ARGO Properties N.V.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2023

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IN THOUSANDS OF EUROS

INDEX

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

We have audited the accompanying consolidated statements of financial position of ARGO Properties N.V. ("the Company") as of December 31, 2023 and 2023 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, 2023 and 2022 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, 2023, 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 7, 2024

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31, 2023 Euros in thousands	December 31, 2202 Euros in thousands
CURRENT ASSETS:			
Cash and cash equivalents	3	11,562	27,352
Restricted deposits and liquidated investments	4	11,622	(*) 15,058
Financial assets	12a	1,219	2,111
Accounts receivable	4	2,455	(*) 912
		26,858	45,433
NON-CURRENT ASSETS:			
Investment property	5	666,410	654,683
Investment property – construction rights	5	13,116	8,897
Accounts receivable	4	403	2,518
Deferred taxes	9	513	-
		680,442	666,098
		711,531	707,300
CURRENT LIABILITIES:			
Current maturities of loans from banks	7	6,618	12,398
Accounts payable	6	8,856	6,794
		15,474	19,192
NON-CURRENT LIABILITIES:			
Loans from banks and financial institutions	7	341,909	294,344
Deferred taxes	9	19,674	26,708
		361,583	321,052
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY:			
Share capital	11	181	181
Share premium		225,628	221,012
Statutory capital reserve	11e	83,400	131,727
Share based payment capital reserve	11c	1,472	3,637
Retained earnings		19,562	14,730
Total equity attributable to shareholders of the Company		330,243	371,287
		707,300	711,531

(*)reclassified

March 7, 2024			
Date of approval of the financial statements	Ofir Rahamim Joint CEO	Guy Priel CFO	Ron Tira Chairman of the Board of Directors

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Year ended December 31, 2023	Year ended December 31, 2022	Year ended December 31 2021
		Euros in thousands	Euros in thousands	Euros in thousands
Revenues from rental of properties		21,386	16,600	11,328
Revenues from property management and others		7,998	6,095	3,596
Property management expenses		(7,998)	(6,095)	(3,596)
Cost of maintenance of rental properties		(3,793)	(3,261)	(2,041)
Profit from property rental		17,593	13,339	9,287
General and administrative expenses	13a	(6,437)	(5,653)	(4,209)
Operating income before changes in fair value of investment property, net		11,156	7,686	5,078
Changes in fair value of investment property, net		(45,352)	27,022	63,744
Changes in fair value of investment property due to one time update in the Real estate Transfer TAX	5	(11,471)	-	-
Operating (loss) income		(45,667)	34,708	68,822
Finance expenses, net	13b	(7,636)	(5,523)	(2,080)
Change in fair value of financial assets and exchange rate differences	8	2,400	3,215	2,335
(Loss) income before taxes on income		(50,903)	32,400	69,077
Taxes on income	9	7,408	(5,125)	(10,245)
Total net and comprehensive (loss) income attributable to shareholders of the Company		(43,495)	27,275	58,832
Basic (loss) earnings per share	17	(2.40)	1.51	3.46
Diluted (loss) earnings per share		(2.40)	1.47	3.15

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Year ended December 31, 2023					
	Equity attributable to equity holders of the Company					
	Share capital	Share premium	Statutory capital reserve	Share based payment capital reserve	Retained earnings	Total equity attributable to shareholders of the Company
	Euros in thousands					
Balance as of January 1, 2023	181	221,012	131,727	3,637	14,730	371,287
Expiration of options deriving from share based payment	-	4,616	-	(4,616)	-	-
Total net and comprehensive income (loss)	-	-	-	-	(43,495)	(43,495)
Classification in accordance with Dutch law	-	-	(48,327)	-	48,327	-
Cost of share based payment	-	-	-	2,451	-	2,451
Balance as of December 31, 2023	181	25,628	83,400	1,472	19,562	330,243

	Year ended December 31, 2022					
	Equity attributable to shareholders of the Company					
	Share capital	Share premium	Statutory capital reserve	Share based payment capital reserve	Retained earnings	Total equity attributable to shareholders of the Company
	Euros in thousands					
Balance as of January 1, 2022	181	221,012	110,652	1,650	8,530	342,025
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 consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Year ended December 31, 2021					
	Equity attributable to equity holders of the Company					
	Share capital	Share premium	Statutory capital reserve (1)	Share based payment capital reserve	Retained earnings	Total attributable equity shareholders 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
Total net and comprehensive income	-	-	-	-	58,832	58,832
Classification in accordance with Dutch law	-	-	55,050	-	(55,050)	-
Cost of share based payment	-	-	-	1,387	-	1,387
Balance as of December 31, 2021	181	221,012	110,652	1,650	8,530	342,025

