ARGO Properties N.V.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2022

ARGO Properties N.V.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2022

IN THOUSANDS OF EUROS

INDEX

- - - - - - - - - - - -

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, 2022 and 2021 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, 2022. 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, 2022 and 2021 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, 2022, 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, March 16, 2023

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31, 2022 Euros in thousands	December 31, 2021 Euros in thousands
CURRENT ASSETS:			
Cash and cash equivalents	3	27,352	35,076
Bank deposit	4	10,000	
Financial assets	12a	2,111	-
Accounts receivable (*)	4	5,970	* 1,505
		45,433	36,581
NON-CURRENT ASSETS:			
Investment property (*)	5	654,683	*489,100
Investment property – construction rights (*)	5	8,897	* 4,191
Accounts receivable (*)	4	2,518	* 5,538
Deferred taxes	9	-	819
		666,098	499,648
		711,531	536,229
CURRENT LIABILITIES:			
Current maturities of loans from banks	7	12,398	4,142
Accounts payable	6	6,794	9,911
		19,192	14,053
NON-CURRENT LIABILITIES:			
Loans from banks and financial institutions	7	294,344	157,746
Other financial liabilities	8	-	24
Deferred taxes	9	26,708	22,381
		321,052	180,151
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:			
Share capital	11	181	181
Share premium		221,012	221,012
Statutory capital reserve	11e	131,727	110,652
Share based payment capital reserve	11c	3,637	1,650
Retained earnings		14,730	8,530
Total equity attributable to equity holders of the company		371,287	342,025
		711,531	536,229

*) Reclassified – the Company split the fair value of potential construction rights and presented advances for the purchase of real estate as non-current assets.

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

March 16, 2023			
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, 2022 Euros in thousands	Year ended December 31, 2021 Euros in thousands	Year ended December 31 2020 Euros in thousands
Revenues from rental of properties		16,600	11,328	7,258
Revenues from property management and others		6,095	3,596	2,486
Property management expenses		(6,095)	(3,596)	(2,486)
Cost of maintenance of rental properties		(3,261)	(2,041)	(1,168)
Profit from property rental		13,339	9,287	6,090
General and administrative expenses	13a	(5,653)	(4,209)	(1,960)
Operating income before changes in fair value of investment property, net		7,686	5,078	4,130
Changes in fair value of investment property, net	5	27,022	63,744	25,366
Operating income		34,708	68,822	29,496
Finance expenses	13b	(5,523)	(2,080)	(1,252)
Change in fair value of financial assets and exchange rate differences	8	3,215	2,335	(1,388)
Income before taxes on income		32,400	69,077	26,856
Taxes on income	9	(5,125)	(10,245)	(4,194)
Net and comprehensive income attributable to equity holders of the Company		27,275	58,832	22,662
Basic earnings per share	17	1.51	3.46	1.70
Diluted earnings per share		1.47	3.15	1.69

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Year ended December 31, 2022					
	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, 2022	181	221,012	110,652	1,650	8,530	342,025
Net and comprehensive income	-	-	-	-	27,275	27,275
Classification in accordance with Dutch law	-	-	21,075	-	(21,075)	-
Cost of share based payment	-	-	-	1,987	-	1,987
Balance as of December 31, 2022	181	221,012	131,727	3,637	14,730	371,287

	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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31, 2022	Year ended December 31, 2021	Year ended December 31 2020
	Euros in thousands	Euros in thousands	Euros in thousands
Cash flows from operating activities:			
Net income	27,275	58,832	22,662
Adjustments to reconcile net income to net cash provided by operating activities:			
Adjustments to profit and loss:			
Finance expenses, net	2,308	(265)	2,712
Changes in fair value of investment property, net	(27,022)	(63,744)	(25,366)
Cost of share based payment	1,987	1,387	263
Deferred taxes, net	5,146	10,460	4,246
Cash flows from operating activities before changes in asset and liability items	9,694	6,670	4,517
Changes in operating asset and liability items:			
Accounts receivable	(1,098)	910	327
Increase in accounts payable	246	(133)	149
Net cash provided by operating activities	8,842	7,447	4,993
Cash flows from investing activities:			
Purchase of investment property	(143,371)	(117,591)	(80,752)
Additions in respect of investment property	(3,714)	(2,991)	(1,971)
Loans to employees	-	366	(350)
Realization (purchase) of financial assets	1,850	1,640	-
Depositing restricted deposits and prepaid transaction costs, net	(10,234)	(3,112)	(3,758)
Net cash used in investing activities	(155,469)	(121,688)	(86,831)
Cash flows from financing activities:			
Interest paid	(4,762)	(1,762)	(1,210)
Receipt of long-term loans, net	130,657	64,675	43,410
Repayment of long-term loans	(4,871)	(3,523)	(2,167)
Receipt of long term loans under refinancing	45,000	2,700	12,500
Repayment of long term loans under refinancing	(25,001)	(1,705)	-
Purchase of interest cap fixing transactions (CAP)	(1,728)	-	-
Issuance of shares, net	-	50,871	42,491
Net cash provided by financing activities	139,295	111,256	95,024

