ARGO PROPERTIES N.V

Amsterdam, the Netherlands

Report on the Financial Statements for 2021

In thousands of EUROS

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Financial Statements

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Management report

Section 2:396(7) of the Netherlands Civil Code provides an exemption with respect to the preparation and inclusion of a management report as part of the financial statements.

Balance Sheet as (per) 31 December 2021 and 2020

	December 31, 2021	December 31, 2020
	Euros in thousands	
Non-current assets:		
Investment in investees	308,985	197,882
Deferred taxes	73	590
	309,058	198,472
Current assets:		
Cash and cash equivalents	18,917	32,194
Cash in trust	15,159	
Other receivables	94	373
Financial assets	-	853
	34,170	33,420
Total assets	343,228	231,892
Equity		
Share Capital	181	151
Premium on Shares	221,012	171,076
Share based payment capital reserve	1,650	263
Legal reserve subsidiairies	110,652	55,602
Retained earnings	8,530	4,748
	342,025	231,840
Current Liabilities		
Accounts payable	1,203	52
Total equity and liabilities	343,228	231,892

Profit and Loss Accounts for the years 2021 and 2020

	Year ended December 31, 2021	**Year ended December 31, 2020**
	Euros in thousands	**Euros in thousands**
Administrative and general expenses	(1,206)	(1,027)
Financial income (expenses)	2,350	(1,464)
Taxes	(517)	192
Equity in earnings of investee's	58,205	24,961
Net income	58,832	22,662

Statement of changes in Equity for the years 2021 and 2020

	Share capital	Share premium	Legal reserve subsidaries	Share based payment capital reserve	Retained earnings	Total attributable to equity holders of the Company
	Year ended December 31, 2021					
	Equity attributable to equity holders of the Company					
	Euros in thousands					
Balance as of January 1, 2021	151	171,076	55,602	263	4,748	231,840
Issuances of share capital, net	30	49,936	-	-	-	49,966
Net and comprehensive income	-	-	-	-	58,832	58,832
Classification in accordance with Dutch law	-	-	55,050	-	(55,050)	-
Cost of share based payment	-	-	-	1,387	-	1,387
Balance as of December 31, 2021	181	221,012	110,652	1,650	8,530	342,025

	Year ended December 31, 2020					
		Equity attributable to equity holders of the Company				
	Share capital	**Share premium**	**Legal reserve subsidiaiaries**	**Share base payments capital reserve**	**Retained earnings**	**Total attributable to equity holders of the Company**
	Euros in thousands					
Balance as of January 1, 2020	12,064	116,672	35,808	-	1,880	166,424
Capital conversion to premium	(11,992)	11,992	-	-	-	-
Issuances of shares, net	79	42,412	-	-	-	42,491
Total net and comprehensive income	-	-	-	-	22,662	22,662
Classification in accordance with Dutch law	-	-	19,794	-	(19,794)	-
Cost of share based payment	-	-	-	263	-	263
Balance as of December 31, 2020	151	171,076	55,602	263	4,748	231,840

Notes to the financial statements for 2021

General

Relationship with parent company and principal activities

ARGO Properties N.V. ("the Company") was incorporated on January 25, 2018 and is a Dutch-based real estate company engaging via investees in the acquisition and management of investment properties in Germany, mainly in the area of income-generating commercial and income-generating residential real estate.

Financial reporting period

The financial statements cover the accounting year of the company for 2021.

Basis of preparation

The financial statements have been prepared in accordance with Title 9, Book 2 of the Netherlands Civil Code and the firm pronunciations of the Dutch Accounting Standards Board (RJ).

Use of exemption provided under section 2:407 of the Netherlands Civil Code

The company has opted not to prepare consolidated financial statements, making use of the exemption provided under section 2:407 of the Netherlands Civil Code.

Going concern

These financial statements have been prepared on the basis of the going concern principle.

Accounting policies

General

The principles applied for the valuation of assets and liabilities and result determination are based on the historical cost convention.

