ARGO PROPERTIES NV

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2023

UNAUDITED

IN THOUSANDS OF EUROS

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Auditor Review Report to the Shareholders of Argo Properties NV

Introduction

We have conducted a review of the accompanying financial information of Argo Properties NV and its subsidiaries (hereinafter – the Group), which comprises the condensed consolidated statement of financial position as of June 30, 2023 and the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-months period ending on that date. The Board of Directors and Management are responsible for preparing and presenting financial information for this interim period in accordance with IAS 34, Interim Financial Reporting, and are responsible for preparing financial information for this interim period in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express our conclusions with regard to the financial information for this interim period, based on our review.

Scope of the Review

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

Conclusion

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

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

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

Tel Aviv, August 23, 2023

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INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2023	June 30, 2022	December 31, 2022	
	(Unaudited)	(Unaudited)	(Audited)	
	€ in thousands			
Current Assets				
Cash and cash equivalents	20,174	52,825	27,352	
Financial assets - Bank deposit and liquidated investments	3,648	-	10,000	
Financial assets	2,451	-	2,111	
Accounts receivable	9,035	7,070	5,970	
	35,308	59,895	45,433	
Non-Current Assets				
Investment property	677,816	603,616	654,683	
Investment property - buildings rights	12,751	4,191	8,897	2,1
Accounts receivable	542	-	2,518	
Deferred taxes	184	665	-	
	691,293	608,472	666,098	
	726,601	668,367	711,531	

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2023	June 30, 2022	December 31, 2022
	(Unaudited)		(Audited)
	€ in thousands		
Current Liabilities			
Current maturities of loans from banks	12,543	4,852	12,398
Accounts payable	7,150	10,961	6,794
	19,693	15,813	19,192
Non-Current Liabilities			
Loans from banks and financial institutions	323,535	256,034	294,344
Other financial liabilities	-	471	-
Deferred taxes	23,977	27,507	26,708
	347,512	284,012	321,052
Equity Attributable to Company Shareholders			
Share capital	181	181	181
Share premium	221,012	221,012	221,012
Statutory capital reserve	114,269	135,544	131,727
Share based payment capital reserve	4,946	2,635	3,637
Retained earnings	18,988	9,170	14,730
Total equity attributable to Company shareholders	359,396	368,542	371,287
Total equity	359,396	368,542	371,287
	726,601	668,367	711,531

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

August 23, 2023			Ron Tira
Date of approval of the financial statements	Ofir Rahamim Joint CEO	Guy Priel CFO	Chairman of the Board of Directors

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

	Six months ended June 30,		Three months ended June 30		Year ended December 31
	2023	2022	2023	2022	2022
	Unaudited				Audited
	€ in thousands				
Revenues from rental of properties	10,112	7,626	5,281	4,000	16,600
Revenues from property management and others	4,416	3,013	1,590	1,120	6,095
Property management expenses	(4,416)	(3,013)	(1,590)	(1,120)	(6,095)
Cost of maintenance of rental properties	(1,944)	(1,599)	(934)	(913)	(3,261)
Gross profit	8,168	6,027	4,347	3,087	13,339
General and administrative expenses	(3,255)	(2,734)	(1,638)	(1,420)	(5,653)
Operating profit before changes in fair value of investment property, net	4,913	3,293	2,709	1,667	7,686
Changes in fair value of investment property, excluding one time update due to change in the real estate Transfer Tax, net	(9,269)	29,572	(2,250)	12,006	27,022
Changes in fair value of investment property due to one time update in the Real estate Transfer TAX, net	(11,471)	-	-	-	-
Operating profit (loss)	(15,827)	32,865	459	13,673	34,708
Finance expenses, net	(3,873)	(2,469)	(2,106)	(1,351)	(5,523)
Change in fair value of financial assets and exchange rate differences, net	3,602	337	1,365	325	3,215
	(271)	(2,132)	(741)	(1,026)	2,308
Income (loss) before taxes on income	(16,098)	30,733	(282)	12,647	32,400
Taxes on income	2,898	(5,201)	28	(2,201)	(5,125)
Net income (loss)	(13,200)	25,532	(254)	10,446	27,275
Other comprehensive income (loss)	-	-	-	-	-
Total net and comprehensive income (loss) attributable to Company shareholders	(13,200)	25,532	(254)	10,446	27,275
Basic earnings (loss) per share	(0.73)	1.41	(0.01)	0.58	1.51
Diluted earnings (loss) per share	(0.73)	1.34	(0.01)	0.57	1.47

