-	-	55,050	-	(55,050)	-
Cost of share based payment	-	-	-	1,387	-	1,387
Balance as of December 31, 2021	181	221,012	110,652	1,650	8,530	342,025

	Year ended December 31, 2020					
	Equity attributable to equity holders of the Company					
	Share capital	Share premium	Statutory capital reserve (1)	Share based payment capital reserve	Retained earnings	Total attributable to equity holders of the Company
	Euros in thousands					
Balance as of January 1, 2020	12,064	116,672	35,808	-	1,880	166,424
Capital conversion to premium	(11,992)	11,992	-	-	-	-
Issuances of shares, net	79	42,412	-	-	-	42,491
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
Balance as of December 31, 2020	151	171,076	55,602	263	4,748	231,840

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Year ended December 31, 2019				
	Equity attributable to equity holders of the Company				
	Share capital	Share premium	Statutory capital reserve (1)	Retained earnings	Total attributable to equity holders of the Company
	Euros in thousands				
Balance as of January 1, 2019	5,316	47,716	16,399	1,614	71,045
Issuances of shares, net	6,748	68,956	-	-	75,704
Total net and comprehensive income	-	-	-	19,675	19,675
Classification in accordance with Dutch law	-	-	19,409	(19,409)	-
Balance as of December 31, 2019	12,064	116,672	35,808	1,880	166,424

(1) See Note 11e.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31, 2021	Year ended December 31, 2020	Year ended December 31 2019
	Euros in thousands	Euros in thousands	Euros in thousands
Cash flows from operating activities:			
Net income	58,832	22,662	19,675
Adjustments to reconcile net income to net cash provided by operating activities:			
Adjustments to profit and loss:			
Finance expenses, net	(265)	2,712	1,558
Changes in fair value of investment property, net	(63,744)	(25,366)	(22,857)
Cost of share based payment	1,387	263	-
Deferred taxes, net	10,460	4,246	3,445
Cash flows from operating activities before changes in asset and liability items	6,670	4,517	1,821
Changes in operating asset and liability items:			
Accounts receivable	910	327	(798)
Increase in accounts payable	(133)	149	631
Net cash provided by operating activities	7,447	4,993	1,654
Cash flows from investing activities:			
Purchase of investment property	(117,591)	(80,752)	(74,830)
Additions in respect of investment property	(2,991)	(1,971)	(658)
Loans to employees	366	(350)	
Realization (purchase) of financial assets	1,640	-	(2,373)
Depositing restricted deposits and prepaid transaction costs, net	(3,112)	(3,758)	(768)
Net cash used in investing activities	(121,688)	(86,831)	(78,657)
Cash flows from financing activities:			
Interest paid	(1,762)	(1,210)	(844)
Receipt of long-term loans, net	67,375	55,910	19,516
Repayment of long-term loans	(5,228)	(2,167)	(10,271)
Repayment of interest swap transaction	-	-	(814)
Issuance of shares, net	50,871	42,491	75,704
Net cash provided by financing activities	111,256	95,024	83,291

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31, 2021	Year ended December 31, 2020	Year ended December 31 2019
	Euros in thousands	Euros in thousands	Euros in thousands
Change in cash and cash equivalents	(2,985)	13,186	6,288
Effect of changes in exchange rates	1,770	-	-
Balance of cash and cash equivalents at the beginning of the Period	36,291	23,105	16,817
Balance of cash and cash equivalents at the end of the year	35,076	36,291	23,105

(a) Additional information
Over the period, EUR 50 thousand were paid for advances for taxes.

(b) Non cash activities

Purchase of real estate (*)	1,690	-	3,000
Payables in respect of investing activities	4,369	511	1,153

(*) see Note 6.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1:- GENERAL

a. General description of the Company and its activity

ARGO Properties N.V. ("the Company") was incorporated in January 2018 and commenced its operations in July 2018 and is a Dutch-based real estate company engaging via investees in the acquisition and management of investment properties in Germany in the area of income generating real estate under development and income-generating residential real estate.

Regarding the Company's operating segments, see Note 17.

b. Definitions

In these financial statements -

The Company	-	ARGO Properties N.V.
The Group	-	ARGO Properties N.V. and its investees
Subsidiaries	-	Companies controlled by the Company (as defined in the IFRS 10) and the accounts of which are consolidated with those of the Company.
Related parties	-	As defined in IAS 24 (revised)
Interested parties	-	As defined in the Israeli Securities Regulations (Annual Financial Statements), 2010.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

a. Basis of presentation of the financial statements

1. Basis of measurement

The Company's financial statements have been compiled based on cost, with the exception of investment property and derivative financial instruments which are measured at fair value through profit or loss.

The Company has elected to present its statement of comprehensive income according to the operations attribute method.

2. Statement regarding the Implementation of International Financial Reporting Standards (IFRS) and preparation format of the financial statements

These financial statements have been compiled in accordance with International Financial Reporting Standards ("IFRS"). These standards include:

a) International Financial Reporting Standards (IFRS).
b) International Accounting Standards (IAS).
c) Interpretations issued by the IFRIC and by the SIC.

In addition, the financial statements are prepared in accordance with the provisions of the Securities Regulations (Annual Financial Statements) – 2010.

b. Significant accounting judgments, estimates and assumptions used in the preparation of the financial statements:

1. Estimates and assumptions:

The preparation of the financial statements requires management to make estimates and assumptions that have an effect on the application of the accounting policies and on the reported amounts of assets, liabilities, revenues and expenses. These estimates and underlying assumptions are reviewed regularly. Changes in accounting estimates are reported in the period of the change in estimate.

The key assumptions made in the financial statements concerning uncertainties at the end of the reporting period and the critical estimates computed by the Group that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Investment property

Investment property that can be reliably measured is presented at fair value at the end of the reporting period. Changes in their fair value are recognized in profit or loss. Fair value is determined by independent valuation experts using economic valuations that involve valuation techniques and assumptions as to estimates of projected future cash flows from the property and estimate of the suitable discount rate for these cash flows.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The fair value measurement of investment property requires valuation experts and the Company's management to use certain assumptions regarding rates of return on the Group's assets, future lease prices, occupancy rates, contract renewal terms, the probability of leasing vacant areas, asset operating expenses, the tenants' financial stability and the implications of any investments made for future development purposes in order to assess the future expected cash flows from the assets. In determining the fair value of lands, the duration of establishing the project and establishment costs are taken into account, if relevant. Any change in the assumptions used to measure the investment property may affect fair value.

See note 5d for sensitivity tests.

c. Consolidated financial statements:

The consolidated financial statements comprise the financial statements of companies that are controlled by the Company (subsidiaries). Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Potential voting rights are considered when assessing whether an entity has control. The consolidation of the financial statements commences on the date on which control is obtained and ends when such control ceases.

The financial statements of the Company and of the subsidiaries are prepared as of the same dates and periods. The consolidated financial statements are prepared using uniform accounting policies by all companies in the Group. Significant intragroup balances and transactions and gains or losses resulting from intragroup transactions are eliminated in full in the consolidated financial statements.

d. 1. Functional currency and presentation currency:

The presentation currency of the financial statements is the Euro.

The Group determines the functional currency of each Group entity. The vast majority of the group companies operate in Euro.

2. Transactions, assets and liabilities in foreign currency:

Transactions denominated in foreign currency are recorded upon initial recognition at the exchange rate at the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at each reporting date into the functional currency at the exchange rate at that date. Exchange rate differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currency and measured at cost are translated at the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are translated into the functional currency using the exchange rate prevailing at the date when the fair value was determined.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

e. Cash equivalents:

Cash equivalents are considered as highly liquid investments, including unrestricted short-term bank deposits with an original maturity of three months or less from the date of acquisition or with a maturity of more than three months, but which are redeemable on demand without penalty and which form part of the Group's cash management.

f. The operating cycle:

The operating cycle is one year.

g. Financial instruments:

1. Financial assets:

Financial assets are recognized in the statement of financial position when the company becomes a party to the contractual terms of the instrument.

Investments in financial assets are initially recognized at fair value plus transaction costs, except those financial assets classified at fair value through profit or loss, which are initially recognized at fair value. Transaction costs for financial assets at fair value through profit or loss are recognized as an immediate expense for profit or loss.

After initial recognition, financial assets will be measured at amortized cost or fair value according to their classification.

2. Classification of financial assets:

Debt instruments are measured at amortized cost when the following two conditions are met:

- The business model of the company is for holding the assets to collect contractual cash flows, and

- The contractual terms of the asset set exact dates on which the contractual cash flows will be received which constitute principal and interest payments only.

All other financial assets are measured at fair value through profit or loss.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

3. Financial assets measured at amortized cost and the effective interest method:

   Amortized cost of a financial asset is the amount at which the financial asset is measured upon initial recognition, less principal payments, plus or less cumulative amortization, using the effective interest method, of any difference between the initial amount and the repayment amount, adjusted for provision for any loss.

   The effective interest method is a method used to calculate the amortized cost of a debt instrument and allocate and recognize interest income in profit or loss over the relevant period.

4. Impairment of financial assets:

   With respect to accounts receivable, predicted credit losses for these financial assets are estimated based on the Company's past experience with respect to credit losses and adjusted for factors specific to the borrower, general economic conditions and an assessment of both the current trend of the terms and the forecast trend of the terms at the reporting date including the time value of money, as needed.

