ARGO PROPERTIES NV

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2024

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 301, 2024 and the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-months and six-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 13, 2024

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INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30,		December 31,
	2024	2023	2023
	(Unaudited)		(Audited)
	€ in thousands		
Current Assets			
Cash and cash equivalents	20,943	20,174	11,562
Restricted deposits and liquidated investments	10,670	3,648	11,622
Inventory of apartments for sale	1,420	-	-
Financial assets	578	2,451	1,219
Accounts receivable	4,429	9,035	2,455
	38,040	35,308	26,858
Non-Current Assets			
Investment property	689,709	677,816	666,410
Investment property – construction rights	18,120	12,751	13,116
Accounts receivable and restricted deposits	2,698	542	403
Deferred taxes	849	184	513
	711,376	691,293	680,442
	749,416	726,601	707,300

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2024	June 30, 2023	December 31, 2023
	(Unaudited)	(Unaudited)	(Audited)
	€ in thousands		
Current Liabilities			
Current maturities of loans from banks	17,532	12,543	6,618
Accounts payable	8,610	7,150	8,856
	26,142	19,693	15,474
Non-Current Liabilities			
Loans from banks and financial institutions	358,456	323,535	341,909
Deferred taxes	21,801	23,977	19,674
	380,257	347,512	361,583
Equity Attributable to Company Shareholders			
Share capital	181	181	181
Share premium	225,628	221,012	225,628
Statutory capital reserve	91,710	114,269	83,400
Share based payment capital reserve	3,238	4,946	1,472
Retained earnings	22,260	18,988	19,562
Total equity attributable to Company shareholders	343,017	359,396	330,243
	749,416	726,601	707,300

August 13, 2024				
Date of approval of the financial statements	Ofir Rahamim Joint CEO	Gal Tennenbaum Joint CEO	Guy Priel CFO	Ron Tira Chairman of the Board of Directors

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

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
	2024	2023	2024	2023	2023
	Unaudited				Audited
	€ in thousands				
Revenues from rental of properties	12,101	10,112	6,175	5,281	21,386
Revenues from property management and others	5,072	4,416	2,645	1,590	7,998
Property management expenses	(5,072)	(4,416)	(2,645)	(1,590)	(7,998)
Cost of maintenance of rental properties	(1,663)	(1,944)	(936)	(934)	(3,793)
Gross profit from rental of properties	10,438	8,168	5,239	4,347	17,593
Revenues from selling of apartments	1,335	-	603	-	-
Apartments cost of goods sold	(909)	-	(460)	-	-
Gross profit from selling of apartments	426	-	143	-	-
Total gross profit of the Company	10,864	8,168	5,382	4,347	17,593
General and administrative expenses	(4,359)	(3,255)	(2,169)	(1,638)	(6,437)
Operating profit before changes in fair value of investment property, net	6,505	4,913	3,213	2,709	11,156
Changes in fair value of investment property, net (excluding the effect of a one-time change of Real estate Transfer Tax)	11,003	(9,269)	6,228	(2,250)	(45,352)
Changes in fair value of investment property due to a one-time change of Real estate Transfer Tax	-	(11,471)	-	-	(11,471)
Operating income (loss)	17,508	(15,827)	9,441	459	(45,667)
Finance expenses, net	(4,483)	(3,873)	(2,181)	(2,106)	(7,636)
Change in fair value of financial assets and exchange rate differences, net	(208)	3,602	616	1,365	2,400
	(4,691)	(271)	(1,565)	(741)	(5,236)
Income (loss) before taxes on income	12,817	(16,098)	7,876	(282)	(50,903)
Taxes on income	(1,809)	2,898	(888)	28	7,408
Net income (loss)	11,008	(13,200)	6,988	(254)	(43,495)
Other comprehensive income (loss)	-	-	-	-	-
Total net and comprehensive income (loss) attributable to Company shareholders	11,008	(13,200)	6,988	(254)	(43,495)
Basic earnings (loss) per share	0.60	(0.73)	(0.38)	0.01	(2.40)
Diluted earnings (loss) per share	0.58	(0.73)	(0.36)	0.01	(2.40)