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Six months ended June 30, 2023 (unaudited) Equity Attributable to Company Shareholders					
	Share capital	Share premium	Statutory capital reserve (1)	Share based payment capital reserve	Retained earnings	Total equity attributable to Company shareholders
Balance as of January 1, 2023	181	221,012	131,727	3,637	14,730	371,287
Changes in equity during this period:						
Total net and comprehensive income	-	-	-	-	(13,200)	(13,200)
Classification in accordance with Dutch law	-	-	(17,458)	-	17,458	-
Cost of share based payment	-	-	-	1,309	-	1,309
Balance as of June 30, 2023	181	221,012	114,269	4,946	18,988	359,396

	Six months ended June 30, 2022 (unaudited) Equity Attributable to Company Shareholders					
	Share Capital	Share premium	Statutory capital reserve (1)	Share based payment capital reserve	Retained earnings	Total equity attributable to Company shareholders
Balance as of January 1, 2022	181	221,012	110,652	1,650	8,530	342,025
Changes in equity during this period:						
Total net and comprehensive income	-	-	-	-	25,532	25,532
Classification in accordance with Dutch law	-	-	24,892	-	(24,892)	-
Cost of share based payment	-	-	-	985	-	985
Balance as of June 30, 2022	181	221,012	135,544	2,635	9,170	368,542

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (cont.)

	Three months ended June 30, 2023 (unaudited) — Equity Attributable to Company Shareholders					
	Share capital	**Share premium**	**Statutory capital reserve (1)**	**Share based payment capital reserve**	**Retained earnings**	**Total equity attributable to Company shareholders**
Balance as of April 1, 2023	181	221,012	116,163	4,127	17,348	358,831
Changes in equity during this period:						
Total net and comprehensive income	-	-	-	-	(254)	(254)
Classification in accordance with Dutch law	-	-	(1,894)	-	1,894	-
Cost of share based payment	-	-	-	819	-	819
Balance as of June 30, 2023	181	221,012	114,269	4,946	18,988	359,396

	Three months ended June 30, 2022 (unaudited) — Equity Attributable to Company Shareholders					
	Share Capital	**Share premium**	**Statutory capital reserve (1)**	**Share based payment capital reserve**	**Retained earnings**	**Total equity attributable to Company shareholders**
Balance as of April 1, 2022	181	221,012	125,438	2,140	8,830	357,601
Changes in equity during this period:						
Total net and comprehensive income	-	-	-	-	10,446	10,446
Classification in accordance with Dutch law	-	-	10,106	-	(10,106)	-
Cost of share based payment	-	-	-	495	-	495
Balance as of June 30, 2022	181	221,012	135,544	2,635	9,170	368,542

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (cont.)

	Year ended December 31, 2022 (Audited)					
	Equity Attributable to Company Shareholders					
	Share Capital	**Share premium**	**Statutory capital reserve (1)**	**Share based payment Capital reserve**	**Retained earnings**	**Total equity attributable to Company shareholders**
Balance as of January 1, 2022	181	221,012	110,652	1,650	8,530	342,025
Changes in equity during this period:						
Total 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