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31, 2022 Euros in thousands	Year ended December 31, 2021 Euros in thousands	Year ended December 31 2020 Euros in thousands
Change in cash and cash equivalents	(7,332)	(2,985)	13,186
Effect of changes in exchange rates	(392)	1,770	-
Balance of cash and cash equivalents at the beginning of the Period	35,076	36,291	23,105
Balance of cash and cash equivalents at the end of the year	27,352	35,076	36,291
(a) Non cash activities			
Purchase of real estate (*)	362	1,690	-
Payables in respect of investing activities	(3,902)	4,369	358

(*) 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 residential real estate and income-generating development real estate.

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

b. Definitions

In these financial statements -

The Company	-	ARGO Properties N.V. or its subsidiaries
The Group	-	ARGO Properties N.V. and its subsidiaries
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 purchase of an asset company, the group exercises discretion in examining whether it is a purchase of a business or an asset, for the purpose of determining the accounting treatment of the transaction. In examining whether an asset company constitutes a business, the group examines, among other things, the nature of the existing processes purchased in the asset company, including the scope and nature of management, security, cleaning and maintenance services provided to tenants. In transactions where the acquiree company is a business, the transaction is treated as a business combination. On the other hand, in transactions where the acquiree company is not a business, the purchase cost, which includes transaction costs, is allocated proportionally to the identified assets and liabilities purchased, based on their relative fair value at the time of purchase. In this case, goodwill is not recognized and deferred taxes are not recognized for the temporary difference existing at the time of purchase. The company can choose to conduct the concentration test in order to determine whether or not the acquisition constitutes a business combination. According to this test, if substantially all of the fair value of the gross assets purchased is attributed to a single identified asset or to a group of similar identified assets, then the acquisition will not be treated as a business combination. If the test does not take place (or the company chose not to apply it) - the usual test will be conducted as to whether it is a business as detailed above.

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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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.

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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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).

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

- Group of annual improvements to IFRS 2018-2020 standards

- Amendment to 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 on behalf of the other.

The amendment is applied to financial liabilities that have been amended or replaced on January 1, 2022 or after. There was no material impact on the company's financial statements.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

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

  In 2020, the IASB issued an amendment to IAS 1regarding the classification of liabilities as current or non-current (Amendment 2020). 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.

  In addition, 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.

  In October 2022, another amendment was published regarding the classification of liabilities with financial covenants (Amendment 2022) which clarified that only financial covenants which the entity is required to meet at the end of the reporting period or before it, affect the entity's right to postpone the settlement of a liability for at least 12 months after a period of the report, even if compliance with them is actually examined after the reporting period.

  Amendment 2022 states that if the entity's right to postpone the settlement of the liability is subject to the entity meeting financial covenants within 12 months after the reporting period, the entity is required to provide a disclosure that will allow the users of the financial statements to understand the risk inherent therein.

  The other amendments published as part of 2020 Amendment remain in force. The application date of Amendment 2020 and Amendment 2022 is set for annual reporting periods beginning on or after January 1, 2024. Early application is permitted provided that both amendments are carried out at the same time.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

Amendment to IAS 1 "Presentation of financial statements" (regarding disclosure regarding accounting policies)

The amendment replaces the term "significant accounting policies" with "material information regarding accounting policies". Information about accounting policies is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence the decisions that the primary users of the financial statements make for general purposes on the basis of those financial statements.

In addition, the amendment clarifies that information regarding accounting policies that refer to transactions, events or other conditions that are not material, is not material and does not need to be disclosed. Information about an accounting policies may be material because of the nature of the transactions, events or other conditions related to it, even if the amounts are immaterial. However, not all information regarding the accounting policies relating to material transactions, events or other conditions is in itself material.

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

Amendment to IAS 8, "Accounting Policies, Changes to Accounting Estimates and Errors" (regarding the definition of accounting estimates)

The definition of "change in accounting estimate" was replaced by the definition of "accounting estimates". Accounting estimates according to the new definition are "monetary amounts in financial statements that are subject to measurement uncertainty".

The amendment clarifies that a change in an accounting estimate resulting from new information or new developments is not a correction of an error. In addition, the effects of a change in a figure or measurement technique used to develop an accounting estimate constitute a change in accounting estimates if those changes do not result from the correction of errors in a prior period.