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, 2024 (unaudited)					
	Equity Attributable to Company Shareholders					
	€ in thousands					
	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, 2024	181	225,628	83,400	1,472	19,562	330,243
Changes in equity during this period:						
Total net and comprehensive income	-	-	-	-	11,008	11,008
Classification in accordance with Dutch law	-	-	8,310	-	(8,310)	-
Cost of share based payment	-	-	-	1,766	-	1,766
Balance as of June 30, 2024 (unaudited)	181	225,628	91,710	3,238	22,260	343,017

	Six months ended June 30, 2023 (unaudited)					
	Equity Attributable to Company Shareholders					
	€ in thousands					
	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 (unaudited)	181	221,012	114,269	4,946	18,988	359,396

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, 2024 (unaudited) Equity Attributable to Company Shareholders € in thousands					
	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, 2024	181	225,628	86,732	2,355	20,250	335,146
Changes in equity during this period:						
Total net and comprehensive income	-	-	-	-	6,988	6,988
Classification in accordance with Dutch law	-	-	4,978	-	(4,978)	-
Cost of share based payment	-	-	-	883	-	883
Balance as of June 30, 2024 (unaudited)	181	225,628	91,710	3,238	(4,978)	343,017

	Three months ended June 30, 2023 (unaudited) Equity Attributable to Company Shareholders € in thousands					
	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	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 (unaudited)	181	221,012	114,269	4,946	18,988	359,396

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, 2023 (Audited)					
	Equity Attributable to Company Shareholders					
	€ in thousands					
	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:						
Expiration of options deriving from share based payment	-	4,616	-	(4,616)	-	-
Total net and comprehensive income	-	-	-	-	(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	225,628	83,400	1,472	19,562	330,243

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
	2024	2023	2024	2023	2023
	Unaudited				Audited
	€ in thousands				
Cash flows from operating activities:					
Net income (loss)	11,008	(13,200)	6,988	(254)	(43,495)
Adjustments required to present net cash from operating activities:					
Adjustments to profit or loss:					
Finance expenses, net	4,868	538	1,635	805	5,392
Changes in fair value of investment property, net	(11,003)	20,740	(6,228)	2,250	56,823
Cost of share based payment	1,766	1,309	883	819	2,451
Deferred taxes, net	1,791	(2,915)	894	2	(7,547)
Cash flows from operating activities before changes in operating asset and liability items	8,430	6,472	4,172	3,622	13,624
Changes in operating asset and liability items:					
Changes in apartments inventory	909	-	460	-	-
Other receivables	(1,729)	(1,092)	(1,163)	(24)	(288)
Increase in accounts payable	(173)	1,192	(131)	494	(436)
Net cash derived from operating activities	7,437	6,572	3,338	4,092	12,900
Cash flows from investing activities:					
Purchase of investment property	(17,219)	(46,899)	(10,082)	(13,507)	(64,329)
Additions in respect of investment property	(3,328)	(2,515)	(1,749)	(1,431)	(5,350)
Depositing restricted deposits and prepaid transaction costs, net	912	6,355	1,371	(2,414)	3,716
Depositing restricted deposits for an interim period under refinancing*	(2,500)	-	17,680	-	-
Net cash used in investing activities	(22,135)	(43,059)	7,220	(17,352)	(65,936)

(*) loans which are secured by real estate pledge at an amount of EUR 20,032 thousand and were refinanced and the terms of the loans were maintained for the purpose of redrawing them via depositing in a deposit for an interim period until the completion of the phases of the redrawing of the deposit, see Note 7(b).

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
	2024	2023	2024	2023	2023
	Unaudited				Audited
	€ in thousands				
Cash flows from financing activities:					
Interest paid	(3,130)	(2,849)	(1,412)	(1,593)	(7,111)
Receipt of long-term loans, net	-	19,260	-	(79)	33,877
Repayment of long-term loans and associated costs	(3,286)	(3,173)	(1,583)	(1,474)	(6,633)
Receipt of long-term loans under refinancing	38,268	16,750	4,702	2,500	24,250
Repayment of long-term loans under refinancing*	(7,772)	-	(1,247)	-	(6,682)
Purchase of interest cap fixing transactions (CAP)	-	(485)	-	-	(485)
Net cash derived from (used for) financing activities	24,080	29,503	460	(646)	37,216
Change in cash and cash equivalents	9,382	(6,984)	11,018	(13,906)	(15,820)
Effect of changes in exchange rates	(1)	(194)	53	(9)	30
Balance of cash and cash equivalents at the beginning of the period	11,562	27,352	9,892	34,089	27,352
Balance of cash and cash equivalents at the end of the period	20,943	20,174	20,943	20,174	11,562

(*) loans which are secured by real estate pledge at an amount of EUR 20,032 thousand and were refinanced and the terms of the loans were maintained for the purpose of redrawing them via depositing in a deposit for an interim period until the completion of the phases of the redrawing of the deposit, see Note 7(b).