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31, 2023	Year ended December 31, 2022	Year ended December 31 2021
	Euros in thousands	Euros in thousands	Euros in thousands
Cash flows from operating activities:			
Net (loss) income	(43,495)	27,275	58,832
Adjustments required to present net cash from operating activities:			
Adjustments to profit or loss:			
Finance expenses, net	5,392	2,308	(265)
Changes in fair value of investment property, net	56,823	(27,022)	(63,744)
Cost of share based payment	2,451	1,987	1,387
Deferred taxes, net	(7,547)	5,146	10,460
Cash flows from operating activities before changes in asset and liability items	13,624	9,694	6,670
Changes in operating asset and liability items:			
Other receivables	(288)	(1,098)	910
Increase in accounts payable	(436)	246	(133)
Net cash derived from operating activities	12,900	8,842	7,447
Cash flows from investing activities:			
Purchase of investment property	(64,329)	(143,371)	(117,591)
Additions in respect of investment property (including planning costs)	(5,350)	(3,714)	(2,991)
Loans to employees	-	-	366
Realization of financial assets	-	1,850	1,640
Depositing restricted deposits and prepaid transaction costs, net	3,716	(10,234)	(3,112)
Net cash used in investing activities	(65,936)	(155,469)	(121,688)
Cash flows from financing activities:			
Interest paid	(7,111)	(4,762)	(1,762)
Receipt of long-term loans, net	33,877	130,657	64,675
Repayment of long-term loans	(6,633)	(4,871)	(3,523)
Receipt of long-term loans under refinancing	24,250	45,000	2,700
Repayment of long-term loans under refinancing	(6,682)	(25,001)	(1,705)
Purchase of interest cap fixing transactions (CAP)	(485)	(1,728)	-
Issuance of shares, net	-	-	50,871
Net cash derived from financing activities	37,216	139,295	111,256

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31, 2023	Year ended December 31, 2022	Year ended December 31 2021
	Euros in thousands	Euros in thousands	Euros in thousands
Change in cash and cash equivalents	(15,847)	(7,332)	(2,985)
Effect of changes in exchange rates	57	(392)	1,770
Balance of cash and cash equivalents at the beginning of the year	27,352	35,076	36,291
Balance of cash and cash equivalents at the end of the year	11,562	27,352	35,076
(a) Non cash activities			
Purchase of real estate (*)	876	362	1,690
Payables in respect of investing activities	(2,474)	(3,902)	4,369

(*) 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. (hereinafter: "the Company") and its subsidiaries (hereinafter: "the Group") was incorporated in January 2018 and commenced its operations in July 2018 and is a Dutch-based real estate company engaging via subsidiaries in value enhancement and acquisition of investment properties in Germany in the area of income-generating residential real estate and income-generating real estate for development.

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

b. Definitions

In these financial statements -

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 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:

The consolidated financial statements of the Group have been compiled in accordance with International Financial Reporting Standards (hereinafter: "IFRS") and interpretations thereof issued by the International Accounting Standards Board (IASB). The main principles of the accounting policies which are detailed below have been applied consistently in regards to all reporting periods presented in these consolidated financial statements, except for changes in the accounting policies that derived from the application of standards, amendments to standards and interpretations which have been effective as of the reporting date of the financial statements as specified in Note 3 below.

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:

During the preparation of the financial statements, the management is required 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 calculated by the Group that may result in a material adjustment to the carrying amounts of assets and liabilities within the next consecutive 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 and potential rights, 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 Company legally holds of specific entities at a rate of 89.9% and earns a yield imputation of 100% in accordance with the essence and the mechanism that was defined in the profit sharing agreement (see Note 10(b)(1)).

d. 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.

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:

Financial liabilities at amortized cost:

The 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.

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.

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. 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.

i. 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), see Note 9.

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.

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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

j. Revenue recognition:

Revenue from contracts with customers according to the fair value of the consideration that was received or the consideration that the Group is entitled to receive in regards with revenue from rendering of services in the normal course of business. Revenue is measured according to the fair value of the consideration that was received or the consideration that the Group is entitled to receive in regards with revenue from rendering of services in the normal course of business.

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.

k. 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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

l. Fair value measurement:

Fair value of investment property 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 of investment property 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.

m. 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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

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

  - 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.

  - 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.

    There was no material impact on the company's financial statements.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

o. Standards issued that are invalid and 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 (hereinafter: 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 (hereinafter: 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 3:- CASH AND CASH EQUIVALENTS

Composition:

	December 31,	
	2023	2022
	Euros in thousands	Euros in thousands
Cash on hand	14,765	5,345
Short-term deposits (1)	12,587	6,217
	27,352	11,562

(1) As of December 31, 2023, includes deposits of approximately € 6,186 thousand bearing an annual average weighted interest of approximately 4.46% and a deposit of € 31 thousand denominated in NIS bearing an annual weighted interest rate of approximately 1. 5% .