   For all other financial instruments, the Company recognizes a provision for impairment according to the predicted credit losses throughout the life of the instrument when there is a significant increase in credit risk from the date they were initially recognized. If, on the other hand, the credit risk of the financial instrument did not increase significantly from the date it was initially recognized, the company measures the provision for impairment by probability of insolvency for the next 12 months. The examination of whether to recognize a provision for impairment according to the predicted credit losses for the entire life of the instrument is based on the risk of failure from the date of initial recognition and not only when there is objective evidence of impairment at the reporting date or when the failure actually occurred.

   Predicted credit losses over the life of the instrument are the predicted credit losses arising from all possible failure events during the predicted life of a financial instrument. In contrast, predicted credit losses during the 12 month period are part of the predicted credit losses throughout the life of the instrument, which represents the predicted credit losses arising from financial instrument failure events that are possible within 12 months of the reporting date.

   Measurement and recognition of predicted credit losses:

   The measurement of predicted credit losses is a function of the probability of occurring a failure, the amount of loss in the event of occurring a failure and the maximum exposure to a loss in a failure event. Estimates of the probability of failure occurrence and loss amount are based on historical data that is adjusted by forward-looking information as described above.

   For financial assets, the maximum exposure to loss in a failure event is the gross book value of the financial asset at the reporting date.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

With respect to financial assets, predicted credit losses are the difference between all contractual cash flows the Company is entitled to under the contract and all cash flows the Company expects to receive are discounted at the original effective interest rate. With regard to receivables in respect of leases, the cash flows used to determine the predicted credit losses are consistent with the cash flows used in measuring the debtor in a lease in accordance with International Accounting Standard 16 leases.

5. Derecognition of financial instruments:

A financial asset is derecognized by the Company only when the contractual rights to the cash flows from the financial asset expire or the Company has substantially transferred all risks and rewards of the financial asset.

Upon derecognition of financial asset measured at amortized cost, the difference between the book value of the asset and the consideration received or expected to be received is recognized in profit or loss.

6. Financial liabilities:

a. Classification as a financial liability or as an equity instrument:

Liabilities and equity instruments issued by the Company are classified as financial liabilities or as an equity instrument according to the nature of the contractual arrangements and the definition of financial liability and equity instrument.

b. Equity instruments:

An equity instrument is any contract that indicates a right to retain the company's assets after reducing all its liabilities. Equity instruments issued by the Company are recorded at their consideration less any expenses directly related to the issuance of such instruments.

c. Financial liabilities:

Financial liabilities are presented and measured according to the following classification:

- Financial liabilities at fair value through profit or loss.
- Financial liabilities at amortized cost.

Financial liabilities at amortized cost:

Other financial liabilities that are not measured at fair value through profit or loss are initially recognized at fair value after reduction of transaction costs. After initial recognition date, these financial liabilities are measured at amortized cost using the effective interest method.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The effective interest method is a method of calculating the amortized cost of a financial liability and the allocation of interest expense over the relevant credit period. The effective interest rate is the rate that accurately discounts the forecasted flow cash flows over the expected life of the financial liability to book value, or where appropriate, for a shorter period.

d. Derecognition of financial liabilities:

The Group derecognizes a financial liability when and only when the financial liability is repaid, canceled or expires. The difference between the carrying amount of the financial liability settled and the consideration paid is recognized in profit or loss.

h. Acquisitions of assets that are not business combinations:

Upon the acquisition of activities that do not constitute a business, the cost (including transaction costs) is allocated among the subsidiary's identifiable assets and liabilities based on their relative fair values on the acquisition date without attributing any amount to goodwill, and the non-controlling interests, if any, participate at their relative share of the fair value of the net identifiable assets on the acquisition date.

For deferred taxes, see Note j.2.

i. Investment property:

An investment property is property (land or a building or both) held by the owner (lessor under an operating lease) or by the lessee under a finance lease to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services, for administrative purposes or for sale in the ordinary course of business.

Investment property is measured initially at cost, including costs directly attributable to the acquisition. After initial recognition, investment property is measured at fair value which reflects market conditions at the end of the reporting period. Gains or losses arising from changes in the fair values of investment property are included in profit or loss when incurred. Investment property is not systematically depreciated.

Investment property is derecognized on disposal or when the investment property ceases to be used and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset in the financial statements is recognized in profit or loss in the period of the disposal.

The Group determines the fair value of investment property on the basis of valuations by independent appraisers who hold recognized and relevant professional qualifications and the necessary knowledge and experience.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

j. Taxes on income:

Current or deferred taxes are recognized in the statement of profit or loss except to the extent that the tax arises from items which are recognized in other comprehensive income or in equity.

1. Current taxes:

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period as well as adjustments required in connection with the tax liability in respect of previous years.

2. Deferred taxes:

Deferred taxes are computed in respect of temporary differences between the carrying amounts in the financial statements and the amounts attributed for tax purposes.

The Group does not create deferred taxes for temporary differences arising from initial recognition of the asset or liability in a non-business combination transaction, when, at the date of the transaction, the initial recognition of the asset or liability does not affect accounting income and taxable income (loss for tax purposes).

Deferred taxes are measured at the tax rates that are expected to apply to the period when the taxes are reversed in profit or loss, comprehensive income or equity, based on tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is not probable that they will be utilized. Also, temporary differences for which deferred tax assets have not been recognized are reassessed and deferred tax assets are recognized to the extent that their recoverability has become probable.

The calculation of deferred taxes does not take into account the taxes that would apply in the event of the realization of investments in investees. In addition, deferred taxes were not taken into account for the distribution of profits by subsidiaries as dividends, since the realization of investments in investee companies and dividend distribution does not involve additional tax liability.

Deferred taxes are offset if there is a legally enforceable right to offset a current tax asset against a current tax liability and the deferred taxes relate to the same taxpayer and the same taxation authority.

k. Revenue recognition:

Revenue from contracts with customers is recognized in profit or loss when the control over the goods or services is transferred to the customer. The transaction price is the amount of the consideration that is expected to be received based on the contract terms, excluding amounts collected on behalf of third parties (such as taxes).

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The specific criteria for revenue recognition for the following types of revenues are:

Revenues from the rendering of services (including asset management fees):

Revenue from rendering of services is recognized over time, during the period the customer simultaneously receives and consumes the benefits provided by the Company's performance. Revenues are recognized according to reporting periods in which the services were provided. The Company charges its customers based on payment terms agreed upon in specific agreements when payments are made before or after the service is performed, the Company recognizes the resulting contract asset or liability.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Rental income:

Rental income is recognized on a straight-line basis over the lease term. Where there is a fixed increase in rent over the term of the contract, the aggregate amount of the increase is recognized as revenues on a straight-line basis over the lease period.

l. Reporting revenues using gross basis or net basis:

In cases where the Group acts as an agent or as a broker without being exposed to the risks and rewards associated with the transaction, its revenues are presented on a net basis. However, in cases where the Group operates as a principal supplier and is exposed to risks and rewards associated with the transaction, its revenues are presented on a gross basis.

According to the Group's activity, it bears the risks stemming from revenues from property management and therefore, the Company recognizes its revenues on a gross basis.

m. Finance income and expenses:

Finance income comprises interest income on amounts invested. Changes in fair value of financial assets at fair value through profit or loss also include revenues from dividends and interest.

Finance expenses comprise interest expenses on loans received, changes in fair value of financial assets and financial liabilities measured at fair value through profit or loss and impairment losses of financial assets and losses on hedges recognized in profit or loss.

Gains and losses on exchange rate differences are reported on a net basis.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

n. Operating segments:

An operating segment is a component of the Group that meets the following three criteria:

1. is engaged in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to intragroup transactions;

2. whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and

3. for which separate financial information is available.

o. Provisions:

A provision in accordance with IAS 37 is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are measured according to the estimated future cash flows discounted using a pre-tax interest rate that reflects the market assessments of the time value of money and, where appropriate, those risks specific to the liability.

p. Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Best use is met when it is physically possible, legally allowed and financially feasible.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

All assets and liabilities measured at fair value or for which fair value is disclosed are categorized into levels within the fair value hierarchy based on the lowest level input that is significant to the entire fair value measurement:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - inputs other than quoted prices included within Level 1 that are observable directly or indirectly.

Level 3 - inputs that are not based on observable market data (valuation techniques which use inputs that are not based on observable market data).

q. Earnings per share

Earnings per share are calculated by dividing the net basic income attributable to equity holders of the Company by the weighted number of Ordinary shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the Company adjusts the profit or loss attributable to ordinary shareholders and the weighted average number of shares in circulation for the effects of all dilutive potential shares.

r. Classification of interest and dividends paid/received in the statement of cash flows:

The Group classifies cash flows for interest and dividends received as cash flows from investing activities, as well as cash flows for interest paid as cash flows used in financing activity. Cash flows for income taxes are generally classified as cash flows used in current operations, except those that are easily identifiable with cash flows used in investing or financing activities. Dividends paid by the Group are classified as cash flows from financing activities.

s. New standards, interpretations and amendments to standards having an effect on the current period and/or on previous reporting periods

- Amendment to IFRS 7, IFRS 9, IAS 39, , IFRS 4 and IFRS 16 (regarding the reform of interbank interest rates (IBOR)) - Phase II

  The amendments published in August 2020 include relieves allowing entities to reflect the change in interest rates resulting from the reform of interbank rates while reducing the resulting accounting effects. The amendments mainly affect entities with financial assets and financial liabilities at variable interest (including lease liabilities) as well as entities that implement hedge accounting in accordance with IFRS 9 or IAS 39 regarding hedging ratios affected by the reform.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The amendments stipulate that an entity should not adjust the book value of financial instruments at a variable interest rate for changes in the anchor interest rate resulting from the reform, but will update the effective interest rate by discounting the new cash flows to the book value of those financial instruments at the date of change (application of Section 5.4.5 to IFRS). In addition, the amendments determine additional temporary relieves from implementing specific requirements of hedge accounting to enable entities to continue implementing hedge accounting under certain conditions.