(a) Non cash transactions

Purchase of real estate	-	-	-	(36)	876
Payables in respect of investing activities	(84)		(526)	-	(2,474)

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. (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.

In May 2021, the Company issued shares for the first time under an IPO in the stock exchange in Israel.

These financial statements have been prepared in a condensed format as of March 31, 2024 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, 2023 and for the year then ended and the accompanying notes (hereinafter – 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, except for section c below.

c. Transition from investment property into inventory:

The Company classifies apartment properties from real estate investment properties into inventory and this is when a change in use of the buildings of the apartments occurs, which is supported by evidence in regards to the rezoning of the property and its turning into inventory. The evidence includes 3 cumulative conditions as hereafter: (1) the property has undergone a conversion process (R2C) which includes significant development processes mainly in regulatory and legal aspects which enable, inter alia, to sell each apartment separately and/or if the sold apartment has undergone a significant renovation process (2) the apartment in the property has been vacated/is vacant of tenants and/or rented has undergone a process of new rental (3) the apartment is held for the purpose of sale.

As of the date of the aforesaid transition process, the inventory cost of the transitioned apartment is the fair value of that transitioned apartment according to the last valuation that was received prior to the date of the transition from real estate investment property into inventory.

Note 3: - Amendments to accounting standards and financial reporting

a. Amendments to standards having an effect on the current period and/or on previous reporting periods:

In 2020 an amendment to IAS 1 was issued regarding the classification of liabilities as current or non-current (hereinafter - Amendment 2020). The amendment clarified that the classification of the liabilities as current or non-current is based on the existing rights for an entity at the end of the reporting period and is not affected by the entity’s expectation of exercising these rights.

The amendment removed the reference to existence of an "unconditional" right to postpone the extinguishment of a liability for at least 12 months after the reporting period and clarified that if the right to defer extinguishment as aforesaid 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.

Additionally, 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 capital 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 capital instruments, this condition does not affect the classification of the liability as current or non-current if the option is classified as a separate capital 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 reporting period, even if compliance with them is actually examined after the reporting period. However, financial covenants that an entity is required to meet at a later date than the end of the reporting period, do not affect the existence of the entity's right as aforesaid at the end of the reporting period.

Additionally, 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 new standard has no affect upon the Company.

Note 3: - **Amendments to accounting standards and financial reporting (cont.)**

b. New standards, new interpretations and amendments to standards that were issued and are invalid, and were not adopted by the Group by early adoption, which are expected to have an effect or may have an effect on future periods:

International Financial Reporting Standard 18 "Presentation and Disclosure in Financial Statements" ("IFRS 18"):

On April 9, 2024, IFRS 18 was issued which replaces the International Accounting Standard 1 "Presentation of Financial Statements" ("IAS 1"). The purpose of the IFRS 18 standard is to improve the manner of conveying the information by entities to users in their financial statements.

The standard focuses on the following areas:

(1) The structure of the profit or loss statement- presentation of defined subtotals and subdivision to categories in the profit or loss statement.

(2) Requirements regarding the improvement of the aggregation and disaggregation of information in the financial statements and in the notes.

(3) Presentation of information regarding management-defined performance measures ("MPM") that are not based on accounting standards (NON-GAAP) in the notes to the financial statements.

Additionally, at the time of applying IFRS 18 additional amendments to IFRS standards shall be effective, inter alia to the IFRS 7 "Statement of Cash flows" which are designated to improve the comparison between entities. The changes include mainly: using a subtotal of the operating profit as a single starting point in applying the indirect method for reporting on cash flows from operating activities as well as canceling the alternatives for choosing an accounting policy regarding the presentation of interest and dividends. In light of this, except in certain cases, interest and dividends received will be included as part of cash flows from investing activities and on the other hand paid interest and paid dividends will be included as part of financing activities.

The IFRS 18 standard shall be effective for annual reporting periods starting from January 1, 2027 onwards. The standard is applied retrospectively. An earlier application of the standard is permitted.