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30,		Three months ended June 30		Year ended December 31
	2023	2023	2023	2023	2022
	Unaudited				Audited
	€ in thousands				
Cash flows from operating activities:					
Net income (loss)	(13,200)	25,532	(254)	10,446	27,275
Adjustments required to present net cash from operating activities:					
Adjustments to profit or loss:					
Finance expenses, net	538	2,108	805	1,026	2,308
Changes in fair value of investment property, net	20,740	(29,572)	2,250	(12,006)	(27,022)
Cost of share based payment	1,309	985	819	495	1,987
Deferred taxes, net	(2,915)	5,280	2	2,295	5,146
Cash flows from operating activities before changes in asset and liability items	6,472	4,333	3,622	2,256	9,694
Changes in operating assets and liabilities items:					
(Increase)/decrease in other receivables	(1,092)	(542)	(24)	37	(1,098)
Increase/(decrease) in accounts payable	1,192	(360)	494	(340)	246
Net cash flows derived from operating activities	6,572	3,431	4,092	1,953	8,842
Cash flows from investing activities:					
Purchase of investment property	(46,899)	(82,939)	(13,507)	(22,755)	(143,371)
Additions in respect of investment property	(2,515)	(1,751)	(1,431)	(827)	(3,714)
Realization (purchase) of financial assets	-	1,850	-	-	1,850
Depositing restricted deposits and prepaid transaction costs, net	6,355	629	(2,414)	(2,950)	(10,234)
Net cash used in investing activities	(43,059)	(82,211)	(17,352)	(26,532)	(155,469)

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (cont.)

	Six months ended June 30,		Three months ended June 30		Year ended December 31
	2023	2022	2023	2022	2022
	Unaudited				Audited
	€ in thousands				
Cash flows from financing activities:					
Interest paid	(2,849)	(1,316)	(1,593)	(682)	(4,762)
Receipt of long-term loans, net	19,260	125,851	(79)	19,136	130,657
Repayment of long-term loans and associated costs	(3,173)	(27,359)	(1,474)	(1,234)	(4,871)
Receipt of long-term loans under refinancing	16,750	-	2,500	-	45,000
Repayment of long-term loans under refinancing	-	-	-	-	(25,001)
Purchase of interest cap fixing transactions (CAP)	(485)	-	-	-	(1,728)
Net cash derived from (used for) financing activities	29,503	97,176	(646)	17,220	139,295
Change in cash and cash equivalents	(6,984)	18,396	(13,906)	7,359	(7,332)
Effect of changes in exchange rates	(194)	(647)	(9)	(504)	(392)
Balance of cash and cash equivalents at the beginning of the period	27,352	35,076	34,089	60,688	35,076
Balance of cash and cash equivalents at the end of the period	20,174	52,825	20,174	52,825	27,352

(a) Non cash transactions

Payables in respect of investing activities	-	547	(36)	2,336	(3,540)

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1: - General

ARGO Properties N.V. ("the Company") was incorporated in January 2018 and commenced its operations in July 2018 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. In May 2021, the Company issued shares under an IPO in Israel.

These financial statements have been prepared in a condensed format as of June 30, 2023 and for the three-months period then ended (hereinafter – the Consolidated Interim Financial Statements). These statements should be read in conjunction with the annual financial statements as of December 31, 2022 and for the year then ended and the accompanying notes (the consolidated annual financial statements).

Note 2: - Significant accounting policies

a. Preparation format of the Interim Consolidated Financial Statements

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

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

Note 3: - Investment Property

The following table presents significant assumptions (based on weighted averages) that were used in the valuation of investment property:

	June 30, 2023	December 31, 2022
Income-generating residential property (real estate)		
Discount rate (%)	4.38%	4.14%
Growth Rate for a period of first 10 years	1.83%	1.79%
Long-term growth rate	1.08%	1.06%
Long-term vacancy rate (%)	1.31%	1.63%
Representative monthly rental fees per sqm. (in Euro)	10.33	10.20

During the first quarter of 2023, a one-time devaluation amounting to EUR 11.5 million have been recognized in all the Company's properties in Leipzig and Dresden due to an increase in the Real Estate Transfer Tax which is reflected in the fair value of the properties.

