ARGO PROPERTIES N.V

Amsterdam, the Netherlands

Report on the
Financial Statements for 2022

In thousands of EUROS

Contents

Financial Statements

Financial statements

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 2022 and 2021

	December 31, 2022	December 31, 2021
	Euros in thousands	
Non-current assets:		
Investment in investees	392,217	308,985
Deferred taxes	-	73
	392,217	309,058
Current assets:		
Cash and cash equivalents	14,993	18,917
Cash in trust	11,359	15,159
Bank depsoit	10,000	-
Other receivables	1,160	94
Financial assets	96	-
	37,608	34,170
Total assets	429,825	343,228
Equity		
Share Capital	181	181
Premium on Shares	221,012	221,012
Share based payment capital reserve	3,637	1,650
Legal reserve subsidiairies	131,727	110,652
Retained earnings	14,730	8,530
	371,287	342,025
Current Liabilities		
Accounts payable	1,034	1,203
Non-Current Liabilities		
Loan from financial institustion	56,966	-
Deferred taxes	538	-
	57,504	-
Total equity and liabilities	429,825	343,228

Profit and Loss Accounts for the years 2022 and 2021

	Year ended December 31, 2022 Euros in thousands	Year ended December 31, 2021 Euros in thousands
Administrative and general expenses	(1,253)	(1,206)
Financial income (expenses)	2,301	2,350
Taxes	(611)	(517)
Equity in earnings of investee's	26,838	58,205
Net income	27,275	58,832

Statement of changes in Equity for the years 2022 and 2021

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

	Share capital	Share premium	Legal reserve subsidiaries	Share base payments 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 shares, 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

Notes to the financial statements for 2022

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. The company registration number is 70252750 ; on May 2021 the shares of the company were listed on Tel Aviv Stock Exchange.

Financial reporting period

The financial statements cover the accounting year of the company for 2022.

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**	**Result**
		%	**EUR**	**EUR**
Participating interests				
GRT B.V.	Pietersbergweg 283, 1105 BM, Amsterdam, The Netherlands	100	392,217,000	26,838,000

<u>Composition and movement</u>

	Year ended December 31,	
	2022	**2021**
	Euros in thousands	**Euros in thousands**
Balance at the beginning of the period/year	308,985	197,882
Addtions during the year	56,394	52,898
Equity in earnings of investee's	26,838	58,205
Balance at the end of the year	392,217	308,985

2 Non-current liabilities

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.

   The following covenants were agreed upon:

   a. Net debt to CAP will not exceed 75% (42% as of 31/12/2022); value of single asset of the company consolidated assets will not exceed 15% of the company total consolidated real estate assets (3.6% as of 31/12/2022).

   b. The Company undertook a negative pledge such that the Company, on the SOLO level, will not sell, will not agree, and will not allow the existence of any type of pledge (floating or fixed) of any seniority whatsoever over any of its assets, whether existing currently or at any point in the future, in any manner or format for any purpose and for any reason whatsoever (including by way of assignment by pledge) in favor of any third party, and shall not undertake in any manner whatsoever to grant and/or create such a pledge. Notwithstanding the foregoing, the Company shall be entitled to create fixed pledges over real estate properties of sub subsidiaries of the Company and over shares of the sub subsidiaries, in favor of banks in Germany, to secure financing received by such held corporation from the bank in connection with the real estate properties under its ownership.

c. The lender has a right to immediately call the loan in the event that one of the following shall take place: (a) if there is a change in control of the Company, compared with the date of the signature upon the loan agreement. (b) if a person (one or more) holds 25% of any of the controlling means of the Company. (c) if the Company shall cease holding at least 51% of the share capital and means of control in GRT, and in additional instances related to a reduction in the indirect holdings to under 51% of the share capital and means of control in sub subsidiaries which hold the properties, subject to exceptions agreed (inter alia with respect to joint transactions with others). (d) restructuring of the Company. (e) change in the field of activity of the Company.

