

**ARGO Properties N.V.**

**ANNUAL REPORT**

**AS OF DECEMBER 31, 2023**

***Company address:***

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## **Board of Directors' Report**

Argo Properties N.V. (hereinafter: "the Company" and together with its subsidiaries hereinafter: "the Group") hereby submits the Board of Directors' report for a period of twelve months ending on December 31, 2023 (hereinafter: "the Reported Period" or "the Report Period").

These financial statements have been prepared for statutory purposes in the Netherlands. The Company has issued shares (ISIN NL0015000D84) which are traded on the Tel Aviv Stock Exchange in Israel.

These financial statements do not constitute an offer to subscribe for, buy or sell the securities mentioned herein. It cannot be used or relied on for purposes of making any investment decision with respect to any securities.

For more current information regarding Argo Properties NV, please consult the press releases, annual reports, regulatory filings, presentations and other documents available at [www.tase.co.il](http://www.tase.co.il) and [www.argo-nv.com](http://www.argo-nv.com).

The financial statements attached in this report are presented according to IFRS as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

**All data in this report refers to consolidated financial statements and to the 31th of December or November 21<sup>st</sup> 2024, unless otherwise stated.**

In this report: "The report date" or "the date of the report" refers to December 31, 2023 and "the signing date" or "the date of signing the report" refers to November 21<sup>st</sup>, 2024.

### **1. Preamble**

#### **1.1 Summary of the Group's operations**

The Group is engaged, via a local team of 60 people, in the acquisition (mainly from private sellers) and value enhancement of high-quality residential properties (renewal of high-quality residential properties in Germany) in the center of the cities of Leipzig, Dresden, Magdeburg and Hanover (the Group has approximately 3,932 residential units, mainly in the cities of Leipzig and Dresden, with a leasable area of 263 thousand square meters). The rapid value enhancement enables the Group to generate higher cash flows and the equity turnover via refinancing of the value enhanced properties is at a leverage level of 50%. In addition, the Group has a project for the conversion and development of office spaces in Berlin in an area of approximately 21 thousand square meters. The Company's management has extensive experience of 20 years in this segment. The Group's intension is to double the number of residential units under its ownership until 2030.

#### **1.2 Below are the Group's principal results for 2023**

- **Value enhancement and equity turnovers:** the Group is engaged in the rapid value enhancement of the properties and extraction of the equity via refinancing of the value enhanced properties. So far, since the beginning of its operations, the Group has extracted (mainly during the last two years) about one fourth of the initial equity that it has invested in the acquisition of its properties (excluding free cash flows), while reinvesting it in the continuance of the expansion of its activity and the acquisition of new properties.
- **Rental income value enhancement:** a growth rate of 27% in the revenues from rental income in the fourth quarter of 2023 (compared to the corresponding period last year), to approximately EUR 5.8 million; the growth rate of rental income per square meter (on an annual basis) in identical assets has amounted approximately to 9.0% compared to 8.9% in the corresponding period last year.
- **Value enhancement potential from replacement of tenants:** the rental income of new rentals has increased by approximately 7.9% (on an annual basis) to EUR 11.78 per square meter and reflects a value enhancement potential of 47% compared to the current rental income from the Group's properties (EUR 8 per square meter).

- **Free cash flow (cash flow from value enhancement + FFO - Capex):** the free cash flow amounted to approximately EUR 22.2 million as specified hereafter: (1) free cash flow deriving from the value enhancement activity realized via refinancing at the amount of approximately EUR 17.6 million in 2023, with the addition of (2) FFO at the amount of approximately EUR 9.6 million (fourth quarter of 2023 on an annual basis), with the deduction of (3) annual Capex the amount of approximately EUR 5 million.
- **Profitability:** despite a significant improvement in all the operating parameters as detailed above, the Group has recognized in the fourth quarter of 2023 revaluation losses at the amount of approximately EUR 26 million due to a decision of the independent appraiser to increase the discount rates for the residential properties to approximately 4.78% and to decrease of approximately EUR 7.5 million in regards with the project in Berlin (an increase in the discount rates and increase of the construction costs). As a result, the net loss of the Group in the fourth quarter of 2023 has amounted to approximately EUR 23.3 million.
- **Value enhancement potential from the conversion of rental apartments to condo apartments as part of the R2C (Rental to Condo) processes:** out of the total amount the Group's residential units (apartments), about 1,138 units have been already registered in the land registry office as condo apartments. In addition, about 1,248 additional apartments are currently going through registration processes which are due to be completed within the following months. The Group intends to begin in 2024 a pilot of selling apartments of which the conversion process to condo has been completed.
- **Book value vs. construction cost:** the increase of discount rates as mentioned above decreased the value of the residential real estate to approximately EUR 2,540 per square meter whereas the increase of the construction costs raised the construction cost to approximately EUR 5,000 per square meter<sup>1</sup> (under the assumption that the land component is 25% of the development costs). The high margin between the construction cost and the book value of the real estate in combination with the residential excess demand in Leipzig and Dresden will provide, according to the Company's management estimate, a windfall of price increases in the mid-long term.
- **Refinancing due to value enhancement of rental income from properties:** the rapid value enhancement of properties has enabled the Group to continue generating in 2023 a significant positive cash flow from refinancing at an amount of approximately EUR 17.6 million. It should be noted that all the financing processes are executed vs. local banks on leverage rates of about 50% and that the refinancing is enabled following a significant value enhancement of the properties rental income and in accordance with valuation of the appraisers of the relevant bank (the appraiser's valuations conducted for the Group's properties by the independent appraiser - as described above - are in the purpose of the financial statements alone and have no effect on the refinancing activity of the Group).
- **New transactions:** during 2023, the Group has signed new transactions (including exclusivity agreements) in a total amount of EUR 33.1 million and has completed transactions in a total amount of EUR 63.4 million.
- **Accounting equity and net asset value:** as of the date of the report, the accounting equity attributable to the Company's shareholders amounts to approximately EUR 330.2 million (approximately EUR 18.24 per share). The Group's net asset value, according to NTA calculation amounted to approximately EUR 353.6 million (approximately EUR 19.53 per share).
- **Financial strength and debt ratios:** as of the date of the report, the LTV ratio<sup>2</sup> is about 47.8%. On December 4, 2023, Ma'alot S&P firm ratified an iA rating for the Company and an iA+ rating for a loan from an institutional entity<sup>3</sup>.
- **Liquidity:** as of the signing date, balances of cash flows and restricted deposits amounted to approximately EUR 81 million and in addition the Group has unpledged assets at a value of approximately EUR 7.4 million.

<sup>1</sup> According to the Company's estimate.

<sup>2</sup> Net debt (debt deducted of cash and restricted deposits) divided to total real estate assets.

<sup>3</sup> See Note 5(g)(c) of the financial statements.

- **Energetic efficiency:** approximately 99% of the Group's residential property areas comply with the energetic ranking regulations, which are expected to be applied in the year of 2030. According to a European Union's research, about 30% of the residential buildings in Germany do not comply with these regulations.

### Group's assets



## 2. Concise description of the Group and its business environment

### 2.1 Areas of activity

#### 2.1.1 Multifamily rental portfolios

As of December 31, 2023, the Group owns 361 residential buildings comprise of 3,773 rental units (97% residential) with a rentable area of approximately 252.3 thousand square meters (with additional 737 parking spaces) generating an annual rental income of approximately EUR 25.4 million (at full occupancy). The book value of this asset portfolio amounts to approximately EUR 645 million.

The following is a geographical breakdown of the multifamily residential rental properties of the Group:

#### The Multifamily residential rental portfolio (properties owned by the Group as of December 31, 2023):

Location	No. of Units	Net Rentable Area (sqm)	Annual Rental Income <sup>4</sup> (TEUR)	Average Monthly Rental Income per sqm <sup>5</sup>	Rental Yield <sup>6</sup>	Book Value psqm (EUR)	Annual ERV <sup>7</sup> Income (TEUR)	Monthly ERV psqm	ERV Yield <sup>8</sup>	ERV Upside	Occ. rate in the Group's assets	Occ. rate in the operating city
<b>Leipzig</b>	2,031	133,426	13,103	7.87	3.78%	2,597	19,468	12.07	5.62%	53%	96%	97%
<b>Dresden</b>	1,197	81,604	8,639	8.40	3.76%	2,816	12,098	12.18	5.27%	45%	95%	98%
<b>Magdeburg</b>	509	35,562	3,531	7.87	5.40%	1,837	4,208	9.58	6.44%	22%	94%	95%
<b>Hanover</b>	36	1,672	167	8.34	5.19%	1,929	276	13.75	8.55%	65%	100%	98%
<b>Total</b>	<b>3,773</b>	<b>252,264</b>	<b>25,440</b>	<b>8.04</b>	<b>3.95%</b>	<b>2,556</b>	<b>36,050</b>	<b>11.77</b>	<b>5.59%</b>	<b>46%</b>	<b>95%</b>	<b>97%</b>

<sup>4</sup> Annual rental income generated from 12 months of operations based on actual leases and under the assumption of full occupancy (assuming that the vacant spaces will be leased at an average rental income per sq.m in the existing leases)/occupancy rate, as the case may be, as of December 31, 2023.

<sup>5</sup> Average rental income per sq.m in existing leases of the Company's assets in the same city in residential areas.

<sup>6</sup> Annual rental income divided by the book value of the assets.

<sup>7</sup> The expected annual rental income assuming all properties are leased at full occupancy and at the prevailing market rental prices. The market rental prices were mostly calculated based on actual new rentals the Company has performed during the fourth quarter of 2023 and in part were calculated on the basis of market information held by the Company.

<sup>8</sup> Annual rental income at market prices divided by the book value of the assets.

Asset Characteristics:

**Location** - in well-established and central residential neighborhoods in the cities of Leipzig, Dresden, Magdeburg and Hanover (all are federal capital cities/the largest city in the federal state) close to public transportation, educational institutions and shopping centers. All of the Group's assets are designated for the middle-high class. The Group does not have assets in peripheral locations/satellite towns/neighborhoods characterized by low socio-economic status.