Entities affected by the reform are required to include disclosures about new risks arising from the reform and how they manage the transition to alternative interest rates as well as quantitative disclosures regarding financial instruments for which the change in interest rates resulting from the reform has not yet been made.

t. Standards issued that are invalid not adopted by the Group by early adoption which may have an effect on future periods:

- Group of annual improvements to IFRS 2018-2020 standards

- IFRS 9 "Financial Instruments"

  The amendment clarifies which commissions are included in the 10% test for the purpose of derecognizing a financial liability. Only commissions paid or received between the borrower (entity) and the lender should be included, including commissions paid or received by one of them for the benefit of the other.

  The amendment will be applied to financial liabilities that have been amended or replaced at the beginning of the annual reporting period in which the amendment is adopted for the first time or thereafter. The amendment will be adopted in annual reporting periods beginning on or after January 1, 2022. Early adoption is permitted.

- Amendment to IAS 1 "Presentation of Financial Statements" (regarding the classification of liabilities as current or non-current)

  The amendment clarifies that the classification of liabilities as current or non-current is based on the rights that exist at the end of the reporting period and is not affected by the entity's expectation of exercising this right.

  The amendment removed the reference to existence of an unconditional right and clarified that if the right to defer extinguishment is conditional upon compliance with financial criteria, the right exists if the entity meets the criteria that were determined for the end of the reporting period, even if compliance with the criteria is performed by the lender at a later date.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

As part of the amendment, a definition was added to the term “extinguishment” in order to clarify that extinguishment may be the transfer of cash, goods and services or equity instruments of the entity itself to the counter party. In this regard, it was clarified that if under the terms of the liability, the counter party has an option to demand extinguishment of the entity's equity instruments, this condition does not affect the classification of the liability as current or non-current if the option is classified as a separate equity component in accordance with IAS 32 "Financial Instruments: Presentation".

The amendment only affects the classification of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of those liabilities or the associated income and expenses.

The amendment will be adopted retrospectively for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

- Amendment to IFRS 3 "Business Combinations" (regarding reference to conceptual framework)

As part of the amendment, the reference to 2018 conceptual framework was updated instead of the 1989 conceptual framework. The amendment requires the purchaser to implement the provisions of IAS 37 to determine whether at the time of acquisition there is a present obligation arising from past events and with respect to levies under IFRIC 21, to implement the provisions of IFRIC 21 to determine whether the event requiring the payment of a levy occurred until the acquisition date. Also, an explicit statement was added stating that the purchaser does not recognize contingent assets acquired in a business combination.

The amendment will be adopted in business combinations whose acquisition date is effective January 1, 2022 or thereafter. Early adoption is permitted provided that the entity implements the other updated references to the conceptual framework published together with the new conceptual framework in March 2018.

NOTE 3:- CASH AND CASH EQUIVALENTS

	December 31, 2021	December 31, 2020
	Euros in thousands	Euros in thousands
Cash on hand	18,371	36,029
Short-term deposits (1)	16,705	262
	35,076	36,291

(1) As of December 31, 2021, includes a deposit of € 1,705 thousand denominated in NIS bearing an annual interest of 0.15%.

NOTE 4:- ACCOUNTS RECEIVABLE

	December 31, 2021	December 31, 2020
	Euros in thousands	Euros in thousands
Restricted bank accounts	1,770	1,662
Tenants, net	(523)	324
Trust deposit and prepaid expenses	5,695	3,282
Government authorities	2	24
Accounts receivable and debit balances	99	393
	7,043	5,685

NOTE 5:- INVESTMENT PROPERTY

a. Composition and movement

	Year ended December 31, 2021	Year ended December 31, 2020
	Euros in thousands	Euros in thousands
Income generating residential real estate – level 3:		
Balance at the beginning of the period/year	267,576	163,373
Purchases and additions during the year (*)	125,594	79,226
Increase in fair value	67,254	25,316
Decrease in fair value	(233)	(339)
Balance at the end of the year	460,191	267,576
Income generating commercial real estate – level 3:		
Balance at the beginning of the period/year	34,500	34,560
Purchases and additions during the year	1,023	260
Increase in fair value	700	240
Decrease in fair value	(3,123)	(560)
Balance at the end of the year	33,100	34,500
	493,291	302,076

(*) As of December 31, 2020, a total of € 4,231 thousand represents advances in respect of a purchase of investment property the completion of which was carried out on January 1, 2021. As of December 31, 2021, a total of € 5,285 thousand represents advances in respect of a purchase of investment property the completion of which was carried out on January 1, 2022.

b. Presentation in the statement of financial position and movement

Investment property is stated at fair value, as determined in valuations generally performed by independent outside appraisers who hold recognized and relevant professional qualifications and who have extensive experience in the location and category of the property being valued. The fair value was determined based on estimated future cash flows from the property. In estimating cash flows, their inherent risks and limitations of rental fees are taken into account where they are capitalized at a rate of return that reflects the risks embodied in the cash flows, which is determined taking into account the market rate of return, whilst adapting it to the specific characteristics of the property and the level of risk of the revenues expected from it.

NOTE 5:- INVESTMENT PROPERTY (Cont.)

c. Significant assumptions (based on weighted averages) that were used in valuation estimated are as follows:

Income-generating residential real estate

	December 31, 2021	December 31, 2020
Discount rate (%) (*)	3.85%	4.7%
Cap Rate for the first 10 years	1.55%	2.5%
Long-term CAP rate (*)	0.8%	1.4%
Long-term vacancy rate (%)	2.4%	1.9%
Representative monthly rental fees per sq. m. (in Euros)	9.81	8.89
Income generating real estate under development (**)		
Monthly rental fees for offices (EUR) per sq. m upon project completion	24.5	24.5
Construction cost per sq.m (EUR)	2,128	1,964
Unrecoverable costs upon completion	6.38%	6.38%
Cap Rate on revenues	3.6%	3.6%
Developer's profit, transaction costs and others	35%	30%

(*) It is noted that according to the methodology applied in the valuations, the estimated cash flow for the first 10 years are capitalized based on the Discount Rate basis. Estimated cash flows effective from the eleventh year onwards are capitalized based on the Cap Rate basis (which deducts the growth rate for the range from the Discount Rate).

(**) The key parameters relating to the development project value estimate where conversion of office space is expected (the best use of the property reflecting higher rents per square meter), which is valued as of December 31, 2020 and 2021, at EUR 26,541 thousand and EUR 24,109 thousand, respectively ; the assumptions under this section do not include a reference to asset value calculation amounting to € 4,800 thousand as of December 31, 2021 (as of December 31, 2020 € 4,100 thousand) for income generating property and € 4,191 thousand (€ 3,849 thousand as of December 31, 2020) for the value of real estate rights.

NOTE 5:- INVESTMENT PROPERTY (Cont.)

d. The following table presents the sensitivity of the valuation for the changes in the most material assumptions underlying the valuation of investment property:

	December 31,	
	2021	2020
	Euros in thousands	Euros in thousands
Increase of 25 points at the capitalization rate of investment property relative to income generating residential real estate/ at CAP RATE relative to income generating real estate under development	(31,202)	(17,085)
Decrease of 25 points at the capitalization rate of investment property relative to income generating residential real estate/ at CAP RATE relative to income generating real estate under development	35,617	19,201
Increase of 5% in representative rental fees per square meter	25,217	15,797
Decrease of 5% in representative rental fees per square meter	(25,217)	(15,797)

e. Regarding charges see Note 10.

f. <u>Income from future minimal rental fees</u>:

The Company owns an income generating residential real estate where all of its lease agreements are shorter than one year. As of December 31, 2021, the Company has lease agreements in the residential segment reflecting an annual rental income of € 13.8 million.
In addition, the Company has an income generating commercial real estate consisting of assets leased to third parties generating annual rental income of EUR 0.6 million.

The future minimum rental fees receivable from existing tenants in the income generating commercial real estate are as follows:

December 31, 2021

	Euros in thousands
First year	614
Second to the fifth year	2,342
Sixth year and thereafter	1,491
	4,447

NOTE 5:- INVESTMENT PROPERTY (Cont.)

g. Purchases and sales of investment property during the year

(1) In 2019, the Company completed (via subsidiaries and sub-subsidiaries) the purchase of 597 apartments in 58 buildings in 57 different transactions for a total consideration of EUR 78,427 thousand. In addition, the Company entered into additional transactions (including agreements after the report date) for the purchase of 154 apartments in a total consideration of EUR 21.4 million, of which the Company completed the purchase of 56 apartments in a total consideration of EUR 6.7 million after the report date.