NOTE 4:- RESTRICTED DEPOSITS AND LIQUIDATED INVESTMENTS ACCOUNTS RECEIVABLE

Composition:

	December 31,	
	2023	2022
	Euros in thousands	Euros in thousands
Restricted bank accounts	9,124	15,058
Liquidated investments	2,538	-
Tenants, net	755	306
Prepaid expenses	1,459	342
Accounts receivable and debit balances	301	264
	14,177	15,907

NOTE 5:- INVESTMENT PROPERTY

a. Composition and movement:

	Year ended December 31,	
	2023	2022
	Euros in thousands	Euros in thousands
Income generating residential real estate – level 3:		
Balance at the beginning of the year	634,680	460,191
Purchases and additions during the year	71,800	142,912
Increase in fair value	7,356	39,412
Decrease in fair value	(56,010)	(7,835)
Balance at the end of the year (*)	657,826	634,680
Income generating commercial real estate – level 3:		
Balance at the beginning of the year	28,900	33,100
Purchases and additions during the year	349	267
Increase in fair value	-	-
Decrease in fair value	(7,549)	(4,467)
Balance at the end of the year	21,700	28,900
	679,526	663,580

(*) As of December 31, 2023, the Company has 12,03 square meters of construction rights reflecting an average value of € 982 per meter.

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.

NOTE 5:- INVESTMENT PROPERTY (Cont.)

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

	December 31, 2023	December 31, 2022
Income-generating residential real estate:		
Discount rate (%) (*)	4.78%	4.14%
Growth rate for the first 10 years	1.78%	1.79%
Long-term growth rate (*)	1.21%	1.06%
Long-term vacancy rate (%)	1.58%	1.63%
Representative monthly rental fees per sq. m. (in Euros)	10.77	10.2
Income-generating real estate under development: (**)		
Monthly rental fees for offices (EUR) per sq. m upon project completion	25.45	25.45
Construction cost per sq.m (EUR)	2,612	2,508
Unrecoverable costs upon completion	5.29%	6.29%
Cap Rate	4.4%	3.8%
Developer's profit, transaction costs and others	33%	35%

(*) It should be 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, and effective from the eleventh year onwards, estimated cash flows are capitalized based on the Cap Rate basis (which deducts the long term growth rate from the Discount Rate).

(**) The key parameters are 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, 2023 and 2022, at an amount of approximately € 15,636 thousand, and approximately € 20,780 thousand, respectively.

NOTE 5:- INVESTMENT PROPERTY (Cont.)

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

	December 31, 2023	December 31, 2022
	Euros in thousands	Euros in thousands
Increase of 25 basis points at the discount rate of investment property relating to income-generating residential real estate/ at CAP RATE relating to income-generating real estate under development	(41,413)	(38,917)
Decrease of 25 basis points at the discount rate of investment property relating to income-generating residential real estate/ at CAP RATE relating to income generating real estate under development	47,278	44,001
Increase of 5% in representative rental fees per square meter	33,431	33,753
Decrease of 5% in representative rental fees per square meter	(33,431)	(33,753)

e. Regarding charges: see Note 10.

f. Income from future minimal rental fees:

The Company owns income generating residential real estate where all of its lease agreements are shorter than one year.
As of December 31, 2023, the Company has lease agreements in the residential segment reflecting, based on the current occupancy rate, an annual rental income at the amount of approximately EUR 23.5 million.

In addition, the Company owns income generating commercial real estate consisting of assets leased to third parties generating annual rental income at the amount of approximately EUR 0.7 million.

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

As of December 31:	Euros in thousands 2023	Euros in thousands 2022
First year	704	700
Second year	662	658
Third year	624	634
Fourth year	396	628
Fifth year	258	391
Sixth year and thereafter	2,219	1,221
	4,863	4,228

NOTE 5:- INVESTMENT PROPERTY (Cont.)

g. Purchases of investment property and entering into financing agreements during 2022:

a. During 2022, the Company completed through sub-subsidiaries the purchase of 806 apartments in 74 properties for a total consideration of approximately EUR 141,486 thousand. In addition, the Company engaged in further transactions (including agreements after the report date) for the purchase of 307 apartments in a total consideration of approximately EUR 45,718 thousand of which the Company completed the purchase of 32 apartments after the report date in a total consideration of approximately EUR 5,327 thousand.

b. Financing of new acquisitions:

During 2022, the Company entered through several sub-subsidiaries into non-recourse loan agreements with several German banking corporations (other than stated in sections c-f below) for periods of 5-6 years according to the following terms:

- Loans at a total amount of EUR19.2 million bearing a fixed interest rate at a weighted annual rate of 1.42%.
- Loans at a total amount of EUR 47.4 million bearing a variable interest rate based on a 3 or 6 months Euribor rate plus a weighted margin of 1.26%, while in regards to a total amount of EUR 36.9 million the Euribor 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.