d. It was determined in this engagement that the Company would not undertake financing, loans, debt or credit of any type whatsoever from any third-party, whether secured by pledges/securities or not secured by pledges/securities, whether by a private offering or by raising of debt from the public, and excluding and solely and exclusively with respect to, financing which fulfills all of the following conditions cumulatively (above and hereinafter: “**the Permitted Financing**”) (i) the Permitted Financing is not superior to the loan in question in the loan agreements and including that it is not secured by any pledges/securities and/or does not grant any securing interest which is superior in any manner to the loan in question in this agreement. (ii) on the date of provision of the Permitted Financing: (a) the scope of the total debts, solo (excluding bank debt in sub subsidiaries of the Company (including the Permitted Financing and including the loan in question in the loan agreement), does not exceed EUR 120 million, or, alternatively (b) the net debt to CAP as calculated on the day of provision of the Permitted Financing (including the Permitted Financing) does not exceed 50%.

e. This engagement determined that the lender has the right to call the loan for immediate repayment upon the occurrence of any of the following (in the event that the agreement of the lender has not been obtained for this in advance): (1) if any of the CEOs cease serving in their position prior to 5 years from the date of the loan, save heaven forbid, in circumstances of death or incapacity for health reasons. (2) so long as the CEOs are in their position and one of them has sold more than 50% of the shares in their possession (including shares arising from option exercise) as on the date of taking of the loan.

3 Off-balance sheet assets and liabilities

Please refer to note 2.

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

ESOP2

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

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

Below are the main conditions of the new option plans:

The value of the option plan for all office holders in the Company and for the entire period of the plan - NIS 24.3 million (hereinafter: "value of the option plan");

The exercise price of each warrant is NIS 77.13 (without linkage to any index or currency) and the amount of warrants that can and will be allocated under the plan will amount to 2,048,904 warrants.

The "vesting periods" and "vesting dates" - the warrants will have 3 vesting periods of one, two and three years, respectively, as follows: the first vesting period - from July 1, 2023 to June 30, 2024. Therefore, starting from July 1, 2024 (hereinafter: "the first vesting date") the option holder will be entitled to exercise 33% of his options; The second vesting period - from July 1, 2024 to June 30, 2025. Therefore, starting from July 1, 2025, the option holder will be entitled to exercise an additional 33% of his options (hereinafter: "the second vesting date"); The third vesting period - from July 1, 2025 to June 30, 2026. Therefore, starting from July 1, 2026, the option holder will be entitled to exercise the remaining 34% of his options (hereinafter: "the third vesting date"). It is clarified that starting from the end of the third vesting period (i.e. - starting from the third vesting date) and for a period of 12 months from that date until June 30, 2027 (hereinafter: "the end of the exercise period") the option holder will be entitled to exercise all his options, which have not yet been exercised.

Expiration date - June 30, 2027.

Payment of exercise price - in shares only according to the net exercise mechanism as defined in the option plan. The offeree will not be required to pay the Company the exercise price of the warrants, but only the par value of the Company's shares to be allocated to him.

The fair value of each warrant to be allocated to the joint CEOs, calculated according to the Black and Sholes formula, is approximately NIS 6.55 and a total amount of approximately NIS 8,579 thousand for all warrants. Said fair value was calculated based on the closing price of the share in the stock exchange on the date of the meeting (NIS 54.03), exercise price of NIS 77.13, 3 vesting periods of 12 months each, which entitles to 33.33% of the total number of warrants, an exercise period of 4 years from the date the option was granted, an annual standard deviation of 29 %, an average risk-free interest rate of 4.12%-4.29%, and maximum dilution factor of up to 6%.

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

On 23rd of August, 2023 the Renumeration committee and the Board of Directors of the company approved the allocation of 739,735 options to the remaining senior officers of the company from the new plan.

The fair value of each warrant to be allocated to the senior officers (excluding the CEOs), calculated according to the Black and Sholes formula, is approximately NIS 5.29 and a total amount of approximately NIS 3,913 thousand for all warrants. Said fair value was calculated based on the closing price of the share in the stock exchange on the date of the meeting (NIS 50.95), exercise price of NIS 77.13, 3 vesting periods of 12 months each, which entitles to 33.33% of the total number of warrants, an exercise period of 4 years from the date the option was granted, an annual standard deviation of 31 %, an average risk-free interest rate of 3.96-4.21% and maximum dilution factor of up to 1%.