**Physical condition** - most of the properties are buildings for preservation that have undergone extensive renovation (apartments, facades, stairwells, replacement of electrical infrastructures, heating and plumbing infrastructures, roofs, and basements). The other buildings were constructed using modern architecture.

**Significant potential for rental income increase** - all structures, without exception, are subject only to general regulation of rental income increase prescribed by law and are not subject to specific rental income restrictions. **The current rental income level in the properties embodies a potential rental income increase of approximately 47%**, based on new rentals the Group is performing.

During 2023 the Group has performed 515 new rentals (grossing up to an annual rate of approximately 15% of the average<sup>19</sup> inventory of apartments for rental owned by the Group in 2023).

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<sup>19</sup> At the end of 2022, the company owned 3,304 residential units and at the end of March 2024 3,718 residential units, thus on average the Company owned 3,580 residential units during the first quarter of 2024.

Below is the rental income development in new rentals (ERV) and rental income growth in identical assets over the quarters:

	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Number of new rentals	95	116	116	120	124	111	155	125
Average rental income per sq.m <sup>18</sup> based on new rentals	€ 10.47	€ 10.59	€ 10.77	€ 10.92	€ 11.04	€ 11.17	€ 11.54	€ 11.78
Rental income growth rate L-F-L (on an annual basis)	8.0%	8.2%	8.5%	8.9%	9.5%	9.4%	9.9%	9.0%

**L-F-L rental income growth potential:** the growth rate of rental income per square meter in identical assets in the fourth quarter of 2023 has amounted to approximately 9.0% on an annual basis.

**Rental income growth in new rentals (ERV):** during the fourth quarter of 2023, the average rental income per sq.m in new rentals performed by the Group has improved by approximately 7.9% (ERV) on an annual basis (Q4/2022 vs. Q4/2023).

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<sup>18</sup> Weighted at their percentage rate out of the total amount of apartments (regarding the type/size of the apartments, the borough and the city).

Below are details regarding the cumulative value enhancement that was carried out in rental income in the multifamily assets held by the Group for more than two years and the remaining value enhancement potential (rental income data is presented in thousands of EUR on an annual basis):

	Rental income upon acquisition	Rental income as of December 31, 2023	Rate of cumulative change*	Rate of annual change*	Rental income according to market prices at full occupancy	Remaining value enhancement potential	Total upside potential versus acquisition
In assets acquired in 2018	2,289	3,533	54%	9.1%	5,073	44%	122%
In assets acquired in 2019	2,736	3,931	44%	8.7%	5,775	47%	111%
In assets acquired in 2020	2,514	3,472	38%	9.5%	5,220	50%	108%
In assets acquired in 2021	3,771	4,778	27%	8.9%	7,414	55%	97%
<b>Total</b>	<b>11,310</b>	<b>15,714</b>	<b>39%</b>	<b>9.1%</b>	<b>23,482</b>	<b>49%</b>	<b>108%</b>

\* For sake of simplicity, the rates of change were calculated with a conservative assumption that the assets were acquired at the beginning of the calendar year; for example, the rate of change in rental income in assets purchased in 2018 was calculated as follows: the cumulative rate of change is divided by 6 years.

#### **High profitability potential from conversion of apartments for rent into apartments for sale (R2C)**

According to the Company's management estimates, the types of buildings and their location embody a significant future profit potential from the sale of apartments to end users in the cities in which ownership rates are low (10%-20%) compared to the average rate prevailing in Germany (about 50%), and are expected to increase, among others, due to the continued rental income increase and the growth in rental income burden (approximately 20% of disposable income in the Group's operating cities) on the tenants, along with the expected continued trend in positive migration of financially strong population into the Group's operating cities' centers.

- This process involves planning procedures, registration of a condominium in the Land Registry Office, renovation, marketing and selling.
- Tenants residing in the property at the time of registration as a condominium are given rights such as:
  - (a) Protection from eviction<sup>20</sup> - if the apartment has not yet been registered as a separate unit in a condominium (sub division) upon signing the lease agreement, the tenant is protected from eviction upon selling the apartment to a buyer interested in the apartment for its own use, for the period of 3 years from the date of sale (in areas under restrictions imposed by the local authority due to excess demand and fear of Gentrification - the period may be extended up to 10 years; it is emphasized that as of the report date, the Group does not have residential units that are subject to the tenant's protection from eviction upon selling the apartment for a period exceeding 3 years;
  - (b) Right of first refusal - the tenant has the right of first refusal to purchase the apartment (Pre-emptive rights) upon selling the apartment to a third party.

**Grossed up value potential in R2C activity:** the Group's assets are revalued as income generating asset and therefore the value potential from selling the apartments as condo is not reflected in the Group's Asset Appraisal Reports and its financial statements (except as a part of the value of construction rights that as of the report date amounted to approximately EUR 13.1 million and are included under the section of Investment Property - Construction Rights).

<sup>20</sup> Under German law, anyone purchasing an apartment for its own use may terminate the lease agreement with the existing tenant in the same apartment by providing a notice of 3 months for its eviction, provided that the apartment was registered in the land registry as a separate unit in a condominium, before the tenant took possession.

R2C activity - Legal status:

Out of the 3,673 residential units identified by the Company's management as having potential for R2C,

- (1) 514 residential units have already been statutorily registered in the land registry office as separate apartments in a condominium (condo) when the tenants took possession, and therefore the existing tenants are no longer entitled to protection from eviction upon selling the apartment as a condo.
- (2) 624 residential units have been registered as a condo from the beginning of 2020 until December 31, 2023 and therefore protection from eviction is available to the existing tenants for a period of 3 years from the date of sale to a third party, however if a new tenant takes possession in lieu of the existing tenant in said apartments, the protection from eviction upon a sale is no longer applicable.
- (3) 1,248 residential units are currently undergoing sub-division process and registration as a condominium. Upon completion of the registration process, protection from eviction is available to existing tenants for a period of 3 years from the date of sale to a third party, however if a new tenant takes possession in lieu of the existing tenant in said apartments after the completion of sub division, the protection from eviction upon a sale is no longer applicable.
- (4) With respect to the remaining 1,287 apartments, the Group will work on an ongoing basis for the implementation of the sub-division and registration process as a condominium.

The apartments with R2C potential, as of the report date, are located in areas which are not subject to sub-division and condominium registration restrictions by the local authority, thus the tenant eviction restriction upon selling the apartment to a third party is according to the law for a period of 3 years only for a tenant residing in the apartment at the time of the execution of the sub-division (a tenant occupying the apartment after sub-division completion is not entitled to such protection).

Below are additional details on the segmentation of this potential among the operating cities:

<b>R2C potential</b>				
	<b>Leipzig</b>	<b>Dresden</b>	<b>Magdeburg</b>	<b>Total</b>
<b>Net Rentable area (square meters)</b>	136,188	81,997	29,158	<b>247,343</b>
<b>Number of buildings</b>	197	120	37	<b>354</b>
<b>Number of units</b>	2,061	1,201	411	<b>3,673</b>
<b>Number of units per building</b>	10.5	10.0	11.1	<b>10.4</b>
<b>% of total number of units</b>	96%	98%	79%	<b>93%</b>

The information described in this section above in regards to potential from R2C is "forward-looking information" as defined in the Israeli Securities Law, 1968 (hereinafter: "the Securities Law"), which is not under the full control of the Group and its actual realization, in whole or in part, is uncertain. The information is based on information available in the Group as of the report date, regarding: (1) the extremely low ownership rate in the Group's operating cities compared to the average in German cities; (2) the rental income increase trend and the increase of rental income burden on the tenants; (3) the Company's management forecasts regarding the continued upward trend of residential real estate prices in these cities; and includes additional estimates made by the Group.

Even when the Group decides to commence this activity, change in circumstances (including without derogating from the foregoing – increase in the supply of such apartments, increase in interest rates and a reduction in credit sources), partial sale of apartments in a condo building (in a way that may lead to additional expenses and even to impaired ability to sell them with a profit over time), the creation of special conditions under the circumstances of the case and/or the existence of one or more of the risk, may significantly change the Group's estimates abovementioned and materially affect the profitability forecast from this activity.

### **2.1.2 Income generating real estate under Development (offices)** <sup>21</sup>

The Group has a land complex with an area of approximately 11,800 sq.m. which is centrally located in the borough of Friedrichshain/Prenzlauerberg in the city of Berlin in an area of mixed commercial and residential uses and enjoys excellent transportation access as well as proximity to commercial areas and parks. In this complex, there are three buildings with a leasable area of approximately 3,600 sq.m., most of which are currently leased to commercial tenants, and a land with an area of approximately 7,800 thousand sq.m. which is used for open parking.

The Group is in the process of planning to convert these buildings into office buildings (permitted use under existing urban building scheme) and adding areas by putting into use the Mezzanine floor that is not in use today such that the leasable area after conversion is expected to increase to approximately 6,000 sq.m, net for rental, and is operating to promote a new plan with the local authority aiming to allow the development (in lieu of the use of parking) of two "Landmark" modernized office buildings in a total net rentable area of approximately 15.3 thousand sq.m. It should be emphasized that since the land is part of a site for conservation and is subject to the supervision and approval of the building conservation department and in view of the complexity of the project, there is a high degree of uncertainty regarding the scope of the construction rights to be actually approved as well as there may also be significant changes to the current concept.

The buildings currently generate an annual rental income of approximately EUR 442 thousand, and as of December 31, 2023, the total value of the complex is approximately EUR 16.9 million, of which EUR 15.6 million are attributed to the value of the existing buildings (and the construction rights in the Mezzanine floor) based inter alia on a discount rate of 4.4% and a representative rental income of approximately EUR 25.5 per square meter per month. The value attributed to that land used for parking is approximately EUR 1.3 million.

In addition, the Group has an additional property in this segment of activity which its value as of December 31, 2023, amounted to approximately EUR 4.8 million. The said property is rented under a long-term lease therefore the Group currently has no concrete plans for the development of additional areas in this property.

## **2.2 Property financing**

The Group consistently works to maximize the risk-return profile for its shareholders by means, inter alia, of optimization of the capital structure, both on the property level and on the corporate level.

