

**ARGO PROPERTIES NV**  
**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF SEPTEMBER 30, 2022**

**UNAUDITED**

**IN THOUSANDS OF EUROS**

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## Auditor Review Report to the Shareholders of Argo Properties NV

### Introduction

We have reviewed the accompanying financial information of Argo Properties NV and its subsidiaries (hereinafter – the Group), which includes the condensed consolidated statement of financial position as of September 30, 2022 and the condensed consolidated statements of profit or loss and other comprehensive income, changes of equity and cash flows for the nine-month and three-month periods ending that date. The Board of Directors and Management are responsible for preparing and presenting financial information for this interim period in accordance with IAS 34, Interim Financial Reporting, and are responsible for preparing financial information for these interim periods in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express our conclusions with regard to the financial information for these interim periods, based on our review.

### Scope of the Review

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

### Conclusion

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

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

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### רואי חשבון

A Firm in the Deloitte Global Network

Tel Aviv, November 17th, 2022

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**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**


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	<u>September 30,</u>		<u>December 31,</u>
	<u>2022</u>	<u>2021</u>	<u>2021</u>
	<u>(Unaudited)</u>		<u>(Audited)</u>
	<u>€ in thousands</u>		
<u>Current Assets</u>			
Cash and cash equivalents	29,465	48,837	35,076
Financial assets	2,458	1,546	-
Accounts receivable	7,226	4,665	7,043
	<u>39,149</u>	<u>55,048</u>	<u>42,119</u>
<u>Non-Current Assets</u>			
Investment properties (*)	649,143	474,839	489,100
Investment properties – building rights (*)	5,671	4,191	4,191
Deferred taxes	359	1,373	819
	<u>655,173</u>	<u>453,403</u>	<u>494,110</u>
	<u>694,322</u>	<u>508,451</u>	<u>536,229</u>

\*reclassified, the company separated the value of the potential buildings rights in its properties.

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

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<u>September 30,</u>	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>	<u>2021</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>	
	<u>€ in thousands</u>		
<u>Current Liabilities</u>			
Current maturities of loans from banks	5,204	3,862	4,142
Accounts payable	9,337	8,520	9,911
	<u>14,541</u>	<u>12,382</u>	<u>14,053</u>
<u>Non-Current Liabilities</u>			
Loans from banks and financial institutions	277,349	144,370	157,746
Other financial liabilities	21	33	24
Deferred taxes	28,061	21,036	22,381
	<u>305,431</u>	<u>165,439</u>	<u>180,151</u>
<u>Equity Attributable to Company Shareholders</u>			
Share capital	181	181	181
Premium on shares	221,012	221,012	221,012
Statutory capital reserve	139,551	98,821	110,652
Share based payment reserve	3,136	1,150	1,650
Retained earnings	10,470	9,466	8,530
Total equity attributable to Company shareholders	<u>374,350</u>	<u>330,630</u>	<u>342,025</u>
<u>Total equity</u>	<u>374,350</u>	<u>330,630</u>	<u>342,025</u>
	<u>694,332</u>	<u>508,451</u>	<u>536,229</u>

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

<u>November 17th, 2022</u>			
Date of approval of the financial statements	Ofir Rahamim Joint CEO	Guy Priel CFO	Ron Tira Chairman

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

	Nine months ended September 30,		Three months ended September 30		Year ended December 31
	2022	2021	2022	2021	2021
	Unaudited				Audited
	€ in thousands				
Revenues from rental of properties	11,963	8,027	4,337	2,981	11,328
Revenues from property management and others	4,429	2,803	1,416	973	3,596
Property management expenses	(4,429)	(2,803)	(1,416)	(973)	(3,596)
Cost of maintenance of rental properties	(2,451)	(1,312)	(852)	(486)	(2,041)
Profit from property rental and management, net	9,512	6,715	3,485	2,495	9,287
General and administrative expenses	(4,170)	(2,674)	(1,436)	(1,347)	(4,209)
Operating profit before changes in fair value of investment property, net	5,342	4,041	2,049	1,148	5,078
Changes in fair value of investment property, net	34,332	51,344	4,760	18,142	63,744
Operating profit	39,674	55,385	6,809	19,290	68,822
Financial expenses	(3,929)	(1,423)	(1,460)	(526)	(2,080)
Change in fair value of financial assets and exchange rate differences, net	1,188	2,330	851	(178)	2,335
	(2,741)	907	(609)	(704)	(255)
Income before taxes on income	36,933	56,292	6,200	18,586	69,077
Taxes on income	(6,094)	(8,355)	(893)	(3,033)	(10,245)
Net income attributable to equity holders of the Company	30,839	47,637	5,307	15,553	58,832
Basic earnings per share	1.7	2.89	0.29	0.85	3.46
Diluted earnings per share	1.66	2.72	0.32	0.76	3.15