For the purpose of financing most of these acquisitions and previous acquisitions made at the end of 2018, the Company entered into two non-recourse loan agreements with one German Bank, amounting to approximately € 10.3 million, the final repayment date of which is in 2024. The loans bear a fixed interest rate of 1.45% and 1.32% per year. The loans were drawn down during April and May 2019. In addition, in November 2019, the company entered into three additional non-recourse loan agreements with the same German bank, totaling approximately EUR 14 million, the final repayment date of which is in 2026. The loans bear a fixed interest rate of 1.04% per annum and were drawn down at the beginning of 2020.

In July 2019, the Company entered into two additional loan agreements with a German bank amounting to € 9.6 million the repayment date of which is in July 2026. The loans bear a fixed interest rate of 1.1% per annum. The loans were drawn down in August 2019.

Refinancing of existing loans: During the fourth quarter of 2019, the Company (for the first time since its commencement of operations) completed refinancing for fixed interest loans taken as part of the purchase of a residential property portfolio as described in section 1 below. This portfolio, which includes 205 apartments in 6 properties in Magdeburg, Dresden and Leipzig, as part of the refinancing, the Company exchanged a loan of EUR 9 million with a new loan of EUR 12.75 million (42% increase) while reducing the annual interest from 2.39% to 0.94%, a 60% reduction in debt cost. In the refinancing, on September 30, 2019, the Company repaid by early repayment loans of EUR 9 million and interest-rate swaps transactions related to the same loans from its own sources. The new loan of EUR 12.75 million for seven years was signed in December 2019 and was drawn down at the beginning of 2020.

(2) In 2020, the Company completed (through subsidiaries and sub-subsidiaries) the purchase of 537 apartments in 48 buildings in 43 different transactions for a total consideration of EUR 76,499 thousand. In addition, the Company entered into additional transactions (including agreements after the report date) for the purchase of 363 apartments in a total consideration of EUR 48.8 million, of which the Company completed the purchase of 49 apartments in a total consideration of EUR 5.9 million after the report date.

In March 2020, the Company entered into two additional non-recourse loan agreements with a German bank for a total amount of approximately EUR 10.7 million, the final repayment date of which is March 2027. The loans bear a fixed interest rate of 0.85% per annum. The loans were drawn down in the second quarter of 2020.

In April 2020, the Company entered into two additional non-recourse loan agreements with a German bank for a total amount of approximately EUR 13 million, the final repayment date of which is June 2025. The loans bear a fixed interest rate of 1.02% per annum. A total of EUR 11.9 million was drawn down in the third quarter of 2020 and the remaining drawdowns were carried out in 2021.

NOTE 5:- INVESTMENT PROPERTY (Cont.)

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. The loans bear a fixed interest rate of 0.79% per annum. The loans were drawn down fully in the first quarter of 2021.

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. The loans were drawn down fully in the first quarter of 2021.

In December 2020, the Company entered into two additional non-recourse loan agreements with a 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. The loans were drawn down fully on April 1, 2021.

In the first quarter of 2021, the Company entered into another non-recourse loan agreement with a German bank totaling approximately EUR 10.3 million the final repayment date of which is April 2028. The loan bears fixed interest rate of 0.99% per year. In May 2021, the Company drew down EUR 7.4 million from such loan and the balance was drawn down during the second quarter of 2021.

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 loans were drawn down in the second quarter of 2021.

In the third quarter of 2021, the Company entered into three additional non-recourse loan agreements with a German bank for a total amount of approximately 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.

As part of this agreement, the Company refinanced an existing loan in the amount of EUR 1,705 thousand bearing a fixed interest rate of 1.25% per annum, which the Company took as part of the purchase of shares of a sub-subsidiary in 2018, a new loan of EUR 2,700 thousand, bearing a fixed interest rate of 0.9% per annum.

In the third quarter of 2021, the Company entered into non-recourse loan agreement with a German bank for five years for a total amount of approximately EUR 11.5 million. The loan bears a fixed interest rate of 1.29% per annum. The loan was drawn down at the beginning of November of 2021.

In the third quarter of 2021, the Company entered into non-recourse loan agreement with a German bank for five years for a total amount of approximately EUR 2.5 million. The loan bears a fixed interest rate of 1.26% per annum. The loan was drawn down at the beginning of November of 2021.

In the fourth quarter of 2021, the Company entered into three non-recourse loan agreements with a German bank for five years for a total amount of approximately EUR 7.5 million. The loans bear a fixed interest rate of 0.97% per annum. The loans were drawn down fully in February 2022.

NOTE 5:- INVESTMENT PROPERTY (Cont.)

In the fourth quarter of 2021, the Company entered into a framework agreement with a German banking corporation (the "Banking Corporation") to draw down loans totaling up to EUR 30 million (the "Framework") to be provided to sub-subsidiaries of the Company (the "Asset Companies") for the purpose of financing the acquisition of new properties in Leipzig and Dresden, Germany. The loans to be drawn down from the framework (as long as they continue) will not be subject to the approval of the Bank's Credit Committee. Such loans will be subject to due diligence and preparation of loan documents to the satisfaction of the banking corporation.

According to the framework conditions, the asset companies may draw 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 made available for a period of up to 10 years and will bear a fixed interest rate. The Company estimates that the annual interest rate on loans to be drawn down will be in the range of 1% to 1.2%, depending on the dates on which loans were drawn down and loan duration. The new loans will be guaranteed, among other things, by first ranking charges on the rights of the asset companies in assets. Drawdowns from the framework are expected in 2022 for the purpose of financing the purchase of new assets.

In the fourth quarter of 2021, the Company entered into a TERM SHEET for non-recourse loans with a German bank for a period of 5 years, totaling approximately EUR 10.5 million. The loan bears an indicative fixed interest rate of approximately 1.29% per year, the interest rate will be finally determined on the day the loan agreement is signed and is mainly affected by the market interest rate (SWAP) at that time. Financing is expected to be completed during the first quarter of 2022.

In the fourth quarter of 2021, the Company entered into an MOU and on February 10, 2022 completed a refinancing process for fixed-rate loans taken as part of the acquisition of a portfolio of residential properties purchased in various transactions during 2018 and 2019.

This portfolio, which includes 404 residential units in 39 buildings in Magdeburg, Dresden and Leipzig, as part of the refinancing, the Company replaced a loan in the amount of EUR 24.2 million with a new loan in the amount of EUR 40 million (an increase of 42%) for a period of 5 years, while lowering the annual interest rate from 1.74% to 1.45%. The loans are of non-recourse type are subject to meeting the following financial covenants: maximum LTV ratio of 75% (as of the date of signing the financial statements this ratio is 56%) and the return on debt ratio (80% of the total annual rental income divided by the loan amount) is above 3.5% (as of the date of signing the report, this ratio is approximately 4.6%).

(3) In 2021, the Company completed (through subsidiaries and sub-subsidiaries) the purchase of 815 apartments in 82 buildings in 67 different transactions for a total consideration of EUR 116,863 thousand. In addition, the Company entered into additional transactions (including agreements after the report date) for the purchase of 495 apartments in a total consideration of EUR 89.3 million, of which the Company completed the purchase of 68 apartments in a total consideration of EUR 13 million after the report date.

NOTE 6:- ACCOUNTS PAYABLE

Composition:

	December 31, 2021	December 31, 2020
	Euros in thousands	Euros in thousands
Property seller and related transaction costs (*)	1,690	-
Expenses payable (**)	5,036	571
Agreement with a partner (***)	248	134
Interest payable	29	29
Trade payables	571	698
Deposits from tenants	1,581	1,013
Provision for vacation and sick leave	753	-
Government authorities, net	3	77
	9,911	2,522

(*) in accordance with an agreement between the Company (via sub subsidiary) and the property seller the possession of the property was transferred to the Company on December 31, 2021 prior to actual payment completion.
(**) of this amount, as of December 31, 2020, an amount of EUR 511 thousand is for transaction costs of purchasing investment property.
(***) see Note 10b(1)

NOTE 7:- LOANS FROM BANKS

a. Composition

	interest rate as of December 31, 2021	December 31, 2021	December 31, 2020
	%	Euros in thousands	Euros in thousands
Non-current loans from banks and others:			
Variable interest rates (*)	1.82%	7,249	7,533
Fixed interest rates (**)	0.79%– 2.39%	154,639	91,862
Total loans from banks and others net of deferred finance costs		161,888	99,395
Less - current maturities		(4,142)	(2,777)
		157,746	96,618
Maturity dates (excluding the deduction of deferred finance costs):			
First year		4,131	2,813
Second year		8,527	2,813
Third year		19,099	13,977
Fourth year		32,536	11,144
Fifth year and beyond		98,815	69,613
		163,108	100,360

(*) With respect to interest SWAP transactions entered by the company, see Note 8. Interest rate on variable loans including weighing interest for the SWAP transactions is 1.99%.
(**) the weighted average interest rate for loans at fixed interest is 1.7% and for the rest of the loans the average interest rate is 1.2%.

b. Additional information on loans from banks

(1) In credit agreements with banking corporations the balance of which as of December 31, 2021 totaled € 28,711 thousand, subsidiaries have pledged to meet a number of financial covenants, including a loan-to-value ratio (LTV) that is lower than the range of 70% to 73% and debt coverage ratio (DSCR) higher than the range of 120% to 140%. All loans are without a right of recourse to the borrower (Non-Recourse). The balance of the loans does not include a commitment to meet financial covenants. As of December 31, 2021, the Group meets all covenants that were set.
(2) For information regarding charges see note 10.
(3) For additional information on loans taken during the reported period see Note 5g.
(4) On January 18, 2022, the Company entered into a loan agreement denominated in NIS with a third party, which is an Israeli institutional entity at a total amount of EUR 60 million and for a period of 18 years.