- Loans from German banks – the Group has non-recourse loan agreements with German banks which have been taken by its sub-subsidiaries, which their remaining balance as of the report date is at a total amount of approximately EUR 297,223 thousand. The average interest rate (including SWAP) on these loans is approximately 2.27%, and the average duration of these loans is approximately 3.23 years. The average interest rate (including SWAP) on all of the Group's current loans, including a loan from an Israeli institutional entity, is approximately 2.53% and the duration of all current loans is approximately 3.5 years.
- Loan from an Israeli institutional entity – for details regarding a loan the Company had taken from an Israeli institutional entity during 2022, see note 5(g)(c) in the financial statements.

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<sup>21</sup> The information described in regards to the Company's development projects and in regards to the rezoning of said residential properties (including the expected completion dates, expected square meters, expected profit) is forward looking information that is not under the full control of the Company and the actual realization of such rezoning, in whole or in part, is uncertain. It should be noted that the Company has not yet decided regarding the development of any of such said land complexes and regarding the use of the land division in Eldenaer 42-43, including the development of the land complex and/or zoning (office or residential). The decision to develop any of such land complexes is subject to the completion of the relevant UBP approval procedures, the market conditions prevailing at the completion date of the UBP, the ability to obtain financing for the development of a project, availability of capital resources required to realize such development plan, meeting financial ratios and more. There is no assurance whether a value enhancement process will be carried out and/or will be completed, if at all, since its completion is subject to the planning and construction processes required by German law, the completion of which is not under the Company's control.

### 3. Material and other Events during the Reported Period

#### 3.1 Acquisition of residential buildings - from the beginning of 2023 until the report date, the Group has entered into agreements for the acquisition of 205 residential units in 16 single buildings located in the cities of Leipzig, Dresden and Hanover

The Group, on an ongoing basis, is examining and acquiring single properties in Leipzig, Dresden, Magdeburg and Hanover. The acquisition process is comprised of the following:

Desktop analysis → site visit & technical DD → LOI → legal DD & legal preparation → notarization → closing.

Below is the distribution of assets according to the transaction status:

	Acquisitions of residential rental properties from January 1, 2023 until December 31, 2023					
	Location	# of properties	# of units	Net rentable area (sqm)	NRI (p.a.) at full occupancy	Total Acquisition costs
Transactions completed as of December 31, 2023	Leipzig	24	275	19,730	€ 1,604,361	€ 40,547,854
	Dresden	7	71	5,305	€ 476,660	€ 12,203,499
	Magdeburg	7	75	5,356	€ 467,960	€ 7,458,750
	Hanover	5	36	1,672	€ 156,354	€ 3,239,056
	<b>Total</b>	<b>43</b>	<b>457</b>	<b>32,063</b>	<b>€ 2,705,335</b>	<b>€ 63,449,159</b>
Transactions in a process of acquisition as of December 31, 2023	Leipzig	3	31	2,231	€ 196,230	€ 4,623,363
	Dresden	2	16	1,332	€ 133,593	€ 3,132,771
	Magdeburg	0	0	0	€ 0	€ 0
	Hanover	1	8	487	€ 40,836	€ 922,384
	<b>Total</b>	<b>6</b>	<b>55</b>	<b>4,050</b>	<b>€ 370,659</b>	<b>€ 8,678,518</b>
<b>Total</b>		<b>49</b>	<b>512</b>	<b>36,113</b>	<b>€ 3,075,994</b>	<b>€ 72,127,677</b>

During 2023, the Group has completed the acquisition of 457 residential units at a total amount of approximately EUR 63.4 million (including transaction costs; including transactions of which exclusivity agreements were signed during the last quarter of 2022), generating an annual rental income of approximately EUR 2.7 million. During this period, the Group has entered into 6 separate transactions (including notarized agreements and exclusivity agreements) that have not yet been completed as of the report date, for the acquisition of 55 residential units at a total amount of approximately EUR 8.7 million (including transaction costs), generating an annual rental income of approximately EUR 371 thousand.

#### 3.2 Bank financing agreements:

- a. Refinancing as a result of property value enhancement-
  1. During October 2022, the Group has entered into refinancing agreements with two German financial institutions (hereinafter only in this subsection: the "**Banks**") for a total amount of approximately EUR 79 million which embodies an LTV of approximately 47.2% upon the book value of the pledged assets, in a manner that the remaining balance of current five loans at a total amount of approximately EUR 56 million (hereinafter only in this subsection: the "**Current Loans**"), which the Company's subsidiaries have drawn during the years of 2019 and 2020 from the abovementioned Banks, would increase ("Top Up") by approximately EUR 19 (hereinafter only in this subsection: the "**New Loans**").

The Current Loans bear a fixed (weighted) annual interest rate of approximately 0.99% and their final repayment date is due in the years of 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 cumulative book value is approximately EUR 167.2 million (as of the loans' underwriting due date in October 2022) (hereinafter and respectively only in this subsection: the "**Asset Companies**" and the "**Assets**", as the case may be).

The refinancing process is enabled due to a value enhancement of approximately 30% of the rental income generated from these assets, which were purchased and financed for the first time by the aforementioned Banks during the second half of 2019 and the first half of 2020 – from an annual rental income of approximately EUR 3.9 million at the time of drawing of the Current Loans to an amount of approximately EUR 5.1 million, as of the New Loans' underwriting due date in October 2022. 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:

- i. For the purpose of taking the new loans, the Company entered in November 2022 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's sub-subsidiaries entered into agreements to fix the Euribor rate cap to a maximum level of 2.5% for a total consideration of EUR 505 thousand. An amount of EUR 5 million of the total loans was drawn down in December 2022, and the remaining balance of EUR 7.7 million of the loans was drawn down in January 2023.
  - ii. For the purpose of taking the new loans, the Company entered in December 2022 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 weighted margin of 1.51% per annum. The drawing down of the loans was carried out in March 2023. Upon drawing down the loans, the Company's sub-subsidiaries entered into agreements to fix the Euribor rate cap to a maximum level of 3% the cost of which amounted to EUR 216 thousand.
2. 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 had taken in the past, from a total amount of approximately EUR 19.1 million to a total amount of approximately EUR 21.6 million ("Top Up"). The said 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 this loan was carried out during the second quarter of 2023.
3. 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, the Company signed (via its sub-subsidiaries) a loan agreement 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 immediately drawn down during February 2024 and the remaining balance at the amount of approximately EUR 5 million was drawn down in the second quarter of 2024. The new loan replaces 3 loans of which the remaining balance is at an amount of approximately EUR 26.6 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 rentable area of approximately 22.2 thousand square meters), which were acquired in 2018 and 2019 through a banking financing at a total amount of approximately EUR 18.8 million. As a result of the refinancing processes (in 2022 and the refinancing under this section), the Group extracted 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 basic interest rate. 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 to the Group due to 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 Group for financing new acquisitions and for its operating activities.

The Current Loans: an amount of EUR 6.5 million out of the current loans bearing a variable interest rate was drawn down at the time of executing the refinancing. The remaining balance of the current loans at an amount of approximately EUR 20 million bearing a fixed interest rate of between 0.94% to 1.1% and is to repaid in July and December 2026. The Company achieved a commercial understanding from the bank that provided the current loans, that 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. Financing at an amount of approximately EUR 15.5 million for the acquisition of new assets upon which the Company's sub-subsidiaries entered into notary purchase agreements.
- b. Refinancing at a manner of "Top Up" at an amount of approximately EUR 3.2 million as an addition to other current loans that the bank had provided to the Company's sub-subsidiaries. And repayment of bank loan of other bank with balance of EUR 1.3 million.

The said engagement with the bank was signed during 2024.

4. During the third quarter of 2023, the Company's sub-subsidiaries entered into an agreement 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 Group's assets within the operating segment of real estate for development for additional 5 years. The remaining balance of the current loans as of the refinancing date was at the amount of approximately EUR 6.8 million, and the refinancing increased the said balance to an amount of approximately EUR 7.5 million. The new loans bear a fixed interest rate of 4.65%. The drawing down of the loans was carried out on December 31,2023.

b. Financing for the acquisition of new assets-

1. During December 2022, the Company's sub-subsidiaries entered into two non-recourse loan agreements with a German banking corporation at a total amount of EUR 20 million for a period of 5 years, bearing a fixed interest rate of 3.95%. The drawing down of these loans was carried out at the end of March 2023.
2. During April 2023, the Company's sub-subsidiary entered into a non-recourse loan agreement with a German banking corporation at a total amount of approximately EUR 1.8 million for a period of 3 years, bearing a fixed interest rate of 4.15%. The drawing down of this loan was carried out during the third quarter of 2023.
3. During the second quarter of 2023, the Company's sub-subsidiaries entered into non-recourse loan agreements with a German banking corporation, at a total amount of EUR 13 million for a period of 5 years, bearing a fixed interest rate of 4.18%. The drawing down of this loan was carried out during the third quarter of 2023.