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

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

## Nine months ended September 30, 2022 (unaudited)

## Equity Attributable to Company Shareholders

	Share Capital	Premium on shares	Statutory capital reserve (1)	Share based payment reserve	Retained earnings	Total equity attributable to Company shareholders
<u>Balance as of January 1, 2022</u>	181	221,012	110,652	1,650	8,530	342,025
Total net and comprehensive income	-	-	-	-	30,839	30,839
Classification in accordance with Dutch law	-	-	28,899	-	(28,899)	-
Cost of share based payment	-	-	-	1,486	-	1,486
<u>Balance as of September 30, 2022 (unaudited)</u>	<u>181</u>	<u>221,012</u>	<u>139,551</u>	<u>3,136</u>	<u>10,470</u>	<u>374,350</u>

## Nine months ended September 30, 2021 (unaudited)

## Equity Attributable to Company Shareholders

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

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

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

## Three months ended September 30, 2022 (unaudited)

## Equity Attributable to Company Shareholders

	Share Capital	Premium on shares	Statutory capital reserve (1)	Share based payment reserve	Retained earnings	Total equity attributable to Company shareholders
<u>Balance as of July 1, 2022</u>	181	221,012	135,544	2,635	9,170	368,542
Total net and comprehensive income	-	-	-	-	5,307	5,307
Classification in accordance with Dutch law	-	-	4,007	-	(4,007)	-
Cost of share based payment	-	-	-	501	-	501
<u>Balance as of September 30, 2022 (unaudited)</u>	<u>181</u>	<u>221,012</u>	<u>139,551</u>	<u>3,136</u>	<u>10,470</u>	<u>374,350</u>

## Three months ended September 30, 2021 (unaudited)

## Equity Attributable to Company Shareholders

	Share Capital	Premium on shares	Statutory capital reserve (1)	Share based payment reserve	Retained earnings	Total equity attributable to Company shareholders
<u>Balance as of July 1, 2021</u>	181	221,012	83,604	649	9,130	314,576
Total net and comprehensive income	-	-	-	-	15,553	15,553
Classification in accordance with Dutch law	-	-	15,217	-	(15,217)	-
Cost of share based payment	-	-	-	501	-	501
<u>Balance as of September 30, 2021 (unaudited)</u>	<u>181</u>	<u>221,012</u>	<u>98,821</u>	<u>1,150</u>	<u>9,466</u>	<u>330,630</u>

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

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

**Year ended December 31, 2021 (Audited)**  
**Equity Attributable to Company Shareholders**

	<b>Share Capital</b>	<b>Share premium</b>	<b>Statutory capital reserve (1)</b>	<b>Share based payment reserve</b>	<b>Retained earnings</b>	<b>Total equity attributable to Company shareholders</b>
<u>Balance as of January 1, 2021</u>	151	171,076	55,602	263	4,748	231,840
Issuance of share capital, net	30	49,936	-	-	-	49,966
Total 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
<u>Balance as of December 31, 2021</u>	<u>181</u>	<u>221,012</u>	<u>110,652</u>	<u>1,650</u>	<u>8,530</u>	<u>342,025</u>

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



**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Nine months ended September 30,		Three months ended September 30		Year ended December 31
	2022	2021	2022	2021	2021
	Unaudited				Audited
	€ in thousands				
<u>Cash flows from operating activities:</u>					
Net income	30,839	47,937	5,307	15,553	58,832
Adjustments required to present net cash provided by operating activities:					
<u>Adjustments to profit or loss:</u>					
Finance expenses, net	2,717	(907)	609	704	(265)
Changes in fair value of investment property, net	(34,332)	(51,344)	(4,760)	(18,142)	(63,744)
Cost of share based payment	1,486	887	501	501	1,387
Deferred taxes, net	6,140	8,561	860	3,219	10,460
Cash flows from operating activities before changes in asset and liability items	6,850	5,134	2,517	1,835	6,670
<u>Changes in assets and liabilities items:</u>					
Balances of restricted deposits and other receivables	(774)	390	(232)	5	910
Increase in accounts payable	(114)	(422)	246	278	(133)
Net cash flows provided by operating activities	5,962	5,102	2,531	2,118	7,447
<u>Cash flows from investing activities:</u>					
Purchase of investment property	(126,798)	(91,330)	(43,859)	(32,057)	(117,591)
Additions in respect of investment property	(2,548)	(1,871)	(797)	(647)	(2,991)
Loans to employees	-	366	-	-	366
Realization of financial assets	1,850	-	-	-	1,640
Placement of restricted deposits and prepaid transaction costs, net	705	264	76	(610)	(3,112)
Net cash used in investing activities	(126,791)	(92,571)	(44,580)	(33,314)	(121,688)