Refinancing as a result of property value enhancement:

- 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 at the amount of approximately EUR 23.9 million with a new loan at 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 annum. 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 54.1%), and a debt yield ratio (80% of the total annual rental income divided by the loan amount) above 3.5% (as of the date of the report this ratio is approximately 5.5%).

- 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 19 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").

g. Purchases of investment property and entering into financing agreements during 2022 (Cont.):

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 loans' underwriting date – September 2022) (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:

a. In 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.

b. In 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.

c. 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 Company attributes the exchange rate differences to the profit or loss.

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 fully repaid by that date.

g. Purchases of investment property and entering into financing agreements during 2022 (Cont.):

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% (40.5% as of the report date) and the value of a single asset is lower than 15% of the value of the Company's consolidated real estate assets (2.5% as of the report signing date). The loan is secured by a negative lien on its assets (other than real estate), a change of control stipulation, various powers and structure. In addition, interest rate adjustment mechanisms and grounds for early repayment have been established as acceptable in such loans. The loan was fully drawn down on January 20, 2022.

h. Purchases of investment property and entering into financing agreements during 2023:

a. During 2023, the Company completed (via subsidiaries and sub-subsidiaries) the purchase of 457 apartments in 43 buildings for a total consideration of approximately EUR 63,449 thousand. In addition, the Company engaged in further transactions (including agreements after the report date) for the purchase of 55 apartments in a total consideration of approximately EUR 8,679 thousand.

b. Financing of new acquisitions:

- 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 a variable interest rate based on a 3 months Euribor rate. The drawing down of the loans was carried out at the end of March 2023.

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

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

Refinancing as a result of property value enhancement:

- 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 30, 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.

h. Purchases of investment property and entering into financing agreements during 2023 (Cont.):

- During the third quarter of 2023, the Company's sub-subsidiaries entered into an LOI with a German banking corporation and on February 5, 2024, a loan agreement was signed with a German financial institution (hereinafter: the "Bank") for refinancing at the total amount of approximately EUR 39 million (hereinafter: the "New Loan"). Out of the amount of the new loan, an amount of approximately EUR 34 million were drawn down on February 19, 2024 and the remaining balance at the amount of approximately EUR 5 million for drawing down, when the Company will execute an hedge to the loan, which is expected to be carried out later on during 2024. The new loan replaces 3 loans of which the remaining balance is at an amount of approximately EUR 26.69 million which the Company had taken (via its subsidiaries) in 2022 following a previous refinancing as a result of value enhancement of properties (367 apartments in the cities of Leipzig, Dresden and Magdeburg with a total area of approximately 22.2 thousand square meters), which were acquired through refinancing at a total amount of approximately EUR 18.8 million, which had been put forward for the benefit of the mentioned subsidiaries in 2018 and 2019. As a result of the refinancing processes (in 2022 and the refinancing under this agreement), the Company will extract a total value of approximately 102% of the equity invested in the acquisition of the said properties (excluding the cash flows from operating activities during the period) and thus is due to value enhancement of about 59% in the rental income of these properties during the last four years.

  The New Loan: is for a period of 5 years (until January 31,2029) and will bear a variable interest rate with an additional margin of 1.3% above the interest rate that will be determined. The Company is entitled to hedge the interest rate at any convenient time. The new loan is secured by first-ranking liens on the full rights of the asset companies in the said properties.

  The free cash flow that will derive from the refinancing subject of the new loan will sum up (after deducting expenses) at the amount of approximately EUR 11.9 million and will be used by the Company for financing new acquisitions and for its operating activities.

  The current loans: to update according to the progress. An amount of EUR 6.5 million out of the current loans which is at a variable interest rate which is expected to be drawn down at the time of executing the refinancing. The remaining balance of the current loans at the amount of approximately EUR 20.3 million bears a fixed interest rate of between 0.94% to 1.1% and is to repaid in the months of July and December 2026. The Company obtained a commercial understanding with the bank that granted the current loans, that (subject to the approval of credit committee and signing legal documents) the remaining balance of the current loans bearing a fixed interest rate and their terms would be maintained and would be used for the purpose of:
  a. Providing financing at a scope of approximately EUR 8.5 million for the acquisition of new assets upon which the Company’s sub-subsidiaries had already entered into notary purchase agreements thereof.
  b. Providing refinancing at a manner of "Top Up" to other loans that the previous bank had provided to the Company’s sub-subsidiaries at the amount of approximately EUR 4.8 million.
  c. The remaining balance of the current loans at the amount of approximately EUR 7 million bearing a fixed interest rate would be deposited in a deposit bearing an interest rate with accordance to the current market conditions and would be designated to be used for the purpose of financing a future acquisition of new assets by the Company (subject to the approval of the bank’s credit committee and to entering specific loan agreements versus the new assets). According to the Company’s estimate, the engagement with the bank in regards with the current loans as detailed above, is expected to be signed during the first quarter of 2024.

h. Purchases of investment property and entering into financing agreements during 2023 (Cont.):

- 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 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 a fixed interest rate of 4.65%. The drawing down of the loans was be carried out on January 31,2023.