The Amendment is to be applied prospectively for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

NOTE 3:- CASH AND CASH EQUIVALENTS

	December 31, 2022	December 31, 2021
	Euros in thousands	Euros in thousands
Cash on hand	14,765	18,371
Short-term deposits (1)	12,587	16,705
	27,352	35,076

(1) As of December 31, 2022, includes deposits of € 12,000 thousand bearing an annual average weighted interest of 2.76% and a deposit of € 581 thousand denominated in NIS bearing an annual interest rate of prime minus 3.75% .

NOTE 4:- ACCOUNTS RECEIVABLE

	December 31, 2022	December 31, 2021
	Euros in thousands	Euros in thousands
Restricted bank accounts (*)	5,058	1,770
Tenants, net	306	(523)
Prepaid expenses	342	157
Accounts receivable and debit balances	264	101
	5,970	1,505

(*) From this amount, a balance of EUR 1,150 thousand bears interest at the ESTR rate (as of the date of the report 1.9% per year). As of December 31, 2022, the Company has a deposit in a banking corporation in the amount of EUR 10 million deposited for a period of one year, denominated in EUR, the repayment date of which is July 6, 2023, bearing an annual interest rate of 1.5%.

NOTE 5:- INVESTMENT PROPERTY

a. Composition and movement

	Year ended December 31,	
	2022	2021
	Euros in thousands	Euros in thousands
Income generating residential real estate – level 3:		
Balance at the beginning of the period/year	460,191	267,576
Purchases and additions during the year (**)	142,912	125,594
Increase in fair value	39,412	67,254
Decrease in fair value	(7,835)	(233)
Balance at the end of the year (*)	634,680	460,191
Income generating commercial real estate – level 3:		
Balance at the beginning of the period/year	33,100	34,500
Purchases and additions during the year	267	1,023
Increase in fair value	-	700
Decrease in fair value	(4,467)	(3,123)
Balance at the end of the year	28,900	33,100
	663,580	493,291

(*) As of December 31, 2022, the Company has 8,564 square meters of construction rights reflecting an average value of € 1,038 per meter.

(**) As of December 31, 2022, a total of € 2,299 thousand represents advances in respect of a purchase of investment property the completion of which was carried out on January 1, 2023.

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

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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,	
	2022	2021
Discount rate (%) (*)	4.14%	3.85%
Cap Rate for the first 10 years	1.79%	1.55%
Long-term CAP rate (*)	1.06%	0.8%
Long-term vacancy rate (%)	1.63%	2.4%
Representative monthly rental fees per sq. m. (in Euros)	10.2	9.81
Income generating real estate under development (**)		
Monthly rental fees for offices (EUR) per sq. m upon project completion	25.45	24.5
Construction cost per sq.m (EUR)	2,508	2,128
Unrecoverable costs upon completion	6.29%	6.38%
Cap Rate on revenues	3.8%	3.6%
Developer's profit, transaction costs and others	35%	35%

(*) 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 long term growth rate 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, 2022 and 2021, at € 20,780 thousand and € 24,109 thousand, respectively ;

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, 2022	December 31, 2021
	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	(38,917)	(31,202)
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	44,001	35,617
Increase of 5% in representative rental fees per square meter	33,753	25,217
Decrease of 5% in representative rental fees per square meter	(33,753)	(25,217)

e. Regarding charges see Note 10.

f. Income from future minimal rental fees:

The Company owns an income generating residential real estate where all of its lease agreements are shorter than one year. As of December 31, 2022, the Company has lease agreements in the residential segment based on the current occupancy level reflecting an annual rental income of € 18.7 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 0.7 million.

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

December 31, 2022

	Euros in thousands
First year	700
Second year	658
Third year	634
Fourth year	623
Fifth year	392
Sixth year and thereafter	1,221
	4,228

NOTE 5:- INVESTMENT PROPERTY (Cont.)

g. Purchases of investment property and entering into finance agreements in 2021-2022:

a. In 2021, the Company completed (through 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 after the report date for 2021 in a total consideration of EUR 13 million.

b. During 2021, the Company entered into several non-recourse loan agreements with various German banks (other than the loan described in c. above) in a total amount of EUR 43.4 million for 5-7 years. The loans bear fixed annual interest rate at a rate of 1.14%. The loans were drawn down in 2021 and 2022.

c. In the third quarter of 2021, the Company, through sub-subsidiaries 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.

a. In 2022, the Company completed through subsidiaries the purchase of 806 apartments in 74 assets for a total consideration of EUR 141,486 thousand. In addition, the Company entered into additional transactions (including agreements after the report date) for the purchase of 307 apartments in a total consideration of EUR 45,718 thousand of which the Company completed the purchase of 32 apartments after the report date in a total consideration of EUR 5,327 thousand.