It is noted that the total value of the equity remuneration package of the options for the joint CEOs and senior office holders in the Company (hereinafter: "the value of the equity remuneration package") according to Black and Sholes model amounted to approximately NIS 12.5 million alone instead of NIS 24.3 million as stated in section 9.2.2 of the Company's remuneration policy.

ESOP1A

All terms and phrases under this section shall refer to the company notice on 7th of September 2023.

The Company's Board of Directors approved on September 7, 2023, an additional plan for the allocation of options to employees and service providers who are not Israeli residents employed by the Argo Properties N.V. Group (hereinafter: "**ESOP1A 9/2023 Plan**") as well as an additional plan for the allocation of options to employees who are Israeli residents under Section 102 of the Ordinance, in the capital gains track (hereinafter: "**ESOP1A 102/9/2023 Plan**", 9/2023 Plan and 102/9/2023 shall be referred to collectively as "**ESOP1A**") and thus is in **order to extend the exercise period of the** "**Initiation Fees**" **(ESOP1) by an additional 33 months** so that the manner in which the expiration dates of ESOP1 options allocated to the Company's officers in February 2020 and May 2021 as mentioned in the notice (as defined above), shall be postponed to June 30, 2026, while the number of warrants allocated for one of the Co-CEOs would be decreased by 10%, the exercise price for the two Co-CEOs would be increased from NIS 59.33 per share to NIS 65 per share, the vesting period of the options would be extended by a year and a half until December 31, 2024, and the manner of the exercise of the options would be on a Cashless calculation only, and without any further material change in the remaining terms of the ESOP1 options.

On August 31, 2023 and on September 7, 2023, respectively, the Remuneration Committee and the Company's Board of Directors approved the allocation, free of charge, of 2,170,560 non-tradable options (ESOP1A) to Company's officers exercisable into 2,170,560 Company shares, including 636,286 non-tradable options to Mr. Gal Tannenbaum, a Co-CEO in the Company (hereinafter: "**Tannenbaum**") and 694,991 non-tradable options to Mr. Ophir Rachamim, a Co-CEO in the Company (hereinafter: "**Rachamim**"). **The terms of the non-tradable options (ESOP1A) which be allocated by virtue of the ESOP1A plan shall be identical in all material respects to the terms of the non-tradable options (ESOP1)**, **which expired on September 30, 2023, with the exception of the following changes:**

1) With regards to the amount of options that shall be granted to Tannenbaum, the amount of options will be decreased by 10% with regards to the amount of non-tradable options (ESOP1) which were allocated to him;
2) With regards to options that shall be granted only to the Co-CEOs, the additional exercise price of the options will increase from NIS 59.33 per share to NIS 65 per share);
3) With regards to the whole plan - the vesting period will be extended till the end of December 2024, the exercise period shall be prolonged till the end of June 2026 and the options would be entitled to be exercised only by a net exercise mechanism, as defined in Section 2.5 in the Notice;
4) With regards to 636,286 options which shall be granted to Tannenbaum, it was determined as for the net exercise mechanism, that in spite of the calculation based only on the average closing prices (see Section 2.5 in the notice), upon exercising his options the calculation will be determined by the lower of: (i) average closing share prices; and (ii) the EPRA NTA per share value[1] as specified in the

[1] For further details regarding the calculation method of the abovementioned Index – see Section 4 of Chapter A in the Board of Directors Report on the Corporation's Business Affairs which had been included in the Company's quarterly report as of June 30, 2023 (published on August 24, 2023 [reference number 2023-01-097638]).

Company's Board of Directors Report which was published by the Company prior to the exercise date (hereinafter: the "**Exercise Cap**").

For further information about the options plan please refer to the company Notice.

On 16 of October the general assembly of the company shareholders approved ESOP1A plan and the allocation of the options to the company officers.

Staffing level

During the financial year, the company employed two employees for total employer cost of EUR 45,173, of it, social security contribution amounted to EUR 12,073.

Balances with the Dutch Tax authorities

As of December 31, 2022 the outstanding payroll tax and social security liability amounted to EUR 897; the VAT payables amounted to EUR 13,166.

Amsterdam, October 17th, 2023

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.