NOTE 7:- LOANS FROM BANKS (Cont.)

The loan principal is due in one installment at the end of the loan period (Bullet). The Company may repay the loan by early repayment, at no additional cost, on December 31, 2028, 2031, 2034 and 2037.

(5) The loan bears:

a. Fixed annual interest rate of 3.69% per annum ("the basic interest rate"). The basic interest rate will be added with 1% per annum if the loan is not repaid on December 31, 2028, and 0.5% per annum at each additional exit if the loan is not repaid in full by that date.

b. Additional interest such that at the end of each interest period the interest rate will increase by 50% of the increase in the Company's equity ("additional interest").

c. Additional payment, in addition to the basic interest rate and the additional interest rate, to the extent that the cumulative increase in equity (in percentage) in the final repayment date is 100% or more, an additional one-time payment equal to EUR 6 million will be paid to the lender on the final repayment date.

d. The loan is secured by a negative lien on its assets (other than real estate), and is subject to financial covenants, change of control stipulation, authority and various structure. In addition, interest rate adjustment mechanisms and grounds for early repayment have been established as acceptable in such loans. The loan was drawn down on January 20, 2022.

NOTE 8:- OTHER FINANCIAL LIABILITIES

Financial liabilities in respect of interest swap transactions as of December 31, 2021 and 2020 are in the amount of EUR 24 thousand and EUR 46 thousand, respectively (level 2) .

Subsidiaries in Germany that own investment properties took loans and signed interest rate swap agreements. In these agreements, the subsidiary hedges its exposure to future changes in variable interest rates on cash flows, by swapping it for a fixed interest rate. The Company did not treat these transactions as accounting hedging. The change in the fair value of the instrument was recognized in profit or loss.

As of December 31, 2021 and 2020, the fixed interest rate (with no margin) was determined at 0.17%, (see also Note 12f).

NOTE 9:- TAXES ON INCOME

a. Tax laws applicable to the Group companies

1. The Company has revenues from real estate investments in Germany. In accordance with the tax treaty between Germany and the Netherlands and between Germany and Luxemburg, real estate revenues are only taxed at the location of the real estate.

2. The following are tax rates applicable to the Company and its key subsidiaries:

	%
State	
The Netherlands	25
Germany	15.825
Luxemburg	29.22

3. Earnings from the sale of the shares of a Dutch company, Luxembourgian company and a German company by a Dutch company are tax-exempt in the Netherlands subject to meeting the terms of exemption from participation set forth in Dutch law. In case the sold company holds real estate in Germany, 5% of the profit incurred effective from December 31, 2018 is taxable at 15.825% in Germany.

   Earnings from the sale of the shares of a German company by a Luxembourgian company are tax-exempt in Luxemburg subject to meeting the terms of exemption from participation set forth in Luxembourgian law which are minimal holding of 10% or investment of at least € 6 million for 12 consecutive months and both companies (seller and sold) are subject to tax in Luxemburg (and pursuant to the prescribed laws). In case the sold company holds real estate in Germany, 5% of the profit incurred effective from December 31, 2018 is taxable at 15.825% in Germany.

   Some of the Company's subsidiaries are German companies, which are generally also subject to local business tax rates ranging from 14% to 17%. The tax law provides for exceptions and exemptions that are relevant to the Company's operations in these companies.

NOTE 9:- TAXES ON INCOME (Cont.)

b. Tax assessments

Final tax assessments

The Company and its Dutch subsidiaries were incorporated during 2018 and the tax assessments for previous years are not final. With respect to German companies and Luxembourgian companies acquired by the Company in the framework of share purchase transactions, the Company received indemnification from the companies' sellers in relation to tax assessments prior to the purchase period, to some German companies final tax assessments until 2018, and some were not yet issued tax assessments from their incorporation date.

c. Losses carried forward for tax purposes and other temporary differences

The Group has business losses and capital losses for tax purposes carried forward for tax purposes on the coming years, totaling as of December 31, 2021 approximately € 9,451 thousand. In respect of these losses, deferred tax assets have been recognized in the financial statements in the amount of approximately € 1,841 thousand. In addition, the Group has business losses accumulated in the asset companies the Company acquired over the period prior to acquiring the companies for tax purposes carried forward to future years, amounting as of December 31, 2020 to € 304 thousand for which no deferred tax assets were recognized.

In addition, the Group has temporary differences that were created at the time of acquisition of asset companies in non-business combinations and that at the transaction date did not affect the accounting profit or taxable income, between the tax base of real estate for tax purposes and the cost of its acquisition which amounted as of December 31, 2021 and 2020 to EUR 21,413 thousand, for which no deferred tax liabilities were recognized.

NOTE 9:- TAXES ON INCOME (Cont.)

d. Deferred taxes

(1) Composition:

	December 31, 2021	December 31, 2020
	Euros in thousands	Euros in thousands
Deferred tax liabilities		
Investment property	(24,129)	(12,980)
Deferred tax assets		
Losses carried forward for tax purposes	2,567	1,841
Revaluation of financial derivatives	-	37
	2,567	1,878
Deferred tax liabilities, net	(21,562)	(11,102)
Deferred taxes are presented in the statement of financial position as follows:		
Non-current assets	819	889
Non-current liabilities	(22,381)	(11,991)
	(21,562)	(11,102)

(2) Movement

	Year ended December 31, 2021	Year ended December 31, 2020
	Euros in thousands	Euros in thousands
Balance at the beginning of the period/year	(11,102)	(6,856)
Investment property	(11,149)	(5,076)
Revaluation of financial derivatives	(37)	(5)
Losses carried forward for tax purposes	726	835
Balance at the end of the period/year	(21,562)	(11,102)

(*) The deferred taxes are computed at an average tax rate of 15.825% based on the tax rates expected to apply upon asset realization in the Company's sub-subsidiaries. Deferred taxes in respect of carryforward tax losses in Holland are calculated at a tax rate the Company expects that these losses will be utilized.

NOTE 9:- TAXES ON INCOME (Cont.)

e. Taxes on income included in the statements of profit or loss

	Year ended December 31,		Year ended December 31,
	2021	2020	2019
	Euros in thousands	Euros in thousands	Euros in thousands
Deferred taxes	(10,460)	(4,246)	(3,445)
Current taxes and taxes in respect of previous years	215	52	(77)
Tax expenses	(10,245)	(4,194)	(3,522)

f. Theoretical tax

The following is the reconciliation between the tax expense, assuming that all revenues and expenses, gains and losses in the statement of profit or loss had been taxed at the statutory tax rate in Holland and the amount of taxes on income charged in the statement of profit or loss:

	Year ended December 31,		Year ended December 31,
	2021	2020	2019
	Euros in thousands	Euros in thousands	Euros in thousands
Income before taxes on income	69,077	26,856	23,197
Statutory tax rate in Holland	25%	25%	25%
Tax calculated using statutory tax rate	(17,269)	(6,714)	(5,799)
Deferred tax assets created in other tax rate (section d. above)	7,024	2,520	2,277
Taxes on income	(10,245)	(4,194)	(3,522)

NOTE 10:- COMMITMENTS AND CHARGES

a. Charges:

(1) To secure loans from banking corporations that have no right of recourse to the borrower (Non-recourse), charges have been recorded on investment property as well as on bank accounts where rents are received, rights in respect of insurance policies, charge on shares of the Company the owner of the property, etc. Each property is owned by a subsidiary (SPV). For some of the properties, there is a cross guarantee to secure credit facilities taken to finance the acquisition of the properties.

Some of the loan agreements contain "negative lien" provisions stipulating that the borrowers were prohibited from creating additional charges on the charged properties and income, without an explicit approval of the lender.

(2) The balance of the secured liabilities is as follows:

	December 31,	
	2021	2020
	Euros in thousands	Euros in thousands
Non-current liabilities (including current maturities) see Note 7	161,912	99,441

b. Commitments

(1) The Company has entered into an agreement with a partner holding 10.1% in a number of subsidiaries, according to which the Company has provided the partner with loans of approximately € 3,035 thousand. The loans are without a right of recourse to the borrower (non-recourse) secured by the shares of the subsidiaries, bearing interest at a rate of 10% and repayable in 2029. The partner assigns to the Company rights for any payment to be paid by the subsidiaries until the full repayment of the loan.

In addition, the Company has an option to acquire the partner's rights in the subsidiaries after 10 years from the agreement date in exchange for an amount equal to the partner's share in the net assets of the subsidiaries less certain reductions in accordance with the mechanism defined in the agreement.

Under said loan agreement, an annual amount for the above option to which the partner is entitled under the option agreement as well as additional amounts to which the partner is entitled for a dividend from the subsidiaries will be deducted against the annual interest amounts in respect of the loans granted to the partner as mentioned above. For further details see Note 6.

(2) Regarding commitments for the purchase of real estate purchase - see Note 5g above.

NOTE 11:- EQUITY

On July 9, 2018, the Company entered into an investment agreement ("Investment Agreement") with investors (institutional and private) for a total investment of approximately EUR 82.3 million in the Company's shares at a price per share of EUR 10. According to the terms of the investment agreement, the Company "will call the money" under CAPITAL CALLS to its shareholders for all or part of the investment amounts that the shareholders undertook to invest in accordance with the investment needs of the Company subject to the resolution of the Company's board of directors; effective from the signing date of the investment agreement until the end of the second quarter of 2019 the Company has carried out CAPITAL CALLS as mentioned above and the total investment amount of € 82.3 million was fully received.