b. In 2022, the Company through several sub-subsidiaries entered into non-recourse loan agreements with several German banks (other than sections c-XX above) for 5-6 years according to the following conditions:

- Loans totaling EUR19.2 million bearing fixed interest at a weighted annual rate of 1.42%.
- Loans totaling EUR 47.4 million bearing variable interest based on the Eurobor rate for a period of 3 or 6 months plus a weighted margin of 1.26%, while in relation to the total of EUR 36.9 million the Eurobor rate is subject to an interest rate cap (CAP) at rates between 2%-2.8%, The cost of the CAP agreements amounted to a total of EUR 1.7 million.

The drawing down of the loans, apart from a total of EUR 2 million which was expected during 2023, was carried out during 2022.

NOTE 5:- INVESTMENT PROPERTY (Cont.)

c. In January 2022, the Company's sub-subsidiaries entered into a loan agreement, and on February 15, 2022, a refinancing process was completed for fixed interest loans taken as part of the purchase of a portfolio of residential properties that includes 404 units in 39 buildings in Leipzig, Dresden and Magdeburg that were acquired in various transactions during 2018 and 2019. As part of the refinancing, the Company replaced loans in the amount of approximately EUR 23.9 million with a new loan in the amount of approximately EUR 40 million (an increase of 42%) for a period of 5 years. The loans are non-recourse bearing a fixed annual interest rate of 2.09% per year. The loan is subject to compliance with financial covenants as follows: a maximum LTV ratio of 75% (as of the date of signing the report, this ratio is approximately 50.8%), and a debt yield ratio (80% of the total annual rental income divided by the loan amount) over 3.5% (as of the date of the report this ratio is about 5%).

d. On January 18, 2022, the Company entered into a loan agreement denominated in NIS with a third party, which is an Israeli institutional entity in the total amount of EUR 60 million for a period of 18 years. The loan principal is to be repaid in one payment at the end of the loan period ("bullet"). The Company has the option of early repayment of the loan, without additional costs, 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 CAP net (as defined in the loan agreement) is lower than 75% (42.4% 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 (3.6% 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.

NOTE 5:- INVESTMENT PROPERTY (Cont.)

e. During December 2022, the Company's sub- subsidiaries entered into two non-recourse loan agreements with a German banking corporation, for a period of 5 years in a total amount of EUR 20 million, bearing variable interest based on the Eurobor for 3 months plus a margin of 1.19%. The Company will enter into an agreement to fix the interest cap and is expected to draw down the loan funds during the first quarter of 2023.

f. During October 2022, the Company agreed with two German financial institutions (hereinafter: "the banks") on refinancing in the total amount of approximately EUR 79 million, which embodies an LTV of approximately 47.2% (on the value of the pledged assets in the Company's books), such that the balance of the five existing loans in a total amount of approximately EUR 56 million (hereinafter: "the existing loans"), which were taken by subsidiaries of the Company between 2019 and 2020 from the same banks, will be increased by EUR 23 million (hereinafter: the "new loans").

   The existing loans bear a fixed annual interest at a (weighted) rate 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 (with a total area of 56,462 square meters) in the cities of Leipzig, Dresden and Magdeburg in Germany, the aggregate value of which in the Company's books is EUR 167.2 million (as of the date of the report) (below and respectively: "the asset companies" and "the assets", as the case may be).

   The refinancing is made possible as a result of an improvement of the rental fees in these assets on the initial financing by the aforementioned banks on or about their purchase by the Company in the second half of 2019 and in the first half of 2020 as of the date of the loans' underwriting. It is clarified that the refinancing is done by taking new loans that are added to the existing loans without any change in their terms ("TOP UP").

As a result:

- In November 2022, the Company, through sub-subsidiaries, entered into two additional loan agreements with German banking corporations for non-recourse type loans in a total amount of EUR 12.7 million for a period of 5 years. The loans bear variable interest based on the Eurobor rate for 3 months plus a margin of 1.29% per year. The Company entered into agreements to fix the Eurobor rate to a maximum of 2.5% for a total consideration of EUR 505 thousand. An amount of EUR 5 million of the total loans was drawn down in December 2022, the remaining amount of EUR 7.7 million of the loan funds was drawn down in January 2023. In accordance with the loan agreement between the Company and the bank, the Company estimates that during 2023 it will be able to draw down about EUR 4 million subject to continued improvement in the operational parameters.