NOTE 6:- ACCOUNTS PAYABLE

Composition:

	December 31,	
	2023	2022
	Euros in thousands	Euros in thousands
Expenses payable	3,823	1,950
Agreement with a partner (**)	333	326
Interest payable	115	289
Trade payables	436	836
Deposits from tenants	3,076	2,506
Provision for vacation and sick leave	1,073	887
	8,856	9,911

(**) see Note 10b(1).

a. Composition:

	Weighted interest rate (*) as of December 31, 2023	December 31, 2023	December 31, 2022
	%	Euros in thousands	Euros in thousands
Non-current loans from banks and others:			
Variable interest rates based on 3 or 6 months Euribor rate (**)	3.94%	63,250	50,172
Fixed interest rates	1.82%	233,972	201,238
Fixed interest rate from institutional entity denominated in NIS (***)	3.84%	53,594	57,287
Deferred finance costs		(2,289)	(2,000)
Total loans from banks and others, net of deferred finance costs		348,527	306,742
Less - current maturities		(6,618)	(12,398)
		341,909	294,344
Maturity dates (excluding the deduction of deferred finance costs):			
First year		6,618	12,398
Second year		35,647	5,360
Third year		85,328	34,472
Fourth year		128,816	80,110
Fifth year and beyond		95,497	176,402
		351,876	308,742

(*) The weighted interest rate is taking into account the interest rate cap in accordance with agreements to fix the Euribor rate cap (CAP) the companies entered into.

(**) The values of the loans at variable interest rate do not include a loan the balance of which as of December 31, 2023 amounted to EUR 7,500 thousand that was fixed by SWAP agreement and is presented by weighing the SWAP agreement under loans bearing fixed interest rate.

(***) For further details see Note 5(g)(c).

b. Additional information on loans from banks:

(1) Under the loan agreement the balance of which as of December 31, 2023 amounts to EUR 38,499 thousand, the Company's subsidiaries have committed to meet a number of financial covenants, as specified in Note 5(g)(b). In addition, the Company has other loans from banks the balance of which as of December 31, 2023 amounted to EUR 448,884 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)(c). As of December 31, 2023, the Group meets all covenants that were set.

(2) For information regarding liens, see Note 10.

(3) For additional information on loans taken during the reported period, see Note 5(g)(c).

NOTE 8:- OTHER FINANCIAL LIABILITIES

Financial liabilities in regards of interest SWAP transactions as of December 31, 2023 and 2022 are in the amount of approximately EUR 0 thousand and approximately EUR 24 thousand, respectively (level 2). As of December 31, 2023 and 2023, the fixed interest rates (without margin) were set at 2.72% and 0.17%, respectively. (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, 2023, the loan balance amounted to € 7,500 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 statements.

NOTE 9:- TAXES ON INCOME

a. Tax laws applicable to the Group companies:

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

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

State	%
The Netherlands	25
Germany	15.825

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.

   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 for tax purposes carried forward for tax purposes on the coming years and temporary differences that do derive from investment property, amounting as of December 31, 2023 to approximately € 20,846 thousand. In regards of these losses, deferred tax assets have been recognized in the financial statements in the amount of approximately € 4,188 thousand.

In addition, the Group has business losses, which were accumulated in asset companies the Company acquired during the period prior to the acquisition of the companies, for tax purposes carried forward to future years, amounting as of December 31, 2023 to approximately € 304 thousand, for which no deferred tax assets were recognized.

In addition, the Group has temporary differences, which were created at the time of acquisition of asset companies in non-business combinations and that at the time of the transaction did not affect the accounting profit or the taxable income, between the tax base of real estate for tax purposes and the cost of its acquisition which amounted as of December 31, 2023 and 2022 to approximately 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, 2023	December 31, 2022
	Euros in thousands	Euros in thousands
Deferred tax liabilities		
Investment property	(23,349)	(28,822)
Deferred tax assets		
Losses carried forward for tax purposes and other temporary differences	4,188	2,114
Deferred tax liabilities, net	(19,161)	(26,708)
Deferred taxes are presented in the statement of financial position as follows:		
Non-current assets	513	-
Non-current liabilities	(19,674)	(26,708)
	(19,161)	(26,708)

(2) Movement in profit or loss:

	Year ended December 31, 2023	Year ended December 31, 2022
	Euros in thousands	Euros in thousands
Balance at the beginning of the period/year	(26,708)	(21,562)
Investment property	(5,473)	(4,693)
Revaluation of financial derivatives		-
Creation (utilization) of losses carried forward for tax purposes	(2,074)	(453)
Balance at the end of the period/year	(19,161)	(26,708)

(*) 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 regards of carryforward tax losses in the Netherlands are calculated at a tax rate the Company expects that these losses will be utilized.