Note 4: - Financial instruments

a. Financial instruments not measured at fair value:

Management has estimated that the balance of cash, short term deposits, accounts (trade) receivable(s), accounts (trade) payable(s), overdrafts, bank loans bearing a variable interest rate and other current liabilities presented at amortized cost approximates their fair value.

The valuation of loans from banking corporations and financial institutions as of June 30, 2023 that bear a fixed interest rate and are presented at amortized cost, is lower by approximately Eur 24.5 Million than their value in the financial statements.

b. Financial instruments measured at fair value

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

	Fair value		
	June 30		December 31
	2023 Unaudited	2022 Unaudited	2022 Audited
	EUR in thousands		
Financial derivatives	2,451	-	2,111
	-	(471)	-
Financial liabilities	2,451	(471)	2,111

The fair value of financial instruments which are not traded in active markets is determined using valuation techniques. Valuation techniques specific to financial instruments include:

- The fair value of interest swap agreements (SWAP) and interest cap fixing transactions (CAP) is based on a calculation of the present value of the estimated future cash flows using observable return curves of Euribor.

Note 5: - Operating Market Segments

a. General

For the description of the Company's operating market segments see note 16 of the consolidated financial statements as of December 31, 2022.

b. Operating segment revenue and results analysis:

	Income-generating residential real estate	Income-generating real estate for development	Total
	Euros in thousands		
For the period of six months ended June 30, 2023 (unaudited)			
Revenues from property rental	9,764	348	10,112
Revenues from property management and others	4,375	41	4,416
Property management expenses	(4,375)	(41)	(4,416)
Rental property maintenance expenses	(1,888)	(56)	(1,944)
Gross profit	7,876	292	8,168
General and administrative expenses			(3,255)
Changes in fair value of investment property, net	(20,740)	-	(20,740)
Financial expenses, net			(271)
(Loss) before taxes on income			(16,098)

Note 5: - **Operating Market Segments (Cont.)**

b. Operating segment revenue and results analysis (cont.)

	Income-generating residential real estate	Income-generating real estate for development	Total
	Euros in thousands		
For the period of six months ended June 30, 2022 (unaudited)			
Revenues from property rental	7,289	337	7,626
Revenues from property management and others	2,972	41	3,013
Property management expenses	(2,972)	(41)	(3,013)
Rental property maintenance expenses	(1,536)	(63)	(1,599)
Gross profit	5,753	274	6,027
General and administrative expenses			(2,734)
Changes in fair value of investment property, net	29,666	(94)	29,572
Financial expenses, net			(2,132)
Income before taxes on income			30,733

	Income-generating residential real estate	Income-generating real estate for development	Total
	Euros in thousands		
For the period of three months ended June 30, 2023 (unaudited)			
Revenues from property rental	5,107	174	5,281
Revenues from property management and others	1,569	21	1,590
Property management expenses	(1,569)	(21)	(1,590)
Rental property maintenance expenses	(901)	(33)	(934)
Gross profit	4,206	141	4,347
General and administrative expenses			(1,638)
Changes in fair value of investment property, net	(2,250)	-	(2,250)
Financial expenses, net			(741)
(Loss) before taxes on income			(282)

Note 5: - Operating Market Segments (Cont.)

b. Operating segment revenue and results analysis (cont.)

	Income-generating residential real estate	Income-generating real estate for development	Total
	Euros in thousands		
For the period of three months ended June 30, 2022 (unaudited)			
Revenues from property rental	3,824	176	4,000
Revenues from property management and others	1,099	21	1,120
Property management expenses	(1,099)	(21)	(1,120)
Rental property maintenance expenses	(880)	(33)	(913)
Gross profit	2,944	143	3,087
General and administrative expenses			(1,420)
Changes in fair value of investment property, net	12,054	(48)	12,006
Financial expenses, net			(1,026)
Income before taxes on income			12,647