### 3.3 Option Plan

During 2023, the Company's Board of Directors approved option plans for the allocation of options to employees and officers in the Group 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 officers. Below are the main terms of the said plans:

	<b>ESOP 2</b>	<b>ESOP1A in regards to the joint CEOs</b>	<b>ESOP1A in regards to the officers who are not CEOs</b>
<b>Date of the approval of allocations (name of the approving organ)</b>	<b>In regards of the joint CEOs</b> – January 19, 2023 (the remuneration committee and the Company's Board of directors) and March 9, 2023 (the general meeting of the Company's shareholders); <b>In regards of other senior officers</b> – August 23, 2023 (the audit committee and the Company's Board of Directors);	August 31, 2023 (the remuneration committee); September 7, 2023 (the Company's <b>Board of Directors</b> ); September 16, 2023 (the general meeting of the Company's shareholders);	
<b>Number of allocated options</b>	2,048,904	1,331,277	839,283
<b>Date of actual allocation</b>	1,309,169 options were allocated on July 2, 2023 to the joint CEOs; 739,735 options were allocated to other senior officers on August 23, 2023.	October 16, 2023	
<b>Exercise price (NIS)</b>	77.13	65	59.33
<b>The method of the options exercise</b>	Cashless only with accordance to the average share price in the period of 30 days prior to the exercise notice (*)		
<b>Vesting periods and dates</b>	3 vesting periods of one, two and three years, starting from July 1, 2023	One vesting date on December 31, 2024	
<b>Final date for exercise</b>	June 30, 2027	June 30, 2026	
<b>Fair value of the total amount of granted options as determined by an external independent appraiser</b>	NIS 12,492 thousand	NIS 4,960 thousand	NIS 4,580 thousand
<b>Main parameters that were used for the valuation of the options</b>			
<b>Valuation Model</b>	Black and Scholes	Black and Sholes and Monte Carlo	Black and Sholes
<b>Closing price of the share (NIS) on the date of valuation</b>	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	
<b>Annual standard deviation</b>	29%-31%	31%	
<b>Option expected term (based on "Simplified method")</b>	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.	
<b>Risk-free interest rate</b>	3.96%-4.26%	3.89%	
<b>Maximum dilution factor</b>	Up to 6%	Up to 7%	

\*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<sup>23</sup>, as specified in the Company's Board of Directors Report (hereinafter: **the "Exercise Cap"**).

<sup>23</sup> 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 Chapter 4 in this report.

### 3.4 Inflation, economic recession and increase of nominal interest rates – possible effects on the Group's business affairs

The sharp rise in the inflation rate in the Eurozone in 2022 has led to a monetary contraction by the European Central Bank during which the interest rate was increased to a level of 4.0% in September 2023.

Due to the decrease in the inflation rate in the EU zone, the European Central Bank have reduced the interest rate with 25 basis point in June 2024 with further decreases accrued in September and October down to level of 3.25% today. In addition, the nominal interest rate curve increased when Germany's 10-year bond yield increased by approximately 250 basis points from the beginning of 2022 to a level of about 2.37% today.

The real interest rate has increased in a more moderate manner during this period - the yield of 10-year CPI linked government bond is currently approximately 0.47%.

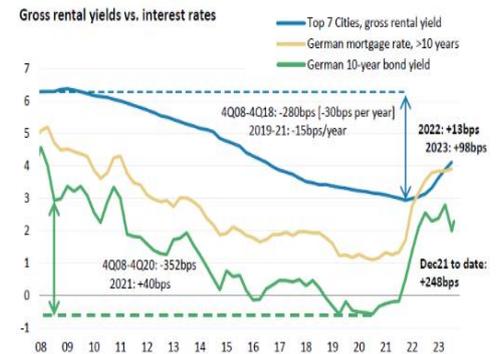
Consequently, there has been a decrease in the scope of real estate transactions, in the prices of assets (which has also been reflected in the increase of the discount rates that are used for the estimate of the value of the Group's assets) and in the commencement of new construction projects alongside a significant increase in construction costs.

The demand for rental residential in Germany (where about 50% of the households live in rented properties), being is a basic consumer product, is inelastic relatively to a negative economic cycle. This fact has been tested during the financial crisis of the years 2008-2009 and during the Corona period, when on average, occupancy rates in the rental residential sector in Germany have not been changed throughout the crisis at all. This conclusion is also strengthened in view of the fact that the rent burden (the cost of rent out of the household's disposable income) in the Group's operating cities is only about 20% to 24%, a significantly lower rate than is common in other major cities in Western Europe in general and in Germany in particular (in Berlin for example, the rent burden of the disposable income is above 30%).

**According to the Group's estimate, the demand for apartments in the Group's operating cities is expected to increase as a result of the following factors:**

- (1) A strong urbanization trend - which pushes strong populations with high earning capacity into the centers of the Group's operating cities. Until 2030, close to 80% of German population will reside in urban areas according to United Nations Population Division<sup>24</sup>. The population in Leipzig and Dresden is expected to grow by approximately 14% and 10%, respectively till 2030<sup>25</sup>. In addition, new investments in the logistics sector in Leipzig and in the chips sector in Dresden and Magdeburg that were announced in the last two years are expected to lead to an increase in the migration of strong populations to centers of the operating cities. For example, an investment of EUR 17 billion in Intel's new chip plant in Magdeburg, which is expected to be completed in 2027, is expected to increase the city's population by approximately 40,000 new residents (an increase of approximately 17%) and an investment of EUR 3.5 billion in TSMC's chip plant in Dresden (according to publications by these companies);
- (2) Labor force immigration - The head of the Federal Ministry of Labor in Germany has recently stated that **in order to maintain the current level of GDP, Germany must "import" 400,000 professional workers every year for the next 10 years** due to the aging of the German labor force<sup>26</sup>. For this purpose, the German Federal Ministry of Labor promotes a reform in immigration laws to Germany which will alleviate on the entrance of skilled labor immigrants. Hundreds of

Exhibit 4: ... driven by higher bond yields and mortgage rates



Source: Bulwiengesa, RIWIS, Morgan Stanley Research. Note: Applicable for residential building with at least 6 dwellings, and 20 years of age, and excludes totally modernised/refurbished buildings

<sup>24</sup> [World Urbanization Prospects - Population Division - United Nations](#)

<sup>25</sup> Source: Bertelsmann population report, Morgan Stanley Research, German residential chartbook January 24, 2023

<sup>26</sup> [Sanierungen: In zwei Städten müssen Eigentümer bis 2030 am meisten machen - FOCUS online](#)

thousands of immigrants with free professions/academic education will mainly concentrate in the large cities. In 2022, the immigration contributed to an increase of 1.1 million inhabitants to the number of inhabitants in Germany<sup>27</sup>. The previous wave of migration from southern European countries to Germany that began in 2010 (due to the debt crisis in Greece/Italy/Spain) has led to a continuous wave of strong price increase in residential real estate prices in Germany<sup>28</sup>.

(3) Condo apartments and individual residential buildings in central locations constitute one of the main real investment channels for households in Germany, that also enjoy significant tax benefits in respect of investment in these properties

(a) Condo apartments as a real investment product that maintains its value during periods of inflation–

The excess structural demand compared to the slowing down supply of condo apartments for the upper deciles in high-quality buildings and in central residential locations "generates" an investment asset that is in chronic shortage, and as such has a high potential for long-term capital appreciation surpassing the inflation rate.

(b) Tax benefits encourage the diversion of funds for investment in residential apartments–

In Germany, investing in residential apartments qualifies for a capital gain exemption on sale after 10 years, as opposed to 25% tax on other types of capital gains. This tax benefit encourages a significant portion of households to divert their savings towards investing in residential apartments.

(c) A margin of 3.65% between the residential real estate yield and the inflation-linked bond yield of the German government–

In spite of the increase in inflation rate and despite of an increase of 250 basis points on the yield of 10-year nominal government bond from the beginning of 2022, the real interest rate for 10 years in Germany is still significantly low at a rate of 0.3%. As a result, the margin between the yield on residential real estate (owned by the Group) and the CPI linked government bond is 3.65%.

(d) In historic perspective (according to OECD publications) condo apartments have proven themselves as a real asset which maintains its value during periods of inflation–

During the 1970s, **residential rental income in Germany increased significantly above the annual inflation rate**. Similarly, a **Deutsche Bank research report has shown that during periods of high inflation, residential apartment prices in Germany rose at a higher rate than the inflation rate and provided investors with a hedge against inflation**. Thus, during a decade of high inflation between the years 1970-1980, the prices of residential apartments in Germany increased by approximately 85%, while the inflation rate in Germany increased by only 64%. Similarly, in the period of reunification during the years 1989-1994 when a high accumulated inflation rate of approximately 20% was recorded, the prices of residential apartments in Germany increased by approximately 30%, whereas throughout the entire period from 1970 to 2022 residential apartment prices in Germany increased by more than 400% while the inflation in the said period accumulated below 300%<sup>29</sup>.

**On the other hand, according to the Group's estimate, structural failures that delay the market forces from catching the demand create a structural gap (that is constantly growing) between demand and supply:**

(1) Acute "historic" cumulative shortage of the supply of residential apartments in the centers of the largest cities - low volumes of residential construction in the centers of the largest cities in Germany during the last 15 years due to the prolonging of the construction processes, acute shortage of lands designated for residential housing in the attractive locations and limitations on construction of higher

<sup>27</sup> According to a research by Morgan Stanley as of January 23, 2024.

<sup>28</sup> Source: DeStatis, Eurostat, Morgan Stanley Research., German residential chartbook January 24, 2023.

<sup>29</sup> [https://www.dbresearch.com/PROD/RPS\\_EN-ROD/PROD000000000526925/German\\_housing\\_market%3A\\_History\\_suggests\\_it\\_is\\_an\\_i.xhtml?rwnode=RPS\\_EN-PRODSIMMO](https://www.dbresearch.com/PROD/RPS_EN-ROD/PROD000000000526925/German_housing_market%3A_History_suggests_it_is_an_i.xhtml?rwnode=RPS_EN-PRODSIMMO)

buildings, have led to generating a “deficit” in the supply of residential apartments versus the demand. A research recently published by the German Property Federation<sup>30</sup> presents that as for the end of 2023, the said deficit is estimated to reflect a shortage of about 400,000 new residential units in whole of Germany and is expected to reach a shortage of 700,000 new residential units at the end of 2025. At the same time, in Leipzig and Dresden a shortage of about 60,000 new residential units is expected by the end of 2030 (about 19% and 17% respectively of the total current inventory of residential units, where during the last 7 years alone, a cumulative shortage of 23,000 new residential units has been created in Leipzig (excess demand over supply which was added to a cumulative gap from previous years).<sup>31</sup>

- (2) Slowdown in supply as a result of a sharp increase in construction costs of new apartments which led to a sharp decrease in executing new projects for residential construction - the sharp rise in commodity prices was also reflected in a significant increase in construction costs in Germany during 2021 and 2022 at a rate of approximately 20% cumulatively, while during 2023 there has been a moderation in the growth rate of construction costs in Germany. The significant increase of the construction costs is expected to cause a delay in the commencement of new apartment construction projects at the current construction price level. Thus, for instance, in 2022, a decrease in construction commencements to a level of below 300,000 residential units has been noted, while the forecast for 2023 and 2024 is only 220,000 and 180,000 respectively, versus a governmental objective of building 400,000 residential units per annum<sup>32</sup>. In addition, **since September 2022 a continued monthly decrease in construction permits has been noted which as of December 2023 decreased by 26% compared to December 2022**<sup>33</sup>.