NOTE 9:- TAXES ON INCOME (Cont.)

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

	Year ended December 31,		
	2023	**2022**	**2021**
	Euros in thousands	**Euros in thousands**	**Euros in thousands**
Deferred taxes	7,547	(5,146)	(10,460)
Current taxes and taxes in regards of previous years	(139)	21	215
Tax expenses	7,408	(5,125)	(10,245)

f. Theoretical tax:

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

	Year ended December 31,		
	2023	**2022**	**2021**
	Euros in thousands	**Euros in thousands**	**Euros in thousands**
Income (loss) before taxes on income	(45,667)	32,400	69,077
Statutory tax rate in the Netherlands	25%	25%	25%
Tax calculated using statutory tax rate	11,417	(8,100)	(17,269)
Deferred tax assets created in other tax rate (see section d. above)	(4,009)	2,975	7,024
Taxes on income	7,408	(5,125)	(10,245)

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,	
	2023	2022
	Euros in thousands	Euros in thousands
Non-current liabilities (including current maturities) see Note 7	351,816	306,742

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

a. Composition of share capital:

	December 31, 2022 and 2021	
	Authorized	Issued and outstanding
Ordinary shares of EUR Cent 1 par value each (1)	30,000,000	18,101,534

a. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11:- EQUITY (Cont.)

b. Employee stock options:

The new plans:

During 2023, the Company's Board of Directors approved plans for the allocation of options to employees and officers in the Company and the remuneration committee, the Company's Board of Directors and the general meeting of the Company's shareholders (respectively and as the case may be) approved the allocation of options in virtue of the said plans for the joint CEOs as well as for additional senior officers. Below are the main terms of the said plans:

	ESOP 2	**ESOP1A in regards to the joint CEOs**	**ESOP1A in regards to the officers who are not CEOs**
Date of the approval of allocations (name of the approving organ)	January 19, 2023 –**In regards of the joint CEOs** (the remuneration committee and the Company's Board of directors) and March 9, 2023 (the general meeting of the Company's shareholders); August 23, –**In regards of other senior officers** 2023 (the audit committee and the Company's Board of Directors);	August 31, 2023 (the remuneration committee); September 7, 2023 (the Company's **Board of Directors**); September 16, 2023 (the general meeting of the Company's shareholders);	
Number of allocated options	2,048,904	1,331,277	839,283
Date of actual allocation	options were allocated on July 2, 2023 1,309,169 to the joint CEOs; 739,735 options were allocated to other senior officers on October 5, 2023.	October 16, 2023	
Exercise price (NIS)	77.13	65	59.33
The method of the options exercise	Cashless only with accordance to the average share price in the period of 30 days prior to the exercise notice (*)		
Vesting periods and dates	3 vesting periods of one, two and three years, starting from July 1, 2023	One vesting date on December 31, 2024	
Final date for exercise	June 30, 2027	June 30, 2026	
Fair value of the total amount of granted options as determined by an external independent appraiser	NIS 12,492 thousand	NIS 4,964 thousand	NIS 4,584 thousand
Main parameters that were used for the valuation of the options			
Valuation Model	Black and Scholes	Black and Scholes	Black and Sholes and Monte Carlo
Closing price of the share (NIS) on the date of valuation	54.03 and 50.95, with accordance to the date the options were granted respectively: March 9, 2023 with regards to 1,309,169 options and August 23, 2023 with regards to 737,735 options.	47.51, with accordance to the date the options were granted on October 16, 2023	
Annual standard deviation	29%-31%	31%	
Option expected term (based on "Simplified method")	Between 3.2. and 2.9 years, with accordance to the date the options were granted.	Two years, with accordance to the date the options were granted.	
Risk-free interest rate	3.96%-4.26%	3.89%	
Maximum dilution factor	Up to 6%	Up to 7%	
Further details	See immediate reports as of March 2, 2023 and as 2023-of September 21, 2023 [reference numbers , respectively], 2023-01-089068 and 01-023331 the information contained therein is included in this report by way of reference.	See immediate reports as of October 8,] 2023-01-1137062023 [reference number the information contained therein is included in this report by way of reference.	