- In December 2022, the Company, through subsidiaries, entered into three additional loan agreements with German banking corporation for non-recourse type loans in a total amount of EUR 6.55 million for a period of 5 years. The loans bear variable interest based on the Eurobor rate for 3 months plus a weighted margin of 1.51% per year. The drawing down of the loans was carried out during March 2023. Upon drawing down the loans the Company entered into agreements to fix the Euribor rate cap to a maximum level of 3% in return for EUR 216 thousand.

NOTE 6:- ACCOUNTS PAYABLE

Composition:

	December 31, 2022	December 31, 2021
	Euros in thousands	Euros in thousands
Property seller and related transaction costs (*)	-	1,690
Expenses payable	1,950	5,039
Agreement with a partner (**)	326	248
Interest payable	289	29
Trade payables	836	571
Deposits from tenants	2,506	1,581
Provision for vacation and sick leave	887	753
	6,794	9,911

(*) 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.

(**) see Note 10b(1)

NOTE 7:- LOANS FROM BANKS

a. Composition

	Weighted interest rate as of December 31, 2022	December 31, 2022	December 31, 2021
	%	Euros in thousands	Euros in thousands
Non-current loans from banks and others:			
Variable interest rates based on Euribor for 3 or 6 months (*)	3.39%	50,172	-
Fixed interest rates	1.32%	201,238	163,108
Fixed interest rate from institutional entity denominated in NIS (**)	3.69%	57,287	-
Deferred finance costs		(2,000)	(1,220)
Total loans from banks and others net of deferred finance costs		306,742	161,888
Less - current maturities		(12,398)	(4,142)
		294,344	157,746
Maturity dates (excluding the deduction of deferred finance costs):			
First year (*)		12,398	4,142
Second year		5,360	8,527
Third year		34,472	19,099
Fourth year		80,110	32,536
Fifth year and beyond		176,402	98,804
		308,742	163,108

(*) Excluding a loan which balance amounts to EUR 6,966 thousand as of December 31, 2022 that was fixed by SWAP agreement and for presentation purposes is presented by weighing the SWAP agreement under loans at fixed interest rate the maturity date of which was set to December 31, 2023.

(**) For further details see Note 5(g)2(d).

b. Additional information on loans from banks

(1) In a loan which balance amounts to EUR 39,302 thousand as of December 31, 2022, subsidiaries have committed to meet a number of financial covenants, as specified in Note 5(g)2(c). In addition, the Company has other loans from banks the balance of which as of December 31, 2022 amounted to EUR 48,124 thousand in which the Company committed to meet at a debt coverage ratio of 1.2. All bank loans are without a right of recourse to the borrower (Non-Recourse).

NOTE 7:- LOANS FROM BANKS (Cont.)

The balance of the bank loans does not include a commitment to meet financial covenants. Regarding covenants determined as part of a loan from an institutional entity see Note 5(g)2(d). As of December 31, 2022, 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.

NOTE 8:- OTHER FINANCIAL LIABILITIES

Financial liabilities in respect of interest swap transactions as of December 31, 2022 and 2021 are in the amount of EUR 0 thousand and EUR 24 thousand, respectively (level 2). As of December 31, 2022 and 2021, the fixed interest rate (without margin) was set at 0.17%. (See also note 12f).

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. As of December 31, 2022, loan balance amounted to € 6,966 thousand. 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.

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	25.8
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, 2022 approximately € 14,611 thousand. In respect of these losses, deferred tax assets have been recognized in the financial statements in the amount of approximately € 2,114 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, 2022 and 2021 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, 2022	December 31, 2021
	Euros in thousands	Euros in thousands
Deferred tax liabilities		
Investment property	(28,822)	(24,129)
Deferred tax assets		
Losses carried forward for tax purposes	2,114	2,567
Deferred tax liabilities, net	(26,708)	(21,562)
Deferred taxes are presented in the statement of financial position as follows:		
Non-current assets	-	819
Non-current liabilities	(26,708)	(22,381)
	(26,708)	(21,562)

(2) Movement

	Year ended December 31, 2022	Year ended December 31, 2021
	Euros in thousands	Euros in thousands
Balance at the beginning of the period/year	(21,562)	(11,102)
Investment property	(4,693)	(11,149)
Revaluation of financial derivatives	-	(37)
Creation (utilization) of losses carried forward for tax purposes	(453)	726
Balance at the end of the period/year	(26,708)	(21,562)

(*) 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,		
	2022	2021	2020
	Euros in thousands	Euros in thousands	Euros in thousands
Deferred taxes	(5,146)	(10,460)	(4,246)
Current taxes and taxes in respect of previous years	21	215	52
Tax expenses	(5,125)	(10,245)	(4,194)

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,		
	2022	2021	2020
	Euros in thousands	Euros in thousands	Euros in thousands
Income before taxes on income	32,400	69,077	26,856
Statutory tax rate in Holland	25%	25%	25%
Tax calculated using statutory tax rate	(8,100)	(17,269)	(6,714)
Deferred tax assets created in other tax rate (section d. above)	2,975	7,024	2,520
Taxes on income	(5,125)	(10,245)	(4,194)

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,	
	2022	2021
	Euros in thousands	Euros in thousands
Non-current liabilities (including current maturities) see Note 7	306,742	161,912

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 assigned 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11:- EQUITY (Cont.)