	Income-generating residential real estate	Income-generating real estate for development	Total
	Euros in thousands		
Year ended December 31, 2022 (audited)			
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)
Gross profit	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

Note 6: - Material Events In The Reported Period And Thereafter

a. During the reported period, the Company completed (via subsidiaries and sub-subsidiaries) the purchase of 333 apartments in 32 buildings for a total consideration of approximately EUR 46,052 thousand. In addition, the Company engaged in further transactions (including agreements after the report date) for the purchase of 77 apartments in a total consideration of approximately EUR 10,242 thousands, of which the Company completed after the report date, the purchase of 20 apartments in a total consideration of approximately EUR 3,422 thousands.

b. Refinancing as a result of property value enhancement:

- During October 2022, the Company entered into refinancing agreements with two German financial institutions (hereinafter: the "Banks") for a total amount of approximately EUR 79 million which embodies an **LTV** of approximately 42.7% (upon the book value of the pledged assets), which would increase by approximately EUR 23 million the remaining balance of current five loans of a total amount of approximately EUR 56 million (hereinafter: the "Current Loans"), which the Company's subsidiaries have drawn during the years of 2019 and 2020 from the abovementioned Banks (hereinafter: the "New Loans").

  The Current Loans bear a fixed (weighted) annual interest rate of approximately 0.99% and their final repayment date is due in 2025 – 2027 and are secured by first-ranking liens on the full rights of the subsidiaries in **81** buildings which comprise of 878 units (with a total area of **56,462** square meters) in the cities of Leipzig, Dresden and Magdeburg in Germany, which their aggregate book value is about EUR 168.9 million (as of the reporting date) (hereinafter: the "Asset Companies" and the "Assets", respectively).

  The refinancing process is enabled due to a value enhancement of these assets on the initial financing date by the abovementioned Banks, close to the date of their acquisition during the second half of 2019 and in the first half of 2020 - as of the loans' underwriting date. It is clarified that the refinancing process was carried out by drawing new loans in addition to the current loans without any change in their terms ("**Top up**").

  As a result:

  1. On November 2022, the Company entered through its sub-subsidiaries into two additional non-recourse loan agreements with a German banking corporation at a total amount of approximately EUR 12.7 million for a period of 5 years. The loans bear a variable interest rate based on a 3 months Euribor rate with an additional margin of 1.29% per annum. The Company entered agreements to fix the Euribor rate cap to a maximum level of 2.5% in return of EUR 505 thousand. An amount of EUR 5 million of the total loans was drawn down in December 2022, the remaining balance of EUR 7.7 million of the loans was drawn down in January 2023. In accordance with the loan agreement between the Company and the German banking corporation, the Company estimates that during 2023 it will be able to draw down approximately EUR 4 million, subject to the continued improvement of the operating parameters.

  2. On December 2022, the Company entered through its sub-subsidiaries into three additional non-recourse loan agreements with a German banking corporation at a total amount of EUR 6.55 million for a period of 5 years. These loans bear a variable interest rate based on a 3 months Euribor rate with an additional margin of 1.51% per annum. 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 of EUR 216 thousand.

Note 6: - Material Events In The Reported Period And Thereafter (Cont.)

- During April 2023, the Company's sub-subsidiaries entered into an additional loan agreement with a German banking corporation which increases the remaining balance of the current loans, that these sub-subsidiaries have taken in the past from a total amount of approximately EUR 19.1 million to a total amount of approximately EUR 21.6 million. The abovementioned increase of the total amount of loans is to be repaid on April 30th of 2026 and bears a fixed interest rate of 4.61%. The drawing down of the loan was carried out during the second quarter of 2023.