* With regards to 636,286 options which were granted to Mr. Tenenbaum (joint CEO), it was determined as for the net exercise mechanism, that in spite of the calculation based only on the average closing prices, the calculation will be determined by the lower of: (i) average closing share prices; and (ii) the **EPRA NTA** per share value (in NIS currency according to the exchange rate on the date of exercising the options). For further details regarding the calculation method of the abovementioned Index – see Section 4 of Part A in the Company's Board of Directors report.

NOTE 11:- EQUITY (Cont.)

c. 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.

d. 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, 2023 is approximately € 19,562 thousand.

NOTE 12:- FINANCIAL INSTRUMENTS

a. Classification of financial assets and financial liabilities

	December 31, 2023	December 31, 2022
	Euros in thousands	Euros in thousands
Cash, loans and receivables at amortized cost:		
Cash and cash equivalents	11,562	27,352
Restricted deposits and liquidated investments	11,622	15,058
Financial assets	1,219	2,111
Accounts receivable	1,056	570
	25,459	45,091
Other financial liabilities at amortized cost:		
Credit from banks and others	351,816	306,742
Other accounts payable (1)	4,707	3,401
	356,523	310,143

b. Market risk:

Interest rate risk:

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

The Company hedges most of its financial liabilities by taking loans at fixed interest rate or by entering into interest SWAP agreements 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, 2023 amounted to EUR 53,594 thousand. For more details regarding this engagement, see note 5(g)(בd).

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, 2023, the exposure to changes in exchange rates is not hedged.

NOTE 12:- FINANCIAL INSTRUMENTS (Cont.)

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.

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, 2023, 1.9% of the Group's debt to banks and others will be redeemed within under a year (See also Note 7).

NOTE 12:- FINANCIAL INSTRUMENTS (Cont.)

d. Liquidity risk (Cont.):

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, 2023

	First year	Second year	Third year	Forth year	Fifth year onwards	Total
	Euros in thousands					
Accounts payable	4,707	-	-	-	-	4,707
Loans from banking corporations and others (1)	6,618	35,647	85,328	128,407	95,407	351,816
	11,325	36,647	85,328	128,407	95,407	356,523

(1) The balance of loans from banking corporations and others include 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, 2023 that bear a fixed interest rate and are presented at amortized cost is lower by approximately EUR 19.4 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 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 material datal	Range weighted) (average	Fair value sensitivity to change in data which shall effect the profit or loss
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 € 0.6 million

A decrease in fair value of the interest rate cap agreements (CAP) is limited to the positive value of the assets (EUR 1,151 thousand as of the date of the report).

f. Derivatives and hedging:

As of December 31, 2023, the Group has interest rate swap agreements (SWAP) in the sum of € 7,500 thousand according to which the Group pays a fixed interest rate of 2.72% and receives a variable interest rate at a rate equal to three months Euribor rate.

As of December 31, 2023, the Group has CAP agreements on the 3 and 6 months Euribor rate on reserves in a total amount of EUR 53,031 thousand to fix caps of the Euribor rates at a range between 2% to 3%.

NOTE 12:- FINANCIAL INSTRUMENTS (Cont.)

g. Sensitivity tests relating to changes in market factors:

	December 31,	
	2023	**2022**
	Euros in thousands	**Euros in thousands**
Sensitivity test to changes in interest rates:		
Effect on profit or loss:		
For loans (*)		
Interest increase of 200 basis points	(5,112)	(5,234)
Interest decrease of 200 basis points	5,112	5,234
For SWAP transactions		
Interest increase of 200 basis points	680	139
Interest decrease of 200 basis points	(680)	(126)
For CAP transactions (*)		
Interest increase of 200 basis points		
Interest decrease of 200 basis points	4,380	4,137
	(1,151)	(1,889)
For FORWARD transactions		
Increase of 2% in the EUR/NIS exchange rate	-	(540)
Decrease of 2% in the EUR/NIS exchange rate	-	540

(*) 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 regards to 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.

In long-term loans at fixed interest ,the Group is not exposed to changes in profit/loss due to interest risk. In non-current variable-interest loans, the sensitivity test for interest rate 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,		
	2023	2022	2021
	Euros in thousands	Euros in thousands	Euros in thousands
General and administrative expenses:			
Property management, salary expenses and others	(1,481)	(1,518)	(1,300)
Legal and other professional services	(1,718)	(1,253)	(817)
Cost of share based payment	(2,451)	(1,987)	(1,387)
Travel expenses, rent and office maintenance and others	(895)	(895)	(705)
	(6,437)	(5,653)	(4,209)
Financial expenses:			
Interest, bank charges and others			
Interest income	689	32	-
Interest expenses on loans	(7,688)	(4,833)	(1,640)
Amortization of finance costs, bank charges, and others	(637)	(722)	(440)
	(7,636)	(5,523)	(2,080)

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

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

Year ended December 31, 2023

	No. of people	Amount - Euros in thousands
Short-term employee benefits (*)	6	4,247
Cost of share based payment (**)	6	2,450

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 193 thousand for provision for vacation and sick leave.
(**) The cost of share based payment in 2021, 2022 and an amount of EUR 978 thousand from the cost of share based payment in 2023 were recognized due to ESOP1 option plan that was expired valueless on September 30, 2023.