Unless stated otherwise, assets and liabilities are carried at nominal value.

An asset is disclosed in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the value can be measured reliably. A liability is recognised in the balance sheet when it is expected to result in an outflow from the entity of resources embodying economic benefits and the amount of the obligation can be measured with sufficient reliability.

Income is recognised in the profit and loss account when an increase in future economic potential related to an increase in an asset or a decrease in a liability has arisen, the size of which can be measured reliably. Expenses are recognised when a decrease in the economic potential related to a decrease in an asset or an increase in a liability has arisen, the size of which can be measured with sufficient reliability.

If a transaction results in a transfer of all or all future economic benefits and all or almost all risks relating to assets or liabilities to a third party, the asset or liability is no longer included on the balance sheet. Assets and liabilities are not included on the balance sheet if economic benefits are not probable and/or cannot be measured with sufficient reliability.

Revenues and expenses are allocated to the period to which they relate. Revenues are recognised when the company has transferred the significant risks and rewards of ownership of the goods to the buyer.

The financial statements are presented in euros.

Financial fixed assets

Participating interests where significant influence is exercised over the business and financial policy are valued according to the net asset value. Participating interests where the company exercises control along with other participants, such as in joint ventures, are valued in the same way.

The net asset value is calculated on the basis of international financial reporting standards, thus represent approximately the fair value of the investee. Results on transactions involving transfer of assets and liabilities between the company and its participating interests and mutually between participating interests are eliminated to the extent that these cannot be regarded as having been realised.

Participating interests with a negative net asset value are stated at zero. If the company fully or partially guarantees the debts of the relevant participating interest, or if it has the constructive obligation to enable the participating interest to pay its debts (for its share therein), then a provision is recognised accordingly. This provision is recognised primarily to the debit of the receivables on the respective participating interest and for the remainder presented under provisions for the part of the share of the losses incurred by the participating interest, or for the estimated payments by the company on behalf of these participating interests.

Participating interests where no significant influence is exercised are stated at the lower of cost or realisable value. In case of a firm intention to sell, then the participating interest is stated at the lower expected sales value.

Dividends are accounted for in the period in which they are declared. Interest income is recognised in the profit and loss account on an accrual basis, using the effective interest rate method. Any profit or loss is recognised under finance income or expenses.

Impairment

For tangible and intangible fixed assets an assessment is made as of each balance sheet date as to whether there are indications that these assets are subject to impairment. If there are such indications, then the recoverable value of the asset is estimated. The recoverable value is the higher of the value in use and the net realisable value. If it is not possible to estimate the recoverable value of an individual asset, then the recoverable value of the cash flow generating unit to which the asset belongs is estimated.

If the carrying value of an asset or a cash flow generating unit is higher than the recoverable value, an impairment loss is recorded for the difference between the carrying value and the recoverable value. In case of an impairment loss of a cash flow generating unit, the loss is first allocated to goodwill that has been allocated to the cash flow generating unit. Any remaining loss is allocated to the other assets of the unit in proportion to their carrying values.

In addition, an assessment is made on each balance sheet date whether there is any indication that an impairment loss that was recorded in previous years has decreased. If there is such indication, then the recoverable value of the related asset or cash flow generating unit is estimated.

Reversal of an impairment loss that was recorded in the past only takes place in case of a change in the estimates used to determine the recoverable value since the recording of the last impairment loss. In such case, the carrying value of the asset (or cash flow generating unit) is increased up to the amount of the estimated recoverable value, but not higher than the carrying value that would have applied (after depreciation) if no impairment loss had been recorded in prior years for the asset (or cash flow generating unit).

An impairment loss for goodwill is not reversed in a subsequent period, unless the previous impairment loss was caused by an extraordinary specific external event that is not expected to recur and if there are successive external events that undo the effect of the earlier event.

As a departure from the above, on each balance sheet date the recoverable value is determined for the following assets (regardless of whether there are indications of impairment):

- intangible fixed assets that have not yet been taken into use;
- intangible fixed assets that are amortised over a useful life of more than 20 years (starting from the time when they are taken into use).