The Company is examining the effect of IFRS 18, including the effect of amendments to additional IFRS standards as a result of its application, upon the financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 4: - Investment Property

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

	June 30, 2024	June 30, 2023	December 31, 2023
	(Unaudited)		(Audited)
Income-generating residential property (real estate)			
Discount rate (%)	5.02%	4.38%	4.78%
Growth Rate for the first 10 years	1.85%	1.83%	1.78%
Long-term growth rate	1.33%	1.08%	1.21%
Long-term vacancy rate (%)	2.3%	1.31%	2.27%
Representative monthly rental fees per sq.m (in Euro)	11.21	10.33	10.77

	June 30, 2024	June 30, 2023	December 31, 2023
	(Unaudited)		(Audited)
Income-generating real estate for development (**)			
Monthly rental fees for offices (EUR) per sq.m upon project completion	25.45	25.45	25.45
Construction cost per sq.m (EUR)	2,612	2,612	2,612
Unrecoverable costs upon completion	5.29%	5.29%	5.29%
Revenues yield rate	4.4%	4.4%	4.4%
Developer's profit, transaction costs and others	33%	33%	33%

Note 5: - **Financial instruments**

a. Financial instruments not measured at fair value:

The Company's 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, 2024 that bear a fixed interest rate and are presented at amortized cost, is lower by approximately EUR 20.9 Million than their balance 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:

	Book value			Fair value		
	June 30		December 31	June 30		December 31
	2024	2023	2023	2024	2023	2023
	(Unaudited)		(Audited)	(Unaudited)		(Audited)
	EUR in thousands					
Financial derivatives	1,150	2,451	-	1,150	2,451	-
Financial liabilities	(573)	-	-	(573)	-	-
	578	-	-	578	2,451	-

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

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

Note 6: - 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, 2023. Since 1st of April, 2024 the Company extended it's reporting re the activity in the segment of conversion and selling of apartments and include it as separate segment.

b. Operating segments revenue and results analysis:

	Income-generating residential real estate	Income-generating real estate for development	Conversion and selling of apartments	Total
	Euros in thousands			
For the period of six months ended June 30, 2024 (unaudited)				
Revenues from property rental	11,751	350	-	12,101
Revenues from property management and others	5,032	40	-	5,072
Property management expenses	(5,032)	(40)	-	(5,072)
Rental property maintenance expenses	(1,588)	(75)	-	(1,663)
Gross profit from property rental	10,163	275		10,438
Revenues from apartments selling	-	-	1,335	1,335
Apartments cost of goods sold			(909)	(909)
Gross profit from apartments selling	-	-	426	426
Total gross profit of the Company				
General and administrative expenses				(4,359)
Changes in fair value of investment property, net	11,003	-	-	11,003
Financial expenses, net				(4,691)
Income before taxes on income				12,817

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 6: - **Operating Market Segments (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, 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)

	Income-generating residential real estate	Income-generating real estate for development	Conversion and selling of apartments	Total
	Euros in thousands			
For the period of three months ended June 30, 2024 (unaudited)				
Revenues from property rental	6,000	175	-	6,175
Revenues from property management and others	2,625	20	-	2,645
Property management expenses	(2,625)	(20)	-	(2,645)
Rental property maintenance expenses	(878)	(58)	-	(936)
Gross profit from property rental	5,122	117	-	5,239
Revenues from apartments selling	-	-	603	603
Apartments cost of goods sold	-	-	(460)	(460)
Gross profit from apartments selling	-	-	143	143
Total gross profit of the Company				
General and administrative expenses				(2,169)
Changes in fair value of investment property, net	6,228			6,228
Financial expenses, net				(1,565)
Income before taxes on income				7,867

Note 6: - Operating Market Segments (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, 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)

	Income-generating residential real estate	Income-generating real estate for development	Total
	Euros in thousands		
Year ended December 31, 2023 (audited)			
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)

Note 7: - Material Events In The Reported Period And Thereafter

a. During the reported period, the Company completed (via subsidiaries and sub-subsidiaries) the purchase of 102 apartments in 11 properties, and for a total consideration of approximately EUR 16,124 thousand.