In 2019-2020, the Company entered into additional capital raisings at price range of EUR 12.17 per share and EUR 14.45 and in total EUR 88.7 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, 2022 and 2021	
	Authorized	Issued and outstanding
Ordinary shares of EUR Cent 1 par value each	30,000,000	18,101,534

NOTE 11:- EQUITY (Cont.)

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:

1. 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 30, 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 allocation 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 allocation. It will be noted that the amount of additional non- tradable options that will be allocated 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.

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 fair value of the options was appraised by an external appraiser at EUR 3,702 thousand for the entire vesting period 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.

On January 19, 2023, the Company's board of directors approved a new plan for the allocation of options to employees and service providers who are not residents of Israel employed by Argo Properties NV group (hereinafter: the "2023 plan") as well as a new plan for the allocation of options to employees who are residents of Israel according to section 102 of the Income Tax Ordinance) new version 1961 (hereinafter: "the Ordinance"), in the capital gain track (hereinafter: "102/2023 Plan ", 2023 Plan and 102/2023 Plan will be referred to collectively - the "New Plans").

On January 19, 2023, the Company's remuneration committee and the board of directors approved, as part of and in accordance with 102/2023 plan and subject to the required approvals (including - without derogating from the generality of the foregoing - the approval of the general meeting of the Company's shareholders (to allocate to each of the messers Ofir Rahamim (hereinafter: "Rahamim) ") and Gal Tenenbaum (hereinafter: "Tenenbaum"), the joint CEOs of the Company, at no consideration, non-marketable options at a total value of NIS 7,675 thousand and NIS 7,849 thousand respectively and in total value (for both) of About NIS 15,525 thousand (hereinafter: "the private allocation to the joint CEOs"). for a period of three years from July 1, 2023.

Below are the main conditions of the new plans:

The value of the option plan for all office holders in the Company and for the entire period of the plan - NIS 24.3 million (hereinafter: "value of the option plan");
The exercise price of each warrant is NIS 77.13 (without linkage to any index or currency) and the amount of warrants that can and will be allocated under the plan will amount to 2,048,904 warrants.
The "vesting periods" and "vesting dates" - the warrants will have 3 vesting periods of one, two and three years, respectively, as follows: the first vesting period - from July 1, 2023 to June 30, 2024. Therefore, starting from July 1, 2024 (hereinafter: "the first vesting date") the option holder will be entitled to exercise 33% of his options; The second vesting period - from July 1, 2024 to June 30, 2025. Therefore, starting from July 1, 2025, the option holder will be entitled to exercise an additional 33% of his options (hereinafter: "the second vesting date"); The third vesting period - from July 1, 2025 to June 30, 2026. Therefore, starting from July 1, 2026, the option holder will be entitled to exercise the remaining 34% of his options (hereinafter: "the third vesting date"). It is clarified that starting from the end of the third vesting period (i.e. - starting from the third vesting date) and for a period of 12 months from that date until June 30, 2027 (hereinafter: "the end of the exercise period") the option holder will be entitled to exercise all his options, which have not yet been exercised.

NOTE 11:- EQUITY (Cont.)

Expiration date - June 30, 2027.

Payment of exercise price - in shares only according to the net exercise mechanism as defined in the option plan. The offeree will not be required to pay the Company the exercise price of the warrants, but only the par value of the Company's shares to be allocated to him.
The fair value of each warrant to be allocated to the joint CEOs, calculated according to the Black and Sholes formula, is approximately NIS 5.63 and a total of approximately NIS 7,371 thousand for all warrants. Said fair value was calculated based on the closing price of the share in the stock exchange on the date of the meeting (NIS 54.03), exercise price of NIS 77.13, 3 vesting periods of 12 months each, which entitles to 33.33% of the total number of warrants, an exercise period of 4 years from the date the option was granted, an annual standard deviation of 28 %, and an average risk-free interest rate of 3.5%.

On March 9, 2023 (the date of the meeting), the general meeting of the Company's shareholders approved the new remuneration policy of the Company and the private placement to the Company's joint CEOs.