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,		
	2023	2022	2021
	Euros in thousands	Euros in thousands	Euros in thousands
Salary and related expenses to interested parties employed by the Company (joint CEOs)	2,341	2,164	1,300
The number of people to whom the benefit relates	2	2	2
Compensation for directors not employed in the Company	365	267	137
The number of people to whom the benefit relates	5	5	5

The monthly employment cost of each of the joint 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 joint 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 regards of the joint CEOs for 2023 does not include provision for vacation and sick leave.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, 2023	Cash flows from financing activities, net (a)	Cash flows used in investing activities	cash flows from operating activities (b)	Balance as of December 31, 2023
Loans from banks	306,742	44,812	-	(3,297)	348,257

	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

(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	-	Value enhancement and leasing of residential real estate.
Income generating real estate for development	-	Development of real estate for offices and asset for commercial use.

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

Segment revenues include rental revenues and revenues from property management.

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

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

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

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

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

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

NOTE 16:- OPERATING SEGMENTS (Cont.)

b. Operating segment revenue and results analysis:

	Income-generating residential real estate	Income-generating real estate for development	Total
	Euros in thousands		
Year ended December 31, 2023			
Revenues from property rental	20,689	697	21,386
Revenues from property management and others	7,920	78	7,998
Property management expenses	(7,920)	(78)	(7,998)
Rental property maintenance expenses	(3,679)	(114)	(3,793)
Profit from property rental	17,010	583	17,593
General and administrative expenses			(6,437)
Changes in fair value of investment property, net	(49,274)	(7,549)	(56,823)
Financial expenses, net			(5,236)
(Loss) before taxes on income			(50,903)

	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

NOTE 16:- OPERATING SEGMENTS (Cont.)

	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

NOTE 16:- OPERATING SEGMENTS (Cont.)

c. Operating segment assets and liabilities

Year ended December 31, 2023

	Income-generating residential real estate	Income-generating real estate for development	Total
	Euros in thousands		
Capital investments and acquisitions (*)	71,804	349	72,153

* of which an amount of approximately EUR 5 million were invested in renovation of the Company's assets in the income-generating residential real estate segment.

As of December 31, 2023			
Segment assets	657,826	21,700	679,526
Unallocated assets			27,774
Segment liabilities	(289,772)	(7,500)	(279,222)
Unallocated liabilities			(87,335)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 16:- OPERATING SEGMENTS (Cont.)

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

* of which an amount of approximately EUR 3.5 million were invested in renovation of the Company's assets in the income-generating residential real estate segment.

	Income-generating residential real estate	Income-generating real estate for development	Total
As of December 31, 2022			
Segment assets	634,680	28,900	663,580
Unallocated assets			47,951
Segment liabilities	(244,444)	(6,966)	(251,410)
Unallocated liabilities			(88,834)

NOTE 17:- EARNINGS PER SHARE

a. Basic earnings per share:

	Year ended December 31,		
	2023	2022	2021
	Euros in thousands	Euros in thousands	Euros in thousands
(loss) income for the year attributed to the holders of the parent company	(43,495)	27,275	58,832
(loss) income used for calculating basic earnings per share	(43,495)	27,275	58,832
Weighted average number of ordinary shares used to calculate basic earnings per share	18,101,534	18,101,534	16,986,948

b. Diluted earnings per share:

	Year ended December 31,		
	2023	2022	1202
	Euros in thousands	Euros in thousands	Euros in thousands
Income (loss) used for calculating basic earnings per share	(43,495)	27,275	58,832
Income (loss) used for calculating diluted earnings per share	(43,495)	27,275	58,832
Weighted average number of ordinary shares used to calculate basic earnings per share	18,101,534	18,101,534	16,986,948
Adjustments			
Warrants issued as part of the founders agreement (*)	-	-	-
Warrants to employees issued as part of share based payment arrangements	194,224	500,960	1,707,702
Weighted average number of ordinary shares used to calculate diluted earnings per share	18,295,758	18,602,494	18,694,650

(*) 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(h).

ARGO Properties N.V.

Appendix to the Consolidated Financial Statements - List of subsidiaries

NOTE 19:- INVESTMENTS IN HELD CORPORATIONS

Name of entity	Country of incorporation	December 31, 2023 % 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 Holding B.V.	The Netherlands	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).