Receivables, accrued income and prepaid expenses

Receivables are measured at initial recognition at fair value, plus transaction costs (if material). After initial recognition, the assets are measured at amortised cost using the effective interest method, less a provision for uncollectible debts. These provisions are determined by individual assessment of the receivables.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Shareholders’ equity

Financial instruments taking the legal form of shareholders’ equity instruments are presented under shareholders’ equity. Distributions to the holders of these instruments are deducted from shareholders’ equity after deduction of any related benefit related to tax on profit.

Financial instruments taking the legal form of a financial obligation are presented under loan capital. Interest, dividends, income and expenses related to these financial instruments are taken to the profit and loss account.

Share in result of participating interests

The share of the result of participating interests where significant influence is exercised on the business and financial policy consists of the company's share of the result of these participating interests, determined on the basis of the accounting principles of the company.

Results on transactions, with assets and liabilities being transferred between the company and the participating interests and between participating interests themselves, are not recognised as they can be deemed unrealised.

The results of participating interests acquired or sold during the financial year are stated in the company's result from the relevant acquisition date or disposal date.

Where no significant influence is exercised on the business and financial policy, dividend is accounted for in the profit and loss account as income from participating interests under finance income and expenses.

1 Financial fixed assets

The company is the head of the group and has the capital interests listed below. Shareholders' equity and the result of the relevant interest are also stated in accordance with the latest adopted financial statements:

Name	Legal address	Share in issued capital %	Shareholders' equity EUR	Result EUR
Participating interests				
GRT B.V.	Pietersbergweg 283, 1105 BM, Amsterdam, The Netherlands	100	100	58,205,000

<u>Composition and movement</u>

	Year ended December 31,	
	2021	2020
	Euros in thousands	Euros in thousands
Balance at the beginning of the period/year	197,882	159,772
Addtions during the year	52,898	13,149
Equity in earnings of investee's	58,205	24,961
Balance at the end of the year	308,985	197,882

2 Shareholders' equity

On July 9, 2018, the Company entered into an investment agreement ("Investment Agreement") with investors (institutional and private) for a total investment of approximately EUR 82.3 million in the Company's shares at a price per share of EUR 10. According to the terms of the investment agreement, the Company "will call the money" under CAPITAL CALLS to its shareholders for all or part of the investment amounts that the shareholders undertook to invest in accordance with the investment needs of the Company subject to the resolution of the Company's board of directors; effective from the signing date of the investment agreement until the end of the second quarter of 2019 the Company has carried out CAPITAL CALLS as mentioned above and the total investment amount of € 82.3 million was fully received.

On April 18, 2019, the Company entered into an investment agreement with its existing shareholders and other private investors for an additional equity investment ("second round ") amounting to € 46.7 million in the Company's shares at a price per share of EUR 12.7, in two stages: In the first stage - the existing shareholders of the Company together with additional private investors committed to invest approximately € 20 million, and in the second stage – upon signing the investment agreement with another institutional investor to invest € 18 million in the Company's equity, existing shareholders will invest in the Company an additional amount of € 8.7 million and in total € 26.7 million in the second level.

On June 5, 2019, the investment agreement was signed with the additional institutional investor and in July the full investment consideration from all investors was received, thus completing the second round of raising capital for the Company in the gross amount of approximately € 46.7 million.

On August 5, 2020, the Company entered into an investment agreement with some of its existing shareholders and another private investor for an additional capital investment of approximately EUR 42 million in the Company's shares, at a price per share of EUR 14.45. The investment consideration from all investors was received in August 2020, thus completing the third round of raising capital for the Company in the amount of approximately EUR 42 million.

Composition of share capital: as of December 31, 2020 the authorized and issued ordinary shares of EUR 1 Cent per value each summed to 19,064,165 and 15,019,531, respectively.
As of December 31, 2019 the authorized and issued ordinary shares of EUR 1 per value each summed to 19,064,165 and 12,063,612 respectively.