In addition, the Company engaged in further transactions (including agreements after the report date) for the purchase of 156 apartments for a total consideration of approximately EUR 19,757 thousand, of which the Company completed after the report date, the purchase of 9 apartments for a total consideration of approximately EUR 1.8 million.

b. The Company has started this year during the months of March (in Leipzig) and April (in Dresden) the second phase of its business plan (selling of apartments R2C) with 30 apartments that have been sold so far (16 notarized agreements, 14 exclusivity agreements) at a total amount of approximately EUR 6,4 million, reflect sale price of EUR 4,046 psm.

As of June 30, 2024, and as of August 11, 2024 the company recognized revenues form the sale of 4 and 7 apartments, respectively.

c. **Refinancing as a result of property value enhancement:**

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 a 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 was drawn down on February 19, 2024 and the remaining balance at the amount of approximately EUR 5 million was drawn down on May 31, 2024. The new loan replaced 3 loans of which the remaining balance is at an amount of approximately EUR 26.6 million.

The New Loan:

The New Loan is for a period of 5 years (until January 31,2029) and bears a variable interest rate with an additional margin of 1.3% above the 3 months Euribor rate. The loan principal is to be repaid in a one-time payment at the at the end of the loan period ("bullet"). The Company is entitled to hedge the interest rate at any convenient time. The new loan is secured, inter alia, by first-ranking liens on the full rights of the asset companies in the said properties. For further details by first-ranking liens on the full rights of the asset companies in the said properties.

The free cash flow that derived from the refinancing subject of the new loan summed 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.

Note 7: - Material Events In The Reported Period And Thereafter (Cont.)

c. **Refinancing as a result of property value enhancement (cont.):**

The current loans:

An amount of EUR 6.5 million out of the current loans which is at a variable interest rate was drawn down at the time of executing the refinancing. The remaining balance of the current loans at the amount of approximately EUR 20 million bears a fixed interest rate of between 0.94% to 1.1% and is to be repaid in the months of July and December 2026. The Company, via sub-subsidairies, reached a commercial understanding/ engaged with the bank that granted the current loans, that (subject to the approval of credit committee and signing legal documents as the case may be) the remaining balance of the current loans bearing a fixed interest rate and their terms would be maintained, with the loans secured against a pledged deposit (hereinafter: the "Pledged Deposit") at a ratio of 1:1 until they shall be used for the purpose of refinancing the acquisition of new properties and providing financing in a manner of refinancing. In April 2024, the Company entered, via sub-subsidiaries into non-recourse loan agreements at a total amount of EUR 17.5 million which was drawn down from the Pledged Deposit during the months of May and June 2024, whereas out of this amount that was drawn:

a. an amount of EUR 1.8 million was drawn for the purpose of a loan repayment from another German banking corporation at an amount of EUR 1.3 million.
b. an amount of EUR 12.5 million was used for the purpose of financing the acquisition of new properties.
c. an amount of EUR 3.2 million was used for the purpose of increasing the financing on existing properties (**TOP UP**).

The remaining balance of the current loans at the amount of approximately EUR 2.5 million bearing a fixed interest rate is secured is secured by the remainder of the amount of the Pledged Deposit bearing an interest rate with accordance to the current market conditions. The remaining balance shall be designated for the purpose of financing future acquisition of new assets by the Company (subject to the approval of the bank's credit committee and to entering specific loan agreements against the new assets), which is expected during the second quarter of 2024.

The combination of the free cash flow thata derived to the Company from the combination of the refinancing subject to the New Loan (a total amount of EUR 11.9 million) and the free cash flow that derived to the Company from increasing the refinancing on the existing properties (**TOP UP** at the amount of EUR 3.2 million and EUR 0.5 million, net refinance of another loan) amounted to a total of EUR 15.6 million.

d. **Financing of new acquisitions:**

On April 17, 2024, the Company entered into an LOI with a German banking corporation to engage in a non-recourse loan agreement at a total amount of EUR 5 million for the purpose of financing the acquisition of new assets whose cost amounted to a total of approximately EUR 10.8 million. The loan agreement at a total amount of EUR 3.86 million was signed between Subsidiary of the Company and the Bank in June 2024 for a period of five years, the loan bears a fixed interest rate of 4.16% per annum, amount of EUR 3.2 millions was draw down as of the signing date of the report, the reaming amount is expected to be withdraw n few weeks. A loan agreement under similar terms for a total amount of EUR 1.15 million is expected to be signed and drawn down in the coming weeks.