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

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Nine months ended September 30,		Three months ended September 30		Year ended December 31
	2022	2021	2022	2021	2021
	Unaudited				Audited
	€ in thousands				
<u>Cash flows from financing activities:</u>					
Interest paid	(2,021)	(1,286)	(705)	(536)	(1,762)
Receipt of long-term loans, net	146,062	52,797	20,211	9,940	67,375
Repayment of long-term loans and related costs	(28,623)	(4,197)	(1,264)	(2,590)	(5,228)
Increase in accounts payable	-	-	-	-	-
Issuance of shares, net	-	50,871	-	-	50,871
Net cash provided by financing activities	115,418	98,185	18,242	6,814	111,256
Change in cash and cash equivalents	(5,411)	10,716	(23,807)	(24,382)	(2,985)
Effect of changes in exchange rates on cash balances held in foreign currency	(200)	1,830	447	161	1,770
Balance of cash and cash equivalents at the beginning of the period	35,076	36,291	52,825	73,058	36,291
Balance of cash and cash equivalents at the end of the period	29,465	48,837	29,465	48,837	35,076
 (a) <u>Non cash transactions</u>					
Acquisition of investment properties (excluding transaction costs)	-	-	-	-	(1,690)
Payables in respect of investing activities	(2,157)	5,246	(2,258)	579	4,369

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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**Note 1: - General**

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. In May 2021, the Company issued shares under an IPO in Israel.

These financial statements have been prepared in a condensed format as of September 30, 2022 and for the nine-month and three-month periods then ended (hereinafter – the Consolidated Interim Financial Statements). These statements should be read in conjunction with the annual financial statements as of December 31, 2021 and for the year then ended and the accompanying notes (the consolidated annual financial statements).

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

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

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

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

## a. Financial instruments not measured at fair value

Management has estimated that the balance of cash, short term deposits, trade receivables, trade payables, overdrafts, other current liabilities and bank loans that bears variable interest presented at amortized cost approximates their fair value. Loans that bear fix interest rate are presented at amortized cost, their fair value is lower by approximately EUR 27.9M than the balance of the fix interest bearing loans.

## b. Financial instruments measured at fair value

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

	Carrying value			Fair value		
	September 30		December 31	September 30		December 31
	2022	2021	2021	2022	2021	2021
	<b>EUR in thousands</b>					
Financial derivatives	2,458	1,546	-	2,458	1,546	-
Financial liabilities	(21)	(34)	-	(21)	(34)	24
	<u>2,437</u>	<u>1,512</u>	<u>-</u>	<u>2,437</u>	<u>1,512</u>	<u>24</u>

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

- The fair value of interest swap contracts (SWAP) and currency transactions (FORWARD) is based on calculating the present value of the estimated future cash flows using Euribor observable return curves. The fair value of loans that bear fix interest rate is based on the NPV of the scheduled cash flow from the instruments capitalized in the interest market rate as of balance sheet date.

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

For description of the Company's operating segments see note 16 of the consolidated financial statements as of December 31, 2021.

	<b>Income- generating residential real estate</b>	<b>Income- generating real estate for development</b>	<b>Total</b>
	<b>Euros in thousands</b>		
<b>For the period of nine months ended September 30, 2022 (unaudited)</b>			
Revenues from property rental	11,443	520	11,963
Revenues from property management and others	4,168	61	4,229
Property management expenses	(4,168)	(61)	(4,229)
Rental property maintenance expenses	(2,375)	(76)	(2,451)
Gross profit	<u>9,068</u>	<u>444</u>	9,512
General and administrative expenses			(4,170)
Changes in fair value of investment property, net	<u>34,525</u>	<u>(193)</u>	34,332
Financial expenses, net			<u>(2,741)</u>
Income before taxes on income			<u><u>36,393</u></u>

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

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**


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**Note 4: - Operating Segments (Cont.)**