NOTE 11:- EQUITY (Cont.)

On April 18, 2019, the Company entered into an investment agreement with its existing shareholders and other private investors for an additional equity investment ("second round ") amounting to € 46.7 million in the Company's shares at a price per share of EUR 12.17, in two stages: In the first stage - the existing shareholders of the Company together with additional private investors committed to invest approximately € 20 million, and in the second stage – upon signing the investment agreement with another institutional investor to invest € 18 million in the Company's equity, existing shareholders will invest in the Company an additional amount of € 8.7 million and in total € 26.7 million in the second stage.

On June 5, 2019, the investment agreement was signed with the additional institutional investor and in July the full investment consideration from all investors was received, thus completing the second round of raising capital for the Company in the gross amount of approximately € 46.7 million.

On August 5, 2020, the Company entered into an investment agreement with some of its existing shareholders and another private investor for an additional capital investment of approximately EUR 42 million in the Company's shares, at a price per share of EUR 14.45. The investment consideration from all investors was received in August 2020, thus completing the third round of raising capital for the Company in the amount of approximately EUR 42 million.

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.

a. Composition of share capital:

	December 31, 2021	
	Authorized	**Issued and outstanding**
Ordinary shares of EUR Cent 1 par value each (1)	30,000,000	15,019,534

	December 31, 2020	
	Authorized	**Issued and outstanding**
Ordinary shares of EUR 1 par value each	19,064,165	15,019,534

NOTE 11:- EQUITY (Cont.)

(1) During the first quarter of 2020, the Company issued 50,000 ordinary shares of € 1 par value to 2 employees in exchange for € 500,000, with € 450,000 was allocated to share premium.

In addition, the Company converted the par value of all the Company's shares to EUR cent 1 per share, whereby the entire difference between EUR 1 par value per share and EUR cent 1 par value of approximately € 11,992 thousand was charged to premium.

b. Capital management in the company:

The Company works to ensure a capital structure that will enable the Company to support its business and to maximize value for its shareholders. The Company manages its capital structure and makes changes according to changes in the environment in which the Company operates.

c. Employee stock options:

In accordance with the Company's founders agreement, no later than two years from the signing date of the founders' agreement (July 2018) or the issuance of the Company's shares to the public, whichever is earlier, the Company's management will present to the Board of Directors and the Board of Directors is authorized to approve the Company's non-negotiable stock option plan, up to 10% of the Company's shares (Fully diluted) at an exercise price that is 50% higher than the equity per share invested by the Company's shareholders and for a 5-year vesting period from the date of the founders' agreement. As a result, on January 14, 2020, the Company's Board of Directors authorized a grant of 1,345,957 options to the Company's employees, representing 10% of the Company's fully diluted capital, in accordance with the following conditions:

Grant date: January 1, 2020.
Vesting date: All options will vest in one date on June 20, 2023.
Expiration date: September 20, 2023.
Exercise price: € 15 per share.
The options for company employees who are residents of Israel were granted under section 102 of the Income Tax Ordinance.

The fair value of the options was assessed by an external appraiser totaling € 913 thousand for the entire three-and-a-half-year vesting period, based on the following assumptions:

- The Company's value in accordance with the recent capital issuance carried out on or about the grant date of the options
- Standard deviation of 17.5%, risk-free interest rate of -0.52% (negative) and dividend yield of 0%.

The Company expects, over the next few years, to recognize salary expenses against a capital reserve in respect of this engagement.

It should be noted that at the time of approval, the Company's Board of Directors further confirmed that shortly before listing the Company's shares on the stock exchange, the Company's Board of Directors will approve an additional allotment of non-tradable options (ESOP1) to the Company's employees (not directors) and among them the Company's joint CEOs, with the terms of the first allotment. It will be noted that the amount of additional non-tradable options that will be allotted as stated above will be calculated in way that following the exercise of non-tradable options (ESOP1) the Shares will represent 10% of the Company's issued share capital after listing the Company's shares on the Stock Exchange (based on the Company prospectus) on a fully diluted basis.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11:- EQUITY (Cont.)

In accordance with the foregoing, on May 10, 2021, the Company's Board of Directors approved the allocation of 895,301 non-tradable options (ESOP1) exercisable to the Company's 895,301 shares, to the Company's employees. The value of the options was appraised by an external appraiser at EUR 3,702 thousand for the entire vesting period. The duration of the vesting period, and was based on the following assumptions: the value of the Company in accordance with the last capital issuance carried out on or about the day the options were granted, a standard deviation of 25%, a risk-free interest rate of 0.21%, and a dividend yield of 0%. The Company expects to recognize in the coming years payroll expenses against a capital reserve in respect of this engagement.

d. Options to investors:

In accordance with the Company's founders agreement, if the Company's shares are issued in the stock exchange the investors included in the founders' agreement of July 2018 will be entitled to options for additional 20% of shares than they had on the founders' agreement signing date (fully diluted) at a price higher by 25% than the price per share of the shares to be issued in the stock exchange (if issued) subject to 4 year vesting period from the IPO date.

In accordance with the foregoing, on May 10, 2021, the Company's board of the directors 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 specified in the founders' agreement as of the Company's establishment date, the Company accounts for such grant of options as a share based payment for services rendered by the Company's founders.

e. Classifications in accordance with Dutch law - Statutory Capital Reserve:

In accordance with Dutch law applicable to the Company, the Company's profits from adjustments to fair value that have not been realized cannot be distributed as dividends. In addition, profits of subsidiaries are not distributable as dividends unless distributed by the subsidiaries themselves.

However, according to Dutch law, these profits can only be distributed after being converted into share capital and the reduction of capital as a result of the dividend distribution.

In the reported year, the Company classified the distributable earnings from the statutory capital reserve. Accordingly, the balance of distributable earnings as of December 31, 2021 is approximately € 8,530 thousand.

NOTE 12:- FINANCIAL INSTRUMENTS

a. Classification of financial assets and financial liabilities

	December 31, 2021	December 31, 2020
	Euros in thousands	Euros in thousands
Cash, loans and receivables at amortized cost		
Cash and cash equivalents	35,076	36,291
Financial derivatives	-	853
Accounts receivable	1,770	1,662
	36,846	38,806
Derivative financial instruments (fair value)		
Financial liabilities	24	46
Other financial liabilities at amortized cost		
Credit from banks and others	161,888	99,395
Other accounts payable (1)	7,577	1,509
	169,465	100,904

(1) excluding tenants' deposits

b. Market risk

Interest rate risk

The Group is exposed to risk resulting from changes in cash flows of loans bearing variable interest rates because of changes in interest rates.

The Company hedges most of its financial liabilities by taking loans at fixed interest rate or by entering into interest SWAP agreements.

The interest swap contract conditions are suited to the base loans. As of the report date, all of the Company's loans are hedged. See Note 7.

c. Credit risk

Credit risk could arise from cash and cash equivalents, derivatives and deposits with banking corporations and financial institutions, as well as from receivables, including tenants' debit balances.

NOTE 12:- FINANCIAL INSTRUMENTS (Cont.)

Management has a credit policy and exposure to credit risk is examined on a regular basis. In principle, the Company does not provide credit to tenants. In cases in which tenants request credit, the Company carries out a credit assessment for those customers. The Group holds all or part of the tenants' deposits that are refundable until the tenants will settle their payments or in other cases of breach of contract.

The Company estimates the need for making an allowance for doubtful accounts according to the management's estimate of the balance's nature based on the cumulative experience in managing the asset.

Credit risk could also arise from an engagement by a number of financial instruments with a single entity. The Company holds cash and cash equivalents, short-term investments and other financial instruments in various financial institutions with high credit ratings. The Company's policy is to spread its investments among the various institutions.

As of the report date, there were no significant concentrations of credit risk. According to management estimate, the balance in the financial statements of each of the financial assets represents the maximum exposure to credit risk.

d. Liquidity risk

Liquidity risk is the risk that the Group will have difficulty meeting obligations in respect of a financial liability. Financial liabilities to banking corporations regarding interest payments are guaranteed through rental payments regularly deposited in designated accounts/collection accounts.

The Group's goal is to maintain a balance between the receipt of financing and the flexibility in the use of bank loans.

As of December 31, 2021, 2.5% of the Group's bank debt will be redeemed within under a year (See also Note 7).

The following table sets out the maturity dates of the Group's financial liabilities in accordance with the contractual conditions in non-discounted sums (including interest payments):

NOTE 12:- FINANCIAL INSTRUMENTS (Cont.)

December 31, 2021

	First year	Second year	Third year	Forth year	Fifth year onwards	Total
	Euros in thousands					
Accounts payable	7,577	-	-	-	-	7,577
Loans from banking corporations and others (1)	6,084	10,456	20,680	33,969	99,881	171,070
	13,661	10,456	20,680	33,969	90,881	178,647

December 31, 2020

	First year	Second year	Third year	Forth year	Fifth year onwards	Total
	Euros in thousands					
Accounts payable	1,509	-	-	-	-	1,509
Loans from banking corporations and others (1)	4,061	4,036	15,153	12,025	70,993	106,268
	5,570	4,036	15,153	12,025	70,993	107,777

(1) The balance of loans from banking corporations and others includes interest payments and other financial liabilities.

e. Fair value

Management estimated that the balance of cash and cash equivalents, short term deposits, trade receivables, trade payables, overdrafts, and other current liabilities and bank loans presented at amortized cost matches or approximates their fair value due to the expected maturity dates of loans the decline in interest rate of which has not materially affected their fair value.