It is noted that the total value of the equity remuneration package for the 3-year period that will begin on July 1, 2023 for the joint CEOs and senior office holders in the Company (hereinafter: "the value of the equity remuneration package") according to Black and Sholes model amounted to approximately NIS 11.5 million alone instead of NIS 24.3 million as stated in section 9.2.2 of the Company's remuneration policy.

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.

NOTE 11:- EQUITY (Cont.)

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, 2022 is approximately € 14,730 thousand.

NOTE 12:- FINANCIAL INSTRUMENTS

a. Classification of financial assets and financial liabilities

	December 31,	
	2022	2021
	Euros in thousands	Euros in thousands
Cash, loans and receivables at amortized cost		
Cash and cash equivalents	27,352	35,076
Financial assets	2,111	-
Accounts receivable	15,058	1,770
	44,521	36,846
Derivative financial instruments (fair value)		
Financial liabilities	-	24
Other financial liabilities at amortized cost		
Credit from banks and others	306,742	161,888
Other accounts payable (1)	3,401	7,577
	310,143	169,465

(1) excluding tenants' deposits and provisions for vacation and sick leave.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12:- FINANCIAL INSTRUMENTS (Cont.)

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

The interest swap contract conditions are suited to the base loans. As of the report date, 97% of the Company's loans are at fixed interest or hedged. See Note 7 regarding the Company's loans at fixed and variable interest.

Exchange rate risk

The Group, whose operating currency is EURO, is exposed to risk due to changes in exchange rates for a loan from an institutional body that it took out in NIS the balance of which as of December 31, 2022 amounted to EUR 57,287 thousand. For more details regarding this engagement, see note 5(g)2(d).

The Company is considering hedging its exposure to exchange rates, through forward transactions and natural hedging (by holding cash in NIS), mainly in light of market conditions, financial flexibility and liquidity considerations. As of December 31, 2022, 48% of the exposure to changes in exchange rates is hedged.

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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12:- FINANCIAL INSTRUMENTS (Cont.)

d. Liquidity risk

Liquidity risk is the risk that the Group will have difficulty meeting obligations in respect of financial liabilities. 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, 2022, 4% of the Group's debt to banks and others 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):

December 31, 2022

	First year	Second year	Third year	Forth year	Fifth year onwards	Total
	Euros in thousands					
Accounts payable	3,401	-	-	-	-	3,401
Loans from banking corporations and others (1)	18,928	11,764	40,710	85,760	185,158	342,320
	18,928	11,764	40,710	85,760	185,158	345,721

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

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

NOTE 12:- FINANCIAL INSTRUMENTS (Cont.)

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. The value of loans from banks as of December 31, 2022 that bear a fixed interest rate and are presented at amortized cost is lower by approximately EUR 28.2 million than their balance in the financial statements.

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 agreement to purchase to fix interest rate cap (CAP) or a future agreement for exchange of currencies (FORWARD) 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 (SWAP)	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
Currency exchange transactions (FORWARD)	Discount of change in exchange rate prices	Exchange rates	EUR/NIS exchange rates	A change of 2% in exchange rate will result in an increase/decrease in fair value up to EUR 0.54 million.

A decrease in fair value of the interest rate cap agreements (CAP) is limited to the positive value of the assets (EUR 1,889 thousand as of the date of the report)

f. Derivatives and hedging

Cash flow hedges:

As of December 31, 2022, the Group has interest rate swap agreements (SWAP) in the sum of € 6,966 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. As of December 31, 2022, the Group has CAP agreements on the Euribor rate for 3 and 6 months on reserves in a total amount of EUR 39,728 thousand to fix caps of Euribor rates at a range between 2% to 2.8%.
As of December 31, 2022, the Company has agreements for future currency exchange transactions (FORWARD) in a total amount of EUR 27 million for a future exchange of EUR 27 million against NIS 98.3 million. At the time of signing the report, the Company closed all its future currency exchange transactions (FORWARD).

NOTE 12:- FINANCIAL INSTRUMENTS (Cont.)

g. Sensitivity tests relating to changes in market factors

	December 31,	
	2022	**2021**
	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	(5,234)	(145)
Interest decrease of 200 base points	5,234	-
For Swap transactions		
Interest increase of 200 base points	139	290
Interest decrease of 200 base points	(126)	-
For CAP transactions		
Interest increase of 200 base points		NA
Interest decrease of 200 base points	4,137	NA
	(1,889)	
For FORWARD transactions		
Increase of 2% in the EUR/NIS exchange rate	(540)	NA
Decrease of 2% in the EUR/NIS exchange rate	540	NA

(*) sensitivity analysis is presented according to projected cash flows from agreements according to their terms in nominal values.