	<b>Income- generating residential real estate</b>	<b>Income- generating real estate for development</b>	<b>Total</b>
	<b>Euros in thousands</b>		
<b>For the period of three months ended September 30, 2022 (unaudited)</b>			
Revenues from property rental	4,154	183	4,337
Revenues from property management and others	1,196	20	1,416
Property management expenses	(1,196)	(20)	(1,416)
Rental property maintenance expenses	(839)	(13)	(852)
Gross profit	<u>3,315</u>	<u>170</u>	3,485
General and administrative expenses			(1,436)
Changes in fair value of investment property, net	<u>4,859</u>	<u>(99)</u>	4,760
Financial expenses, net			<u>(609)</u>
Income before taxes on income			<u>6,200</u>

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

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**


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**Note 4: - Operating Segments (Cont.)**

	<b>Income- generating residential real estate</b>	<b>Income- generating real estate for development</b>	<b>Total</b>
	<b>Euros in thousands</b>		
<b>Year ended December 31, 2021</b>			
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	<u>(1,916)</u>	<u>(125)</u>	<u>(2,041)</u>
Profit from property rental	<u>8,756</u>	<u>531</u>	9,287
General and administrative expenses			(4,209)
Changes in fair value of investment property, net	<u>66,167</u>	<u>(2,423)</u>	63,744
Financial expenses, net			<u>255</u>
Income before taxes on income			<u><u>69,077</u></u>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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### Note 5: MATERIAL EVENTS IN THE REPORTED PERIOD AND THEREAFTER

- a. In the period, the Company completed the purchase of 714 apartments in 63 assets for a total consideration of EUR 125,643 thousand. In addition, the Company engaged in additional transactions (including agreements after the report date) for the purchase of 345 apartments in a total consideration of EUR 57,930 thousand, of which the Company completed after the report date, the purchase of 28 apartments in a total consideration of EUR 4,079 thousand.
  
- b. In the fourth quarter of 2021, the Company (via its subsidiaries) 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.
  
- c. 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 (if drawn down) 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. For further details, see Note 5(g)(2) to the Company's annual financial statements. Out of the framework, as of the report signing date, the Company (via its subsidiaries) entered into 5 non-recourse loan agreements:
  - A. 2 loans agreements in the amount of EUR 4 million and EUR 4.7 million bearing fixed interest rate of 1.55% and 1.6% per annum, respectively, and their final repayment date was set to March 2027. The loans were drawn down fully on April 29, 2022.
  
  - B. A loan agreement for a period of 5 years amounting to EUR 10 million, bearing variable interest on the basis of 6-month Euribor plus 1.3% per annum subject to an interest rate ceiling (CAP) of 2.8% per annum. The Euribor rate is subject to interest floor rate of 0%. The loan was drawn down during August 2022.
  
  - C. 2 loan agreements for a period of 5 years amounting to EUR 10.5 million, bearing variable interest on the basis of 3-month Euribor plus 1.29% per annum. The Euribor is subject to an interest floor rate of 0%. The loan was drawn down on September 1, 2022.
  
- d. In the fourth quarter of 2021, the Company (via its subsidiaries) entered into an MOU following which a loan agreement was signed in January 2022 and on February 15, 2022 completed a refinancing process for fixed-rate loans taken as part of the acquisition of a portfolio of residential properties which includes 404 residential units in 39 buildings in Leipzig, Dresden and Magdeburg purchased in various transactions in 2018 and 2019, and as part of the refinancing, the Company replaced loans in the amount of EUR 23.9 million with a new loan in the amount of EUR 40 million (an increase of 42%) for a period of 5 years. The loans are of non-recourse type bearing fixed interest rate of 2.09% per annum. The loan is subject to meeting the following financial covenants: maximum LTV ratio of 75% (as of the reporting day this ratio is 50%) and the return on debt ratio (80% of the total annual rental income divided by the loan amount) of above 3.5% (as of the reporting day, this ratio is approximately 5.1%).
  
- e. In the first quarter of 2022, the Company (via its subsidiaries) entered into two non-recourse loan agreements with a German bank, for a period of 5 years totaling EUR 10.5 million, the loans are bearing fixed interest rate of 1.29% per annum. The loans were drawn down fully during April 2022.



**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****Note 5: MATERIAL EVENTS IN THE REPORTED PERIOD AND THEREAFTER (Cont.)**

- f. 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 for a period of 18 years. The loan principal is due in one installment at the end of the loan period (Bullet). The Company may carry out early repayment of the loan at no additional cost, on December 31, 2028, 2031, 2034 and 2037.