**The ability to raise rental fees above the inflation rate, tax benefits, high margin of 3.65% above CPI linked government bond and the expectation for Long Term Capital Appreciation as condo apartments in central locations are an investment product in chronic shortage, will continue to support according to the Group’s estimate the prices of residential condo apartments in Germany in the mid-long term as an asset generating real yield at low risk.**

**Therefore, and according to the Group’s estimate, the effect of the increase of the discount rate is of short-term characteristics which is influenced by the cyclicity in the markets and is expected to impact negatively the real estate prices in the short term. In the event of an additional increase of the interest rates and the discount rates, a negative impact is expected on the value of assets as aforesaid.**

**On the other hand, the structural supply and demand gaps have a long-term impact and support a continued and significant increase of residential rental income in the centers of cities where the Group operates and as a result - an increase of the value of the assets in the mid/long term.**

It should be noted that the defense/political status in Israel has no effect on the Group’s operations except an effect on the exchange rate exposure in regards with the loan denominated in NIS that the Group had taken from an institutional entity.

**The information described above in regards with the continued growth trend in rental income, low vitality in the short term and the increase in the value of residential properties for rental in Germany is "forward-looking information" as defined in the Securities Law, which is not under the full control of the Group and its actual materialization, in whole or in part, is uncertain. The information is based on information available in the Group as of the date of the report, regarding: (1) the expected increase in rental demand curve; (2) the high strength of German households; (3) the low rental burden in the Group's operating cities; (4) the low unemployment rate in Germany due to high fiscal flexibility of the German government; (5) the lack of harm to residential income**

<sup>30</sup> From Vonovia’s Investors Presentation for the third quarter of 2023.

<sup>31</sup> BNP Paribas Real Estate, Residential Report Germany, March 2023

<sup>32</sup> destatis/ 1 GDW (2023) and Macroeconomic Policy Institute (IMK) (2024)

<sup>33</sup> destatis

or the continued long-term growth trend of residential rental income in previous periods of crisis and recession in Germany; (6) The Group's assessments regarding the diversion of investments between cash and real assets; (7) future developments in the inflation rates, yields and yields margins between the yield of a risk-free asset and real assets and liabilities that are related to these assets; (8) market information and also includes additional estimates by the Group.

Change of circumstances (including without derogating from the generality of the foregoing - material adverse change in the state of the economy in Germany, increase of interest rates and crisis in the real estate market in Europe in general and Germany in particular), the creation of special conditions under the circumstances, may significantly change the Group's assessments set forth above and materially affect its aforesaid forecasts.

#### 4. Board of Directors Explanations in regard to the State of the Group's Business Affairs, the Results of its Activities, its Equity and Cash Flow

##### (1) Financial Position (consolidated statements)

Assets	December 31, 2023	December 31, 2022	Additional explanation
	000' EUR	000' EUR	
<b>Current assets</b>			
Cash and cash equivalents	11,562	27,352	See cash flow statement
Restricted bank deposits and liquidated investments	11,622	15,058 (*)	(*) reclassified
Financial assets	1,219	2,111	
Accounts receivable	2,455	912 (*)	(*) reclassified
<b>Total current assets</b>	<b>26,858</b>	<b>45,433</b>	
<b>Non-current assets:</b>			
	666,410	654,683	Combined effect of increase due to the purchase of new assets and decrease due to changes in value.
Investment property			
Investment property – construction	13,116	8,897	
Accounts receivable	403	2,518	
Deferred taxes	513	-	
<b>Total non-current assets</b>	<b>680,442</b>	<b>666,098</b>	
<b>Total assets</b>	<b>707,300</b>	<b>711,531</b>	
Liabilities	December 31, 2023	December 31, 2022	Additional explanation
	000' EUR	000' EUR	
<b>Current liabilities:</b>			
Current maturities of loans from banks	6,618	12,398	*
Accounts payable	8,856	6,794	
<b>Total current liabilities</b>	<b>15,474</b>	<b>19,192</b>	
<b>Non-current liabilities:</b>			
Loans from banks and others and financial institutions	341,909	294,344	Increase derives from new loans for the purchase of assets and refinancing
Deferred taxes	19,674	26,708	
<b>Total noncurrent liabilities</b>	<b>361,583</b>	<b>321,052</b>	
<b>Equity attributable to Company shareholders</b>	<b>330,243</b>	<b>371,287</b>	
<b>Total liabilities and equity</b>	<b>707,300</b>	<b>711,531</b>	

\* The decrease derives from refinancing of a loan that was executed in 2023 for a loan that was classified as a current maturity in 2022 in accordance with the loan original settlement schedule.

(2) **Results of Operations (consolidated statements)**

	<b>Year ended December 31, 2023</b>	<b>Year ended December 31, 2022</b>	<b>Year ended December 31, 2021</b>	<b>Additional explanation</b>
	<b>000' EUR</b>	<b>000' EUR</b>	<b>000' EUR</b>	
Revenues from rental of properties	21,386	16,600	11,328	Purchase of new assets and increase in rental income from identical assets
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)	
<b>Gross profit</b>	<b>17,593</b>	<b>13,339</b>	<b>9,287</b>	
General and administrative expenses	(6,437)	(5,653)	(4,209)	
<b>Operating profit (before changes in fair value of investment property, net)</b>	<b>11,156</b>	<b>7,686</b>	<b>5,078</b>	
Change in fair value of investment property, net	(45,352)	27,022	<b>63,744</b>	
Changes in fair value of investment property, due to a one-time change of Real estate Transfer Tax	(11,471)	-	-	
<b>Operating profit (loss)</b>	<b>(45,667)</b>	<b>34,708</b>	<b>68,822</b>	
Financing expenses	(7,636)	(5,523)	(2,080)	Increase in bank financing for the purchase of new assets and refinancing
Change in fair value of financial assets and exchange rate differences, net	2,400	3,215	<b>2,335</b>	
<b>Income (loss) before taxes on income</b>	<b>(50,903)</b>	<b>32,400</b>	<b>69,077</b>	
Taxes on income	7,408	(5,125)	(10,245)	
<b>Net income (loss)</b>	<b>(43,495)</b>	<b>27,275</b>	<b>58,832</b>	

**(3) Cash flows (consolidated statements)**

	Year ended December 31, 2023	Year ended December 31, 2022	Year ended December 31, 2021	Additional Explanation
	000' EUR	000' EUR	000' EUR	
Cash flows derived from operating activities	12,900	8,842	7,447	For further details see the statement of cash flows
Cash flows used in investing activities	(65,936)	(155,469)	(121,688)	For further details see the statement of cash flows
Cash flows derived from/used for financing activities (excluding refinancing)	19,648	119,296	110,261	For further details see the statement of cash flows
Cash flows from refinancing activities	17,568	19,999	995	For further details see the statement of cash flows

Access to financing sources – the Group evaluates its accessibility to sources of financing as very high in light of its financial strength, the stability of core activity, and the vast good long-term relationships it has created with the banks financing real-estate projects in Germany.

For the period of twelve months that ended on December 31, 2023, the Company in its Company-only financial statements (but not in the consolidated reports), had a negative cash flow from operating activities that amounted to EUR 0.5 million. The Company's board of directors determined, based on an examination it carried out, that this was a purely technical matter and it is not deemed to indicate a liquidity problem in the Company, since as of the date of signing the report, the cash, the value of cash and liquidity balances in the Company (Company-only) amount to approximately EUR 81 million, compared to current liabilities in the Company (Company-only) in the amount of approximately EUR 1 million, so that in the Company (Company-only), as of the date of signing the report, there is an excess in the working capital amounting to approximately EUR 80 million, consisting of cash and liquidity balances. As a result, in light of the high liquidity balances held by the Company (Company-only), the Company chose not to receive management fees (other than small amounts for administrative purposes) or withdraw dividends from its wholly owned subsidiaries, such that led to the negative cash flows from the Company's operating activities at the "Company-only" level, whereas according to the Company's consolidated financial statements the cash flow from the Group's operating activities was positive and amounted to approximately EUR 12.9 million in 2023. For further details, see the Company-only financial statements of the Company as of December 31, 2023.

(4) **NAV METRICS – Net Tangible Assets and FFO (Funds from Operations)**

Below is a calculation of the EPRA metrics as of December 31, 2023:

	<b>NTA 000' EUR</b>
Equity attributed to the Company's shareholders	330,243
Plus deferred taxes due to EPRA adjustments	23,349
Plus Real estate Transfer Tax (RETT) and other transaction costs	-
Fair value of nominal liabilities bearing fixed interest, net <sup>37</sup>	-
Early liquidation and related repayment costs	-
<b>Total</b>	<b>353,592</b>
<b>Per share (in EUR)</b>	<b>19.53</b>

**FFO Calculation manner**

The FFO index is calculated as the net profit (loss) attributed to the Company's shareholders from the income-generating activity only, in accordance with the Securities Authority's guidelines and certain adjustments in respect of non-operating items, which are affected by fair value revaluation of assets and liabilities. The adjustments involved are mainly investment property fair value adjustments, various capital gains and losses, various amortizations, adjustment of expenses for management and planning of the Group's office project in Berlin, change in fair value recognized in respect of financial instruments and deferred taxes.

In addition, since the Group has acquired and is acquiring assets at an accelerated rate in each of the years of operation since its establishment and the business operating results of these assets were only partially reflected in the annual net profit of each period (acquired during the year and yielded a partial return). Therefore, as part of the FFO calculation, adjustment was carried out for full annual income generation in respect of the operating results for the last quarter of each reported period of operation and adjustment to full annual income generation in respect of the operating results of assets under notarized purchase agreements and exclusivity agreements that have not yet been consolidated in the year of operation.