NOTE 12:- FINANCIAL INSTRUMENTS (Cont.)

The fair value of financial instruments that are not quoted on an active market is determined using valuation techniques. Valuation tools specific to financial instruments include:

- The fair value of interest swap agreements (SWAP) or option agreement to purchase interest swap contract (SWAPTION) is based on a calculation of the present value of an estimate of future cash flows, using observable return curves.

The following describes unobservable material data that are used in valuation:

	Valuation technique	**unobservable data material**	**Range weighted) (average**	**Fair value sensitivity to change in data**
Interest swap transactions	DCF	Payment curve	Euribor curve for transaction period	2% increase/decrease in Euribor curve will result in increase/decrease in fair value up to € 0.1 million

(*) As to the data of investment property fair value, see note 5.

f. Derivatives and hedging

Cash flow hedges:

As of December 31, 2020, the Group has interest rate swap agreements (SWAP) in the sum of € 7,250 thousand according to which the Group pays a fixed interest rate at 0.17% and receives variable interest at a rate equal to Euribor for three months.

g. During November, 2019, the Company entered into economic hedging transactions for interest rate through options to replace the Euribor interest rate, below are the main terms of the transactions:

a. Option for a 5-year term to enter into a future 10-year SWAP agreement with a principal of € 50 million , at 1.5% interest rate. The premium paid is 1.91% of the hedge amount (€ 955 thousand).

b. Option for a 10-year term to enter into a future 15-year SWAP agreement with a principal of € 50 million , at 2.5% interest rate. The premium paid is 2.835% of the hedge amount (€ 1,418 thousand).

c. On October 13, 2021, the Company exercised the engagement for EUR 1,640 thousand.

NOTE 12:- FINANCIAL INSTRUMENTS (Cont.)

h. Sensitivity tests relating to changes in market factors

	December 31,	
	2021	2020
	Euros in thousands	Euros in thousands
Sensitivity test to changes in interest rates		
Effect on profit and loss and other comprehensive income		
For loans (*)		
Interest increase of 200 base points	(145)	(107)
Interest decrease of 200 base points	-	-
For Swap transactions		
Interest increase of 200 base points	290	321
Interest decrease of 200 base points	-	-

(*) sensitivity analysis for this section refers to the Company's profitability throughout the year.

The fluctuations chosen in the relevant risk variables were set in accordance with acceptable practice in respect of options for SWAP transactions. The results of the change are presented only in the expected effect on the internal value of the option.

The Company has performed sensitivity tests of principal market risk factors that are liable to affect its reported operating results or financial position. The sensitivity tests present the profit or loss and/or the comprehensive income with respect to each financial instrument for the relevant risk variable chosen for that instrument as of each reporting date. The test of risk factors was determined based on the materiality of the exposure of the operating results or financial condition of each risk with reference to the functional currency and assuming that all the other variables are constant.

The Group is not exposed to changes in profit/loss due to interest risk with respect to long-term loans at fixed interest. In non-current variable-interest loans measured at amortized cost, the sensitivity test for interest risk was only performed on the variable component of interest.

NOTE 13:- SUPPLEMENTARY INFORMATION TO ITEMS OF STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended December 31,		Year ended December 31,
	2021	2020	2019
	Euros in thousands	Euros in thousands	Euros in thousands
General and administrative expenses			
Property management, salary expenses and others	(1,300)	(1,107)	(888)
Legal and other professional services	(817)	(225)	(429)
Cost of share based payment	(1,387)	(263)	-
Travel expenses, rent and office maintenance and others	(705)	(365)	(461)
	(4,209)	(1,960)	(1,779)
Financial expenses, net			
Interest, bank charges and others			
Interest expenses on loans	(1,640)	(1,047)	(783)
Amortization of finance costs, bank charges, exchange rate differences and others	(440)	(205)	(175)
	(2,080)	(1,252)	(958)

NOTE 14:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES

a. Benefits for key management personnel (including directors):

Year ended December 31, 2021

	No. of people	Amount - Euros in thousands
Short-term employee benefits *	6	1,208
Cost of share based payment	6	1,387

Year ended December 31, 2020

	No. of people	Amount - Euros in thousands
Short-term employee benefits (joint CEOs)	2	288
Cost of share based payment	2	166

NOTE 14:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES (Cont.)

Year ended December 31, 2019

	No. of people	Amount - Euros in thousands
Short-term employee benefits (joint CEOs)	2	288

* the amount of short term employees benefit for this period does not include EUR 117 thousand for provision for vacation and sick leave.

b. Compensation and benefits granted to interested parties and related parties:

	Year ended December 31,		Year ended December 31,
	2021	2020	2019
	Euros in thousands	Euros in thousands	Euros in thousands
Salary and related expenses to interested parties employed by the Company (joint CEOs)	1,300	454	288
The number of people to whom the benefit relates	2	2	2
Compensation for directors not employed in the Company	137	27	38
The number of people to whom the benefit relates	5	2	2

The monthly employment cost of the co-CEOs until May 31, 2021 was EUR 12 thousand per month. Effective this date the cost was updated to EUR 23 thousand. The employment cost includes his salary, car maintenance and social security contributions as customary. In addition, the Company provides to him a mobile phone, laptop and bears their maintenance expenses and pays for fuel expenses and other expenses as well (flights, hotels, office expenses) that he spends for the purpose of fulfilling his position. Their employment period is not limited in time and each party may announce its termination with prior written notice of 6 months in advance. In addition, the co-CEOs are entitled to retirement grant upon termination of their employment in the amount of 6 monthly salaries or 12 monthly salaries (employer's cost) if employed by the Company for a period exceeding 5 or 10 years, respectively. As to share-based compensation, see section (3) below and Note 11C above. Total payroll and related costs in respect of the co-CEOs for 2021 does not include EUR 45 thousand for provision for vacation and sick leave.

NOTE 15:- CHANGES IN LIABILITIES DERIVING FROM FINANCING ACTIVITIES

The table below lists the changes in the Group's liabilities arising from financing activities, including both changes arising from cash flows and non - cash changes. Liabilities arising from financing activities are liabilities in respect of which cash flows have been classified, or future cash flows will be classified in the statement of cash flows as cash flows from financing activities.

	Balance as of January 1, 2021	Cash flows from financing activities, net (a)	Cash flows used in investing activities (b)	Other changes	Balance as of December 31, 2021
Loans from banks	99,395	62,147	-	346	161,888

	Balance as of January 1, 2020	Cash flows from financing activities, net (a)	Cash flows used in investing activities (b)	Other changes	Balance as of December 31, 2020
Loans from banks	45,533	53,743	-	119	99,395

(a) Cash flows from financing activities include the net cash flows presented in the consolidated statements of cash flows as cash flows arising from financing activities.

(b) Acquisition of subsidiaries consolidated for the first time.

NOTE 16:- OPERATING SEGMENTS

a. General

The Company's Board of Directors functions as the chief operational decisions maker of the Group. Operating segments have been determined based on information reviewed by the Chief Operational Decision Maker (CODM) for the purpose of making decisions with regard to resource allocation and performance assessment. Accordingly, for management purposes, the Group consists of operating segments of business units and has two operating segments, as follows:

Income generating residential real estate	-	Leasing residential real estate.
Income generating real estate for development	-	Development of real estate for offices and asset for commercial use

The operating segments data are based on the Company's accounting policy.

Segment revenues include rental revenues and revenues from property management.

The segment results reported to the operational decision maker include items that relate directly to the segment. Items not allocated include mainly general and administrative expenses, financing costs, financing income, adjustment to fair value of financial instruments and taxes on income, which are managed on a Group basis.

In each of the areas of activity, the Company's CEO reviews the data for each project on its own and each project is defined as operating segment. For each of the above areas of activity, the Company grouped for financial reporting all projects to one reportable operating segment such that the Company has two reportable operating segments in the financial statements according to its areas of activity.

The following are the management's considerations when grouping operating segments:

The Company's management examined each of its reported segments that all segments that were grouped are in a similar economic environment, since all segments are in Germany and the functional currency of all of them is in Euro and that long-term economic performance is similar in each of the operating segments. Also, all segments in each area of activity are similar in all of the following characteristics:

• The nature of investments - all investments in the segment are similar.
• The nature of customers - All customers in the segment have similar characteristics.
• The nature of the supervisory environment - all assets in the segment have a similar supervisory environment.

Based on the considerations outlined above, the Group's management believes that the grouping to segments is in accordance with IFRS 8.

NOTE 16:- OPERATING SEGMENTS (Cont.)

b. Operating segment revenue and results analysis

	Income-generating residential real estate	Income-generating real estate for development	Total
	Euros in thousands		
Year ended December 31, 2021			
Revenues from property rental	10,672	656	11,328
Revenues from property management and others	3,518	78	3,596
Property management expenses	(3,518)	(78)	(3,596)
Rental property maintenance expenses	(1,916)	(125)	(2,041)
Profit from property rental	8,756	531	9,287
General and administrative expenses			(4,209)
Changes in fair value of investment property, net	66,167	(2,423)	63,744
Financial expenses, net			255
Income before taxes on income			69,077

	Income-generating residential real estate	Income-generating real estate for development	Total
	Euros in thousands		
Year ended December 31, 2020			
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)
Profit from property rental	5,508	582	6,090
General and administrative expenses			(1,960)
Changes in fair value of investment property, net	25,686	(320)	25,366
Financial expenses, net			(2,640)
Income before taxes on income			26,856

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 16:- OPERATING SEGMENTS (Cont.)