The loan bears:

1. Fixed annual interest rate of 3.69% per annum ("the basic interest rate"). The basic interest rate will be added 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.
2. Additional interest so that at the end of each interest period the interest rate will increase by 50% of Company's equity increase rate ("additional interest").
3. Additional payment, in addition to the basic interest rate and the additional interest rate, if the cumulative equity increase (in percent) on the final repayment date is 100% or more, an additional one-time payment equal to EUR 3.6 million will be paid to the lender on the final repayment date.

The loan is subject to the following financial covenants: net debt ratio to CPA net (as defined in the loan agreement) is lower than 75% (34% as of the report date) and the value of a single asset is lower than 15% of the value of the Company's real estate assets in the consolidated (5% as of the report signing date). The loan is secured by a negative lien on its assets (other than real estate), a change of control stipulation, various powers and 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 fully on January 20, 2022.

- g. During September 2022, the Company (via its subsidiaries) entered into two non-recourse loan agreements with a German bank for a period of 5 years in a total amount of EUR 9 million, bearing a variable interest rate based on 3-month Euribor rate plus a margin of 1.2 % per year. As part of taking out the loan, the Company entered into CAP type agreements to fix a maximum interest ceiling for the 3 month Euribor at the rate of 2% per year in return for EUR 565 million and it was determined that the Euribor rate is subject to an interest floor rate of 0%. The loans were drawn down on October 31, 2022.
- h. During September 2022, the Company (via its subsidiaries) entered into three non-recourse loan agreements with a German bank for a period of 5 years in a total amount of EUR 17.9 million, bearing a variable interest rate based on 3-month Euribor rate plus a weighted margin (for the three loans) of 1.25% per year. As part of taking out the loan, the Company is expected to enter into CAP type agreements to fix a maximum CAP rates of 2%-2.2%, and it was determined that the Euribor rate is subject to an interest floor rate of 0%. It is expected that the loans will be drawn down in November 2022.

During October 2022, the Company (via its subsidiaries) entered into two MOUs with a German bank regarding non-recourse loan agreements, for a period of 5 years in a total amount of EUR

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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20 million, bearing a variable interest rate based on 3-month Euribor plus a margin of 1.19% per year. The Company is considering an agreement to fix the interest ceiling and is expected to sign the loan documents and draw down the funds of the loans in the fourth quarter of 2022 and the first quarter of 2023, respectively.

- i. During October 2022, the Company agreed with two German financial institutions (hereinafter: "the banks") on refinancing in the total amount of approximately EUR 77 million, embodying an LTV of approximately 46% (on the value of the pledged assets in the Company's books), in such a way that the balance of five existing loans in a total amount of approximately EUR 56 million (hereinafter: "the existing loans"), taken by subsidiaries of the Company between 2019 and 2020 from the same banks, will be increased by 21 EUR million (hereinafter: "the new loans").

The existing loans bear a fixed annual interest rate (weighted) of approximately 0.99%, are due in 2025-2027, and are secured by first-ranking liens on the full rights of the subsidiaries in 81 buildings comprising 878 units (in a total area of 56,462 sq.m) in the cities of Leipzig, Dresden and Magdeburg in Germany, whose aggregate value in the Company's books is EUR 169 million (as of the date of the report) (hereinafter and respectively: "the asset companies" and "the assets", as the case may be).

It is indicated that the new loans will be provided to the asset companies subject to meeting several conditions including – approval of the banks' credit committees and loan document preparation to the satisfaction of the banks and the terms of the existing loans will remain unchanged until their maturity date.

The new loans totaling approximately EUR 21 million will be provided (if and as binding loan agreements are signed as mentioned above) for a period of 5 years, with a variable annual interest rate plus a margin of approximately 1.2% to 1.3% above the base interest rate to be determined, with an annual principal repayment at the rate of approximately 2% to approximately 2.2% of the amount of the new loans. At the final payment date, the balance of the principal that has not yet been paid will be paid.

The new loans will be secured, among other things, by first-ranking liens on the asset companies' rights in the properties. As of the signing date, the company engaged in MOU with one Bank for loan balance of EUR 17M., which have been approved by the credit committee of the bank.

The refinancing is made possible as a result of an improvement of approximately 30% in rental in these assets that were purchased and financed for the first time by the aforementioned banks in the second half of 2019 and in the first half of 2020 – from an annual rental of approximately EUR 3.9 million at the time of taking the existing loans to approximately EUR 5.1 million as of the date of the report.