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<sup>37</sup> The value is based on calculating the present value of the projected cash flows according to loan agreements at an interest reflecting market interest as of the report date following a deduction of deferred taxes.

FFO (Funds from Operations)	Year ended December 31, 2023	Year ended December 31, 2022
	€ in thousands, consolidated (unaudited)	
<b>Net income (loss) for the year attributed to the Company's holders of capital rights</b>	(43,495)	27,275
<b><u>Adjustments in accordance with the provisions of the Fourth Addendum to the Securities Regulations (Details of the Prospectus and the Draft Prospectus - Structure and Form), -1969 (hereinafter: "Prospectus Details Regulations")</u></b>		
1. Changes in fair value of investment properties	56,823	(27,022)
6. Changes in fair value of financial instruments measured at fair value through profit or loss	(2,400)	(3,215)
8. Deferred taxes due to adjustments	(7,408)	5,146
<b>Nominal FFO (Funds From Operations) pursuant to the provisions of the Fourth Addendum to Prospectus Details Regulations*</b>	<b>3,520</b>	<b>2,184</b>
Adjustment to full income generation in respect of the operating results for the assets and liabilities that were consolidated for the first time during the reported period <sup>38</sup>	381	3
Adjustment to full income generation in respect of the operating results of assets and liabilities under notarized purchase agreements and exclusivity agreements that have not yet been consolidated in the reported period <sup>39</sup>	635	1,756
<u>Additional adjustments for non- cash items:</u>		
Cost of share based payment	2,451	1,987
Euro-NIS interest rates gap/Embedded interest in SWAP currency hedge transactions	784	240
Deferred financing costs	612	805
Adjustment of administrative and general expenses in respect of entrepreneurial activity and business development	821	586
Depreciation, donations, professional services and one-off adjustments	373	1,190
<b>FFO according to management approach for the period</b>	<b>9,577</b>	<b>8,751</b>

According to the Company's management opinion, at this stage of the "Company's life", the FFO index does not represent a suitable indicator for examining the Group's performance, since it does not properly reflect the Group's asset value enhancement oriented business model.

<sup>38</sup> Operating results (including financing expenses) of assets that were consolidated for the first time during the reported period presented in the table above were adjusted such that the results represent full periods of operations.

<sup>39</sup> Assets whose ownership has passed to the Company after the reported period in the table and have not yet been consolidated in the Company's financial statements, and assets, which at the time of signing the statements of each period presented in the table, were under notarized purchase agreements and exclusivity agreements – the operating results (including financing expenses) thereof were adjusted to a full period of operation.

## **5) Material events after the Reported Period affecting the financial position of the Group and other events occurring after the report date till the signing date**

- (a) During the period as of January 1, 2024, the Company, via its wholly owned sub-subsidiaries, completed the acquisition of 14 assets with 128 units for total consideration of EUR 20,315 thousands.
- (b) During the period as of January 1, 2024 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 between the Company's sub-subsidiary and the banking corporation was signed in June 2024 for a period of five years, the loan bears a fixed interest rate of 4.16% per annum, the remaining balance of the loan was drawn down during the third quarter of 2024. A loan agreement for a total amount of EUR 1.15 million was signed on October 28, 2024 for a period of 5 years, this loan bears a fixed interest rate of 3.6% per annum, the drawing down of the loan is expected in the coming weeks.
- (c) On September 17, 2024 the Company held a tender for classified investors for the issuance of the Company's shares and on September 19, 2024, a public tender was held for the issuance of the Company's shares. According to the Company's shelf offering report and the results of the tenders, the Company issued 2,458,100 shares at a price of NIS 89.70 per share and a total amount of NIS 220,492 thousand (gross) received in cash.

## **5. Exposure to Market Risks and Risk Management**

### **(1) Discussion of risk factors**

According to the Group's estimate, the activity of the Group in its areas of activity is exposed to the following principal risk factors:

#### **a. Macro-economic risk factors**

- (a) **The state of the economy in Germany** - among the macro-economic factors in Germany which may impact the business results of the Group's activity, are the GDP growth rate and the change in the employment rate. These factors have direct impact, mainly on demand for office space and new residential apartments. Furthermore, a change in the scope of private consumption in Germany may impact the proceeds of retail corporations and as a result, the demand for commercial space. Fiscal restraints which shall be expressed in a reduction of welfare budgets may adversely impact the residential rental market in Germany, as well as an increase in unemployment in Germany, may lead to reduced demand for apartments and curtail the increase in average rental income per sq.m. Due to the nature of the Group's activity in the area of income-generating real estate in Germany, the state of the German economy has a certain impact on the business results of the Group. Material adverse changes in the state of the economy in Germany may impact the Group's ability to develop its business in this country.
- (b) **Interest rate risks** - regarding the Group's properties, an increase of the interest rates raises the yield rates sought by investors and thus reduces the value of the property. Increase of interest rates also increases the finance costs of the acquirer with regards to its loans for the acquisition of the property. Regarding the liabilities of the Group, the Group hedges the majority of its financial liabilities by taking loans at fixed interest rate or by engaging into interest SWAP agreements or CAP agreements. Accordingly, the principle exposure throughout the lifetime of most of the loans is not a cash flow exposure.
- (c) **Geopolitical environment** - extreme changes in the geopolitical environment may impact the Group's activity.

(d) **Business environment** - the Company's shares are listed for trading in Israel and apart from that the Company has no other activity in Israel and has no business exposure to any change whatsoever occurring in Israel. Regarding exposure to a change in currency exchange rates following a loan from an institutional entity taken by the Company in NIS.

(e)

**b. Sectorial risk factors**

**Income-generating real estate**

(a) **A decrease in demand for rental space** - the crisis in the real estate market in Europe and in Germany, may lead to a decrease in demand for rental space, erosion of rental fees of the Group and may harm its financial results. The high occupancy rate of the Group may be harmed in the event of a decrease in demand for space and/or nonrenewal of existing rental lease agreements. The demand for office and commercial space may decrease due to the increase of supply of space and as a result of competition over quality tenants (with financial solvency).

(a) **A decrease in occupancy rate in apartments in the Group's properties** - as of the date of the report, the Group is characterized by high occupancy rates. The rate of occupancy is generally a function of the quality of the property, its geographical location, and a variety of external circumstances such as infrastructures in the proximity of the property and access to the area of the properties. As part of its business plan, the Group operates to improve the occupancy rates, including (subject to legal limitations) evicting tenants in low occupancy properties with the aim of renovating the property and bringing in new tenants and thus increasing the rental fees. Low occupancy rates in the Group's properties over time, together with fixed property management costs, may harm the results of its activity.

(b) **A decrease in the payment ability of the tenants** - this risk factor may lead to increased provisions for doubtful debts or alternatively may lead to nonrenewal and even early termination of rental lease agreements. The Group carries out an internal inquiry process prior to engaging with tenants, to verify the solvency of the tenant and his payment ethics.

(c) **The value of Group's properties** - the Group is exposed to a decrease in value of the properties which it holds and to an inability to realize them. A decrease in the value of the Group's properties of the Group and/or inability to realize them may negatively impact the business results of the Group. Determination of the fair value of investment property is made, inter alia, using the discount cash flow model. The calculation discounting the income involves assumptions, including - assumptions regarding the discount rates, renewal of lease agreements (principally the probability of renewal and the expected rental income upon renewal), and occupancy rates in the various properties, estimates which naturally have a measure of inherent uncertainty.

(d) **Sale of condo apartments (privatization)** -

- Partial sale of condo apartments - partial sale of apartments in a condominium building, obligates the Group in further maintenance activities in the building itself and in the unsold properties so long as unsold apartments remain in the building, in such manner which may lead to additional expenses and even encumber the ability to profitably sell them over time.
- The ability to sell condo apartments with maximum profitability - the ability of the Group to sell the condo apartments with maximum profitability is contingent upon the potential sale prices, which largely depend upon the levels of supply and demand. Increase in supply of such apartments may lead to downward pressure on sale prices. Furthermore, market trends external to the Group, increase in interest rates, and reduced credit sources, may also impact demand for residential apartments.

- (e) **Property and liability risks** - the Group insures the real estate property in insurance policies, and also purchases policies to insure the customary risks to which the Group is exposed. In the event of an insurance event, the Group may have monetary exposure at the rate of the difference between the total insurance coverage and the monetary scope of the claim or the damage to the property. It is emphasized that according to the Company's management estimate it is not underinsured.

### **General risks**

- (a) **Legislation and regulation in the real estate sector in Germany** - the activity of the Group is subject to German regulation in general and in the cities of operation in particular, whereby a change in the regulatory environment (inter alia, changes in the provisions of law regulating the activity of renovations of buildings owned by the Group, provisions concerning energy efficiency requirements, legislation impacting the local rental laws and legislation concerning conversion of buildings to condominiums), may impact the Group's activity and its operating results.

In addition, the Group's activity in Germany is subject to the provisions of law concerning local privacy laws adopted during 2018, which obligate stringent compliance with requirements concerning storage and use of personal information. Noncompliance with these provisions of law may lead to the imposition of fines in scopes calculated from the income cash flow of the Group. It should be noted that the Group entered into an agreement with an expert in the field of privacy laws during 2022 and implemented procedures following her recommendations in order to meet the requirements of the law.