- During the third quarter of 2023, the Company's sub-subsidiaries entered into an LOI with a German banking corporation regarding taking loans for refinancing of current loans from another German banking corporation. The remaining balance of current loans as of the report date is at the amount of approximately EUR 26.9 million, the scope of the abovementioned refinancing is expected to increase the remaining balance of current loans by approximately EUR 5 to 10 million. In accordance with the LOI agreement, the new loans would be able to be drawn down for a period of 5 years following the loans' underwriting due date, where the loans’ interest rate will be based on a margin of 130 points above the Euribor rate, and the refund of the loans will be carried out by a one-time payment at the time of drawing down the loans. The loan agreement is expected to be signed during the third quarter of 2023.

- During the third quarter of 2023, the Company's sub-subsidiaries engaged with a German banking corporation regarding refinancing of a current loan, which its original due date was set for December 31, 2023, in order to finance the Company’s properties in the operating segment of real estate for development for an additional 5 years. The remaining balance of current loans as of the report date is at the amount of approximately EUR 6.8 million. The scope of the refinancing is expected to increase the balance of the current loans to an amount of approximately EUR 7.5 million. The new loans will bear an interest rate with an additional margin of 181 points above the Euribor rate. The drawing down of the loans is expected to be carried out by the end of 2023.

c. Financing of new acquisitions:

1. During December 2022, the Company's sub-subsidiaries entered into two non-recourse loan agreements with a German banking corporation at a total amount of approximately EUR 20 million for a period of 5 years, bearing a fixed interest rate of 3.95%. The drawing down of the loans was carried out at the end of March 2023.

2. During April 2023, a Company's sub-subsidiary entered into a non-recourse loan agreement with a German banking corporation at a total amount of approximately EUR 1.8 million for a period of 3 years, bearing a fixed interest rate of 4.15%. The drawing down of the loan was carried out during the third quarter of 2023.

3. During the second quarter of 2023, the Company's sub-subsidiaries entered with a German banking corporation to engage in non-recourse loan agreements at a total amount of approximately EUR 13 million for a period of 5 years, bearing an interest rate of 4.18%. The drawing down of these loans was carried out during the third quarter of 2023.

d. 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 and are 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 hereinafter as: the "New Plans").

Note 6: - Material Events In The Reported Period And Thereafter (Cont.)

d. (Cont.)

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 a total value (for both) of about NIS 15,525 thousand (hereinafter: "the private allocation to the joint CEOs"), for a period of three years as of July 1, 2023.

Below are the main conditions of the new option 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.

Expiration date - June 30, 2027.

Payment of exercise price - in shares only according to the net exercise mechanism (Cashless), according to which there will be allocated new shares of the Company to the offerees according to the average price share in the period of 30 days prior to the exercise notice 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 by an external appraiser according to the Black and Sholes formula), is approximately NIS 6.55 and a total amount of approximately NIS 8,579 thousand for all the warrants. The said fair value was calculated based on the closing price of the Company’s share in the stock exchange on the date of the meeting as herein defined (NIS 54.03), an 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 (and according to the external appraiser’s valuation, the option expected term is 3.2 years according to the “Simplified Method” principle), an annual standard deviation of 29% (according to the external appraiser’s valuation based on income generating residential real estate companies in Germany), a risk-free interest rate in the range of 4.12%-4.29%, expected dividend rate – 0% and a maximum dilution factor of approximately 6%.

Note 6: - Material Events In The Reported Period And Thereafter (Cont.)

d. (Cont.)

On March 9, 2023 (abovementioned: "the date of the meeting"), the General Assembly 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 has begun on July 1, 2023 for the joint CEOs and senior office holders in the Company (hereinafter: "the value of the equity remuneration package"; for the avoidance of doubt, it is clarified and emphasized that a private allocation of options – by virtue of the New Plan – for all senior office holders in the Company (excluding the joint CEOs), has not yet been approved by the Company's authorized organs and that the total value of the equity remuneration package was presented according to the parameters of which the valuation of the options that were approved to the joint CEOs had been conducted) according to valuation that was determined to the warrants of the joint CEOs amounted to approximately only NIS 13.4 million instead of NIS 24.3 million as stated in section 9.2.2 of the Company's remuneration policy.