	Income-generating residential real estate	Income-generating real estate for development	Total
	Euros in thousands		
Year ended December 31, 2019			
Revenues from property rental	3,644	694	4,338
Revenues from property management and others	1,430	78	1,508
Property management expenses	(1,430)	(78)	(1,508)
Rental property maintenance expenses	(594)	(67)	(661)
Profit from property rental	3,050	627	3,677
General and administrative expenses			(1,779)
Changes in fair value of investment property, net	13,954	8,903	22,857
Financial expenses, net			(1,558)
Income before taxes on income			23,197

c. Operating segment assets and liabilities

Year ended December 31, 2021

	Income-generating residential real estate	Income-generating real estate for development	Total
	Euros in thousands		
Capital investments and acquisitions	125,598	1,023	126,621
As of December 31, 2021			
Segment assets	461,646	33,100	494,746
Unallocated assets			41,483
Segment liabilities	(159,666)	(8,341)	(168,007)
Unallocated liabilities			(26,197)

NOTE 16:- OPERATING SEGMENTS (Cont.)

Year ended December 31, 2020

	Income-generating residential real estate	Income-generating real estate for development	Total
	Euros in thousands		
Capital investments and acquisitions	79,226	260	79,486
As of December 31, 2020			
Segment assets	272,382	34,500	306,882
Unallocated assets			38,912
Segment liabilities	(92,516)	(7,893)	(101,879)
Unallocated liabilities			(12,075)

NOTE 17:- EARNINGS PER SHARE

a. Basic earnings per share

	Year ended December 31,		Year ended December 31,
	2021	2020	2019
	Euros in thousands	Euros in thousands	Euros in thousands
Income for the year attributed to the holders of the parent company	58,832	22,662	19,675
Income used for calculating basic earnings per share	58,832	22,662	16,675
Weighted average number of ordinary shares used to calculate basic earnings per share	16,986,948	13,324,412	8,640,539

NOTE 17:- EARNINGS PER SHARE (Cont.)

b. Diluted earnings per share

	Year ended December 31,		Year ended December 31,
	2021	2020	2019
	Euros in thousands	Euros in thousands	Euros in thousands
Income used for calculating basic earnings per share	58,832	22,662	19,675
Income used for calculating diluted earnings per share	58,832	22,662	16,675
Weighted average number of ordinary shares used to calculate basic earnings per share	16,986,948	13,324,412	8,640,539
Adjustments			
Warrants issued as part of the founders agreement	-	-	50,000
Warrants to employees and investors issued as part of share based payment arrangements	1,175,948	43,418	-
Weighted average number of ordinary shares used to calculate diluted earnings per share	18,694,650	13,367,830	8,690,539

NOTE 18:- OTHER EVENTS IN THE REPORTED PERIOD AND THEREAFTER

Regarding the loan taken after the report period see Note 7(b)4.

From the beginning of 2020, the Corona crisis has befallen the world. The Company monitors the developments in this regard, including the provisions of the German government and examines the impact of the crisis on its business results.

The German government has taken a series of measures that have succeeded in reducing the extent of increase of unemployment rate by adopting a policy of participation in the wages of employees so that businesses were not forced to dismiss or lay off employees.

<u>The Company examined the impact of the Corona crisis in March 2021 until the prospectus date on its operating results as detailed as follows</u>:

- <u>Negligible effect on occupancy rates</u>: total occupancy rate of 97% at the end of January 2022 remained unchanged compared to February 2020 and in fact the Corona crisis in itself had no effect on occupancy rates in the Company's assets.

- <u>Negligible effect on collection rates from tenants</u>: the collection rate during 2020 until December 31, 2021 was over 98% compared to approximately 99% in February 2020.

- <u>There is no deterioration in the new rent level</u> - in the first quarter of 2020, the rate of new rentals amounted to about 16% of the total number of apartments owned by the Company in annual terms, compared to 13% in 2019. During March 2020, the Company performed 16 new rentals (rate of 16% in annual terms), similar to the number of new rentals in January and February 2020 (a total of 46 new leases during the first quarter). In April 2020, the monthly rental rate decreased to 12 new leases (a rate of 12% in annual terms), but during May and June 2020 after restrictions on social distancing were eased up in Germany there was a jump in the monthly rental rate amounting to 22 and 16 new leases in May and June 2020, respectively (a total of 50 leases in the second quarter, a rate of 18% in annual terms). This trend continued also in the third and fourth quarters of 2020, and the first, second, third and fourth quarters of 2021 where 57, 73, 104, 73 and 86 units in new rentals were rented, respectively (a rate of approximately 16%, 19%, 19%, 14%, 15% and 14% of the total units owned by the Company in annual terms, respectively).

- <u>There is no deterioration to rental fee amount in new rentals</u> - during the Corona crisis period from March 1, 2020 until the report signing date, the Company performed 648 new rentals at a rental fee that is 46% - 49% higher, on average, than the previous tenant's rental in the same apartments that were rented, at a difference higher than 44% on average during 2019.

  In view of the foregoing, the effect of the Corona crisis on the Company's residential activity is negligible.

NOTE 18:- OTHER EVENTS IN THE REPORTED PERIOD (Cont.)

- Access to financing sources: since the crisis is not due to a debt crisis in the global banking system (and in Europe) or a state debt crisis, the European banking system enters this crisis after a decade of significant reduction in leverage, reduced exposure to problematic assets and a threefold increase (on average) in the banking capital ratio to risk assets (Core Tier 1), the world's central banks continue to ensure sufficient liquidity for the global banking system and since central banks and governments are taking measures to access and increase bank credit to businesses and companies allowing them to get over the harm from the crisis, the Company does not anticipate harm to its ability to obtain bank financing for purchasing new assets while fixing very low interest rates on the Company's long-term loans (see Note 5g above).

- Financial strength and debt ratios: bank debts in the group are at the asset level at leverage rates lower than 50% with duration of 5-7 year years, where the Company has no outstanding loans and/or for refinancing before the month of May 2023. As of the report date, the LTV (net) ratio is only about 25.3%.

- Liquidity: as of the report signing date, the Company has cash balances in the solo amounting to approximately EUR 102.2 million; It should also be noted that the Company has unpledged assets valued at approximately EUR 34.3 million as of the report signing date. As a result, the Company's liquid balances in the solo as of the report signing date and after completing the financing agreements entered into by the Company as stated in Note 5g(4) above, amount to approximately EUR 136.5 million.

With respect to acquisitions of new assets and the examination of fair value of all investment properties of the Company as of December 31, 2021, see Note 5.

It should be noted that the crisis is an ongoing event and there is no assurance as to whether Germany will continue to cope with the crisis and its ability to reopen the various sectors of the economy in the near future. At the same time and in view of the above, the Company does not recognize a material effect of the Corona crisis on the financing aspects and liquidity situation of the Company and on the Company's ability to finance its operating activities and meet its obligations in the foreseeable future.

Appendix of subsidiaries

Name of entity	Country of incorporation	December 31, 2021 % in equity
ARGO Properties N.V.	The Netherlands	100%
GRT B.V.	The Netherlands	100%
GRT Finco B.V.	The Netherlands	100%
ARGO Residential GmbH & Co. KG	Germany	100%
Dresden Zinshaus B.V.	The Netherlands	100%
Leipzig Zinshaus B.V.	The Netherlands	100%
Dresden Zinshaus II B.V.	The Netherlands	100%
Leipzig Zinshaus II B.V.	The Netherlands	100%
Leipzig Zinshaus II B.V.	The Netherlands	100%
ART Leipzig GmbH	Germany	100%
DGRA B.V.	The Netherlands	100%
ARGO Residential Management GmbH	Germany	100%
Gama A.G.A.F Consulting Ltd.	Israel	100%
Crown Residential GmbH	Germany	(*) 89.9%
Crown Black Estate GmbH	Germany	(*) 89.9%
Crown Blue Estate GmbH	Germany	(*) 89.9%
Crown CapitalInvest Dresden I GmbH	Germany	(*) 89.9%
Crown Donathstr. 7-13 GmbH	Germany	(*) 89.9%
Crown Green Estate GmbH	Germany	(*) 89.9%
Crown Magenta Estate GmbH	Germany	(*) 89.9%
Crown Orange Estate GmbH	Germany	(*) 89.9%
Crown Pink Estate GmbH	Germany	(*) 89.9%
Crown Purple Estate GmbH	Germany	(*) 89.9%
Crown Red Estate GmbH	Germany	(*) 89.9%
Crown Silver Estate GmbH	Germany	(*) 89.9%
Crown Grey Estate GmbH	Germany	(*) 89.9%
Crown Capitalinvest Dresden II GmbH	Germany	(*) 89.9%
Eldenaer Sarl	Luxemburg	100%
Eldenaer Investment GmbH	Germany	(*) 89.9%
Schönow Investment GmbH	Germany	(*) 89.9%
Ladius Investment GmbH	Germany	100%

(*) The rights of the Company and the partner for profit sharing are in accordance with the mechanism set out in the founders agreements of the subsidiaries – see Note 10b(1).