- (b) **Liability for environmental damage** - the Group may be exposed to certain liabilities in the field of preservation and the environment, and the costs involved in meeting such obligations, which may have a negative impact on the Group's operating results. According to the Group's estimate, a worsening of the energy standards is expected for home owners in Germany, which may lead to an increase in CAPEX costs in the mid-long term.
- (c) **Cyber risks** – cyber-attacks in general and cyberattacks against databases in particular have recently become a risk in the Group's areas of activity. As part of its activity, the Group makes use of a computer system and computer databases (for managing rentals, suppliers, collection, payments, communication, etc.). A cyber-attack that aims to penetrate or damage computer systems, when they are used properly or the information stored in them, may cause direct and indirect damages to the Group, including interference with its current operations, ransom attacks, loss of information or its leakage, damage to reputation and expenses for the restoration of the system. The Group, as mentioned, is exposed to cyber-attacks, which may, depending on their success and strength, damage the privacy of the information stored in the aforementioned databases. In light of the above, the Group conducted a mapping and monitoring of its information systems during 2022 through an information security consultant, and deals with these threats by various means, including the encryption of the information in the server farms where the Group's information is stored; Different monitoring systems for the different layers of the server farms and systems; A SIEM system (a system for managing and monitoring alerts on network, server and infrastructure system anomalies) to detect security events and investigate them given that they have occurred, controls for access to sensitive systems and databases. Also, the Group has protection mechanisms for its digital assets in order to maintain protection from security incidents such as hacking and malicious actions and operational continuity; The Group has working procedures and additional peripheral and internal protection mechanisms to reduce the capacity and prevent malicious actions on the network in its databases; In addition, the Group appointed a CISO for the purpose of an ongoing control of the implementation of the information security procedures and their review. Furthermore, this issue was reviewed by the Group's internal auditor and submitted to the Company's audit committee in 2022 as part of the annual internal audit plan and the findings of this audit were presented to the Company's audit committee on March 13, 2023.

**c. Unique risks to the Group**

- (a) **Slowdown in the residential real estate markets in Leipzig, Dresden, Magdeburg and Hanover**- in accordance with its strategy, the Group operates in the residential real estate market in Leipzig, Dresden, Magdeburg and Hanover. Accordingly, a slowdown in the real estate market in these operating cities which will harm the occupancy rates of the Group's properties, the income of the Group from rental fees, and its ability to realize assets, may harm the financial results of the Group.
- (b) **The state of the office real estate market in Berlin** - a significant decrease in office rental income in Berlin and/or a significant increase in constructions costs and/or a significant increase in the yield sought by investors for office properties in the city, will lead to a reduction in the fair value of the property in Berlin and the profitability of the office construction project of the Group in the city.
- (c) **Exchange rate risk (appreciation of NIS versus EURO) in the loan from the institutional entity** -

The Company took a loan from an institutional entity denominated in NIS. Since the Group's activity is in EURO, the Company has exposure to changes in exchange rates. For further details regarding the Group's hedging policy see the Company's board report.

	Measure of impact of risk factor on the area of activity		
	High	Medium	Low
<b>Macro risks</b>			
State of the economy in Germany		+	
Recession in credit market, downturn in capital markets in Israel and worldwide and insolvency of European countries		+	
Interest risks		+	
Business environment			+
<b>Sectorial risks – income-generating real estate</b>			
Decrease in demand for rental space	+		
Decrease in occupancy rates in apartments in the Group's properties		+	
Decrease in payment ability of tenants		+	
Value of Group properties	+		
Apartment sale activity (condo)			+
Acquisition risks and liabilities			+
Decrease in demand for office space in Berlin		+	
Increased supply of available land and/or projects under construction for offices in Berlin			+
Increase of construction costs and/or contract performance costs		+	
Increase of interest rates in the Eurozone		+	
Legislation and regulation in the real estate sector in Germany	+		
Liability for environmental damages			+
Cyber risks			+
<b>Unique risks to the Group</b>			
Slowdown in the residential real estate markets in Leipzig, Dresden, Magdeburg and Hanover		+	
The state of the office real estate market in Berlin		+	
Appreciation of NIS vs. EURO			+

The assessment of the Group regarding the risk factors above, including the measure of the impacts of the risk factors on the Group, is based upon information in the possession of the Group as of the date of the report and includes assessments and intentions of the Group. The Group may be exposed in the future to additional risk factors and the impact of every risk factor, if materializes, may be different than the assessment of the Group.

### Market risks to which the Group is exposed to

Currency rate effects - as of the report date, the Group's currency exposure rate deriving from taking an institutional loan denominated in NIS, amounts to approximately 7.6% of the Group's total balance sheet. As of the report date and as of the report signing date, the Group has no open hedging transactions against this exposure.

### The fair value of the Group's primary financial instruments

As of the report date, most of the Group's financial instruments are presented at their fair value.

Below are sensitivity tests for changes in the fair value of the Group's primary financial instruments, due to changes in the interest rates (in EUR thousands):

The basic interest rate is 3-months Euribor.

December 31, 2023

	<u>10%</u>	<u>5%</u>	<u>Fair Value</u>	<u>-5%</u>	<u>-10%</u>
Fixed-interest rate loan	2,790	1,594	(268,013)	(1,594)	(2,790)
Total	2,790	1,594	(268,013)	(1,594)	(2,790)

In addition, negative change in the fair value of fixed interest rate agreements (CAP) is limited to their value as of the report date (EUR 2,383 thousand).

December 31, 2022

	<u>10%</u>	<u>5%</u>	<u>Fair Value</u>	<u>-5%</u>	<u>-10%</u>
Fixed-interest rate loan	2,087	1,041	(230,393)	(1,035)	(2,065)
Interest rate SWAP transactions which are not recognized as an accounting hedging	8	4	126	(4)	(8)
Total	2,095	1,045	(230,267)	(1,039)	(2,073)

Below are sensitivity tests for changes in the fair value of the Group's primary financial instruments, due to changes in the exchange rates (in EUR thousands):

Change in EUR exchange rate compared to NIS.

December 31, 2023

	<u>10%</u>	<u>5%</u>	<u>Fair Value</u>	<u>-5%</u>	<u>-10%</u>
Fixed-interest rate loan	(5,359)	(2,680)	(53,594)	2,680	5,359
Cash held in NIS	10	5	104	(5)	(10)
Total	(5,349)	(2,675)	(53,490)	2,675	5,349

December 31, 2022

	<u>10%</u>	<u>5%</u>	<u>Fair Value</u>	<u>-5%</u>	<u>-10%</u>
Fixed-interest rate loan	5,969	2,848	(56,966)	(2,848)	(5,696)
Cash held in NIS	72	(36)	721	36	72
Currency hedging transaction	(2,700)	(1,350)	96	1,350	2,700
Total	3,341	1,462	(56,149)	(1,462)	(2,924)

The fair value of the investment real-estate properties is also affected by changes in the interest rates in the market. A permanent increase/decrease (increase/decrease observed by the market as such which is not temporary, but rather characterizes a medium/long-term trend) in market interest rates will lead to changes in the requested yields on real-estate properties (although there is no full correlation between the change in the market interest rates level and the change in yields on properties), and to a decrease/increase in their fair value, respectively.

## 6. Corporate Governance Aspects

### (1) General

The Company is a Dutch company incorporated in the Netherlands in January 2018 as a public limited company (NV)<sup>40</sup> in accordance with the Dutch Law. According to the Dutch Companies Law, the shares of a Dutch company of NV type can be issued to the public and traded on the stock exchange, in contrast to a Dutch company of BV type (Besloten vennootschap) whose shares cannot be issued to the public. Therefore, the Dutch Companies Law defines an NV type as a public company even if its shares have not yet been issued to the public.

Pursuant to section 39A (a) of the Israeli Securities Law, 1968 (hereinafter: "**the Securities Law**" and "**Section 39A**" respectively), the provisions of the Companies Law – 1999 (hereinafter: "**the Corporates Law**") and the Regulations under the Securities Law, shall apply to a company which incorporated outside Israel and offered its shares or liability certificates to the public in Israel, all in accordance with the provisions described in Part A of the Fourth Addendum to the Securities Law, however, the Securities Authority may exempt such company from the provisions and regulations set forth in said addendum, in whole or in part, if it has found that the law outside Israel which is applicable to the Company sufficiently ensures the interests of the Israeli investors public.

Since the Company's shares were initially offered to the public in Israel and were listed for trading on the Tel Aviv Stock Exchange Ltd. (hereinafter: "**the Stock Exchange**") in accordance with the Israeli Law, the provisions of Section 39A, as abovementioned, will apply to the Company and, as a result, various provisions of the Corporates Law as set forth in Part A of the Fourth Addendum of the Securities Law (hereinafter: "**Part A of the Fourth Addendum**") will apply to the Company, where such provisions apply in addition to the provisions of the Dutch Law<sup>41</sup>. For further details, see Chapter 5 of the prospectus.

### (2) Translation of the report into English

Without derogating from the responsibility of each of the members of the Board of Directors (who approved the Board of Directors report) to the information as stated in this report above and below, it is clarified that three Messrs. (Peter Bodis, Monique van Dijken Eeuwijk and Bert van den Heuvel) out of the five members of the Board of Directors, do not speak Hebrew. Regarding this issue, it is noted that Monique van Dijken Eeuwijk, Bert van den Heuvel and Peter Bodis who participated on the Board of Directors meeting for the discussion and approval of the Company's report and approved this report, notified the Company that they approved this report based on the report's translation to English and not based on its original version in Hebrew. The said directors stated that they are aware of that the binding version of the Board of Directors report is its original version in the Hebrew language.

### (3) Donations

No policy on donations was determined.

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<sup>40</sup> N.V. is a legal entity under the Dutch law, with a registered capital divided into transferable shares. Shareholders are not personally liable for actions taken on behalf of N.V., and are not liable for losses beyond the amount they must repay in respect of the shares in their possession. N.V Shares can be traded on a stock exchange.

<sup>41</sup> The Company's articles of association, include the application of the full sections of the Corporates Law applicable to the Company by virtue of section 39A and the Fourth Addendum (Part A) to the Securities Law, except for sections 256 (c), 256 (d), 280 (b) and 281 of the Corporates Law (which contradict the Dutch law), which the Company requested the Authority for an exemption from their application. The Company's articles of association do not contradict mandatory provisions of the Dutch law.