During the first quarter of 2020, the Company issued 50,000 ordinary shares of € 1 par value to 2 employees in exchange for € 500,000, with € 450,000 was allocated to share premium.

In addition, the Company converted the par value of all the Company's shares to EUR cent 1 per share, whereby the entire difference between EUR 1 par value per share and EUR cent 1 par value of approximately € 11,992 thousand was charged to premium.

On May 10, 2021, the Company published a shelf prospectus and a supplementary prospectus dated May 11, 2021 and the Company published a supplementary notice (above and below collectively - "the prospectus"). The securities, the subject of the prospectus, were offered by way of issuance by the Company to institutional investors, as defined in the Securities Regulations (method of offering securities to the public), 2007 ("the Offering Regulations"), by way of non-uniform offer, according to regulation 11(a)(1) of the Offering Regulations.

According to the prospectus, institutional investors were offered, by way of a non-uniform offer, 3,082,000 registered ordinary shares of EUR 0.01 par value each of the Company, at a uniform price per share in the amount of NIS 70.09, divided into 30,820 units of 100 shares each (price of each unit NIS 7,009) (the "Offering"). As part of the offering, orders were submitted to the Company for the purchase of 83,077 units, in a total amount of approx. NIS 582,287 thousand, by way of managing a BOOK BUILDING procedure out of the orders submitted as aforesaid, the Company accepted orders from institutional investors to purchase 30,820 units, including 3,082,000 shares for a total consideration of approximately NIS 216,017 thousand. On May 18, 2021, trading of the Company's shares began for the first time on the Tel Aviv Stock Exchange Ltd.

3 Off-balance sheet assets and liabilities

Claims/ Liability and guarantees/ Long-term financial commitments/ Contingent liabilities

The company is in Fiscal unity for Tax purposes with its (100%) subsidiaries GRT B.V., and GRT finco B.V.

Subsequent events

On January 18, 2022, the Company entered into a loan agreement denominated in NIS with a third party, which is an Israeli institutional entity at a total amount of EUR 60 million and for a period of 18 years.

The loan principal is due in one installment at the end of the loan period (Bullet). The Company may repay the loan by early repayment, at no additional cost, on December 31, 2028, 2031, 2034 and 2037.

The loan bears:

a. Fixed annual interest rate of 3.69% per annum ("the basic interest rate"). The basic interest rate will be added with 1% per annum if the loan is not repaid on December 31, 2028, and 0.5% per annum at each additional exit if the loan is not repaid in full by that date.

b. Additional interest such that at the end of each interest period the interest rate will increase by 50% of the increase in the Company's equity ("additional interest").

c. Additional payment, in addition to the basic interest rate and the additional interest rate, to the extent that the cumulative increase in equity (in percentage) in 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.

d. The loan is secured by a negative lien on its assets (other than real estate), and is subject to financial covenants, change of control stipulation, authority and various structure. In addition, interest rate adjustment mechanisms and grounds for early repayment have been established as acceptable in such loans. The loan was drawn down on January 20, 2022.

Staffing level

During the financial year, the company employed one employee for total employer cost of EUR 43,977, of it, social security contribution amounted to EUR 10,644.

Balances with the Dutch Tax authorities

As of December 31, 2021 the outstanding payroll tax and social security liability amounted to EUR 1,250; the VAT receivables amounted to EUR 130,126.

Amsterdam, October 22nd, 2022

Approved by: Nir Ilani, executive Director

Other information

Legal audit requirement

In view of its size (see section 2:396(7) of the Netherlands Civil Code), the company does not have a statutory audit requirement; therefore, no audit was performed.

Provisions in the articles of association governing the appropriation of profit

Under article 19.1 of the company's articles of association. The allocation of profits accrued in a financial year shall be determined by the General Meeting. If the General Meeting does not adopt a resolution regarding the allocation of the profits prior to or at latest immediately after the adoption of the annual accounts, the profits will be reserved.