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, 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,		
	2022	2021	2020
	Euros in thousands	Euros in thousands	Euros in thousands
General and administrative expenses			
Property management, salary expenses and others	(1,518)	(1,300)	(1,107)
Legal and other professional services	(1,253)	(817)	(225)
Cost of share based payment	(1,987)	(1,387)	(263)
Travel expenses, rent and office maintenance and others	(895)	(705)	(365)
	(5,653)	(4,209)	(1,960)
Financial expenses, net			
Interest, bank charges and others			
Interest expenses on loans	(4,833)	(1,640)	(1,047)
Amortization of finance costs, bank charges, and others	(690)	(440)	(205)
	(5,523)	(2,080)	(1,252)

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

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

Year ended December 31, 2022

	No. of people	Amount - Euros in thousands
Short-term employee benefits *	6	2,065
Cost of share based payment	6	1,987

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

* the amount of short term employees benefit for this period does not include EUR 111 thousand for provision for vacation and sick leave.

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

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

	Year ended December 31,		
	2022	2021	2020
	Euros in thousands	Euros in thousands	Euros in thousands
Salary and related expenses to interested parties employed by the Company (joint CEOs)	2,164	1,300	454
The number of people to whom the benefit relates	2	2	2
Compensation for directors not employed in the Company	267	137	27
The number of people to whom the benefit relates	5	5	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 NIS 90 thousand per months and from December 2022 was updated to NIS 110 thousand per month. 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 2022 does not include EUR 37 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, 2022	Cash flows from financing activities, net (a)	Cash flows used in investing activities	cash flows from operating activities (b)	Balance as of December 31, 2022
Loans from banks	161,888	145,785	-	(931)	306,742

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

(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) Amortization of deferred financing costs and exchange rate differences.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, 2022			
Revenues from property rental	15,919	681	16,600
Revenues from property management and others	6,013	82	6,095
Property management expenses	(6,013)	(82)	(6,095)
Rental property maintenance expenses	(3,163)	(98)	(3,261)
Profit from property rental	12,756	583	13,339
General and administrative expenses			(5,653)
Changes in fair value of investment property, net	31,489	(4,467)	27,022
Financial expenses, net			(2,308)
Income before taxes on income			32,400

	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

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, 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

c. Operating segment assets and liabilities

Year ended December 31, 2022

	Income-generating residential real estate	Income-generating real estate for development	Total
	Euros in thousands		
Capital investments and acquisitions	142,919	267	143,186
As of December 31, 2022			
Segment assets	634,680	28,900	663,580
Unallocated assets			47,951
Segment liabilities	(242,809)	(6,966)	(249,775)
Unallocated liabilities			(90,469)

NOTE 16:- OPERATING SEGMENTS (Cont.)

Year ended December 31, 2021

	Income-generating residential real estate	Income-generating real estate for development	Total
	Euros in thousands		
Capital investments and acquisitions	125,594	1,023	126,617
As of December 31, 2021			
Segment assets	460,191	33,100	493,291
Unallocated assets			42,938
Segment liabilities	(154,355)	(7,533)	(161,888)
Unallocated liabilities			(32,316)

NOTE 17:- EARNINGS PER SHARE

a. Basic earnings per share

	Year ended December 31,		
	2022	2021	2020
	Euros in thousands	Euros in thousands	Euros in thousands
Income for the year attributed to the holders of the parent company	27,275	58,832	22,662
Income used for calculating basic earnings per share	27,275	58,832	22,662
Weighted average number of ordinary shares used to calculate basic earnings per share	18,101,534	16,986,948	13,324,412

NOTE 17:- EARNINGS PER SHARE (Cont.)

b. Diluted earnings per share

	Year ended December 31,		
	2022	2021	2020
	Euros in thousands	Euros in thousands	Euros in thousands
Income used for calculating basic earnings per share	27,275	58,832	22,662
Income used for calculating diluted earnings per share	27,275	58,832	22,662
Weighted average number of ordinary shares used to calculate basic earnings per share	18,101,534	16,986,948	13,324,412
Adjustments			
Warrants issued as part of the founders agreement *	-	-	-
Warrants to employees and investors issued as part of share based payment arrangements	500,960	1,707,702	43,418
Weighted average number of ordinary shares used to calculate diluted earnings per share	18,602,494	18,694,650	13,367,830

* warrants issued as part of the founders' agreement were not included in the calculation of diluted earnings per share since their effect is anti-dilutive.

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

Regarding events after the report date see Note 5(g)(2)(e-f) and Note 11(c)2.

Appendix of subsidiaries

Name of entity	**Country of incorporation**	**December 31, 2022 % 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%
Dresden Zinshaus III B.V.	The Netherlands	100%
Leipzig Zinshaus III B.V.	The Netherlands	100%
Hannover Zinshaus 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).