(4) Internal auditor

Below are details regarding the Company's internal auditor (Regulation 10 (b) (11) and the Fourth Addendum to the Israeli Reporting Regulations):

<b>The auditor's name:</b>	Amir Lavi, CPA
<b>Tenure commencement date:</b>	27.07.2021
<b>Compliance with the provisions of the law:</b>	The internal auditor meets the conditions set forth in Section 3 (a) of the Internal Audit Law, -1992 ("the Internal Audit Law"). To the best knowledge of the Company and as was informed by the internal auditor, the internal auditor meets the provisions of Section 146(b) of the Companies' Law the provisions of section 8 of the Internal Audit Law.
<b><u>Holding of the Comapny's securities:</u></b>	The internal auditor, according to his announcement, does not hold securities of the company or of an entity related to the company, as defined in the Fourth Addendum of the Reporting Regulations.
<b>Material/business relations with the Company:</b>	The internal auditor does not have material business relations or other material relations with the Company or with an entity related to the Company, as defined the Fourth Addendum to the Reporting Regulations. The internal auditor will provide internal audit services as an external service provider. The internal auditor is not an interested party in the company, does not hold an office in the company and is not a relative of any of these. The internal auditor does not perform a position outside the company that creates or may create a conflict of interest with his position as the internal auditor of the company and his only position in the company is internal auditor of the company. The internal auditor is a partner in the firm of PKF Amit Halfon.
<b>Appointment of internal auditor:</b>	On July 27, 2021, at the proposal of the Company's audit committee, the Company's Board of Directors approved the appointment of Mr. Amir Lavi as the Company's internal auditor. The Company's organs determined, after examining his many years of education and experience and after examining Mr. Amir Lavi's skills, taking into account, among other things, the type of company, its size, scope of activity and complexity that Mr. Amir Lavi is the most suitable candidate for the company's internal auditor.
<b>The organizational supervisor of the auditor:</b>	The person in charge of the internal auditor is the chairman of the board.
<b>The audit plan:</b>	In 2023, the audit plan included an audit of insurance, fraud and embezzlement.
<b>Scope of employment:</b>	The scope of employment in 2023 was approximately 400 hours.
<b>Professional standards:</b>	The internal auditor, according to his statement, conducts the audit in accordance with IIA's professional international standards, including the professional guidelines of IIA Israel - the Association of Internal Auditors in Israel. In the opinion of the Company's Board of Directors, based on the statements of the Internal Auditor and his extensive experience, the internal audit work is conducted in accordance with generally accepted professional standards for internal auditing.
<b>Access to information:</b>	The internal auditor is given free access to the company's documents, information and information systems, including financial data and everything for the purpose of fulfilling his task and in accordance with the provisions of Section 9 of the Internal Audit Law.
<b>Internal auditor's report:</b>	On November 16, 2023 and February 1, 2024, the internal auditor presented to the audit committee the internal audit reports in accordance with the abovementioned internal audit plan.
<b>Remuneration:</b>	Professional fees for the internal audit services were set at NIS 105 thousand plus VAT. In the opinion of the audit committee and the Board of Directors, the remuneration of the internal auditor is reasonable and does not affect the exercise of the auditor's professional judgment in conducting the audit.

(5) Details regarding the external auditor in Israel (Deloitte)

The auditor is Deloitte Brightman Zohar Almagor & Co. The scope of professional fees for audit and review services amounted to approximately NIS 430 thousand for 2023 and approximately NIS 360 thousand for 2022. In addition, the Company engaged with the Risk Management Department in Deloitte office for conducting a market comparison report – Benchmark (Benchmark report) of senior executives salaries and this is in accordance with section 8.3 in the remuneration policy of the Company; the scope of professional fees for these services amounted to approximately NIS 40 thousand and approximately NIS 18 thousand in the years of 2023 and 2022, respectively.

(6) Details regarding the statutory auditor in the Netherlands (IUS)

The statutory auditor of the company is IUS Statutory Audits Cooperatie U.A.. The scope of professional fees for audit services amount to approximately EUR 70.000 for 2023 which has been the first year of their appointment.

(7) Details regarding the Dutch Corporate Governance Code

For details regarding the information to be provided regarding compliance with the Dutch Corporate Governance, please see the Company's website [argo-nv.com](http://argo-nv.com)

## **7. Disclosure Provisions in Regard to the Group's Financial Reporting**

1. Details regarding Credit Covenants

For details regarding Credit Covenants, please see **Appendix A** which is attached to this report.

2. Events after the date of the report

See section 5 in chapter 4 above.

3. Critical Accounting Estimates

Regarding critical accounting estimates see note 2 to the annual audited consolidated financial statements of the Company.

### Disclosure regarding material and highly material valuations and highly material appraisers

Highly material appraisers of the Group's assets are Jones Lang Lassale SE and BNP Paribas. The rate of assets assessed by them represents approximately 55%, and 42%, respectively, of the value of the Group's assets as of December 31, 2023. The appraisers are not dependent on the Company.

For details regarding the contact details with the appraisers, in accordance with section 2 of the Third Addendum to the Reports' Regulations, see below:

Jones Lang LaSALLE

The identity of the company that ordered the valuations and the identity of the organ in said company that decided on entering into agreement with the appraiser;	Argo Properties N.V. By Mr. Fred Ganea VP of Strategy, Transactions and Financing
The agreement date between the party ordering the valuations and the appraiser;	In regards with 66 residential assets, March 29, 2023; In regards with 86 residential assets, July 5, 2023; In regards with 65 residential assets, September 28, 2023; In regards with 86 residential assets, January 9, 2024.
The reasons for ordering the valuations by the company;	Investment property value update

The name of the appraiser and the date of signing the agreement;	Jones Lang LaSalle March 29, 2023; July 5, 2023; September 28, 2023; January 9, 2024.
Details of the appraisers providing the valuations;	ppa. Roman Heidrich, ppa Stefan Wieser, i.A Marlit Juette
Details of the appraisers' education;	Appraisers hold academic degrees (some of them hold master's degree), in economics and/or real estate
Stipulations, if any, regarding the fee to which the appraiser is entitled; Also, the extent of the effect that such stipulations have on the results of the valuation;	No
Consent, if any, to indemnification of the appraiser for his work; If there was such consent, the terms of the indemnification and the identity of the party providing the indemnification will be specified;	No
Details regarding the experience of the appraisers in performing valuations in similar volumes to those of the current valuations or in higher volumes;	Each of the appraisers has over 10 years of experience in valuations of similar volumes.

BNP Paribas

The identity of the company that ordered the valuations and the identity of the organ in said company that decided on entering into agreement with the appraiser;	Argo Properties N.V. By Mr. Fred Ganea, VP of Strategy, Transactions and Financing
The agreement date between the party ordering the valuations and the appraiser;	In regards with 44 residential assets, February 26, 2023; In regards with 60 residential assets, June 20, 2023; In regards with 47 residential assets, September 30, 2023; In regards with 77 residential assets and 2 commercial assets for development, January 15, 2024.
The reasons for ordering the valuations by the company;	Investment property value update
The name of the appraiser and the date of signing the agreement;	BNP Paribas February 26, 2023; June 20, 2023; September 13, 2023; January 15, 2024.
Details of the appraisers providing the valuations;	Manuel Westphal FRICS; ppa. Anne Tonscheidt MRICS
Details of the appraisers' education;	Appraisers hold academic degrees (some of them hold master's degree) in economics and/or real estate
Stipulations, if any, regarding the fee to which the appraiser is entitled; Also, the extent of the effect that such stipulations have on the results of the valuation;	No
Consent, if any, to indemnification of the appraiser for his work; If there was such consent, the terms of the indemnification and the identity of the party providing the indemnification will be specified;	No
Details regarding the experience of the appraisers in performing valuations in similar volumes to those of the current valuations or in higher volumes;	Each of the appraisers has over 10 years of experience in valuations of similar volumes.

Amsterdam, November 21<sup>st</sup> 2024

<b>Name</b>	<b>Position</b>	<b>Signature</b>
Ron Tira	Chairman of the Board of Directors	
Nir Ilani	Executive Director	
Bert van den Heuvel	External Director	
Monique van Dijken Eeuwijk	External Director	
Peter Bodis	Non External director	

## Appendix A – Credit covenants

### Table of compliance with financial liabilities

Below are data regarding the compliance of the Company and sub-subsidiaries with the financial covenants determined in material loans. The calculation of the financial covenants is made according to the definitions in the relevant loan agreements and does not necessarily comply with the accepted accounting principles.

	Loan grant date	Original loan amount EUR in thousands	Principal balance as of December 31, 2023 EUR in thousands	Financial liabilities	Net debt to CAP net	Value of a single asset
1	18/1/2022	60,000	53,594 <sup>42</sup>	Net financial debt <sup>43</sup> to CAP net <sup>44</sup> will not exceed 75% at any time; Value of a single asset <sup>45</sup> of the Group's assets will not exceed 15% of the Group's total real estate assets <sup>46</sup> ;	As of December 31, 2023 <sup>47</sup>	As of December 31, 2023
					50.5%	2.5%
					As of the signing date of the report	As of the signing date of the report
					43.9%	2.3%
	Loan grant date	Original loan amount EUR in thousands	Principal balance as of December 31, 2023 EUR in thousands	Financial liabilities	LTV ratio	Debt to yield ratio
2	15/02/2022	40,000	38,499 <sup>49</sup>	Maximum LTV ratio of 75%; debt to yield ratio <sup>50</sup> above 3.5%;	As of December 31, 2023	As of December 31, 2023
					54.7%	5.5%
					As of the signing date	As of the signing date
					51.4%	6.1%
	Loan grant date	Original loan amount EUR in thousands	Principal balance as of December 31, 2023 EUR in thousands	Financial liabilities	LTV ratio	Minimal rental fees
3	19/02/2024	39,000	-	Maximum LTV	As of December 31, 2023	As of December 31, 2023

<sup>42</sup> Loan agreement was signed on January 18, 2022 and drawing down the loan was carried out on January 25, 2022. The difference between the original loan amount and the loan amount as of the report date derives from exchange rates differences; see sensitivity analysis as part of Chapter B of this report.

<sup>43</sup> "Net financial debt" - financial debt, less financial assets;" financial debt" - the total debts and liabilities of the company, direct and indirect (including in respect of guarantees, liens and mortgages in favor of another and in respect of indemnities of any kind given by the company to secure debts and liabilities of the types listed below, taken by another): (1) to banks and other financial institutions; and (2) arising from bonds of all kinds, including straight bonds, notes and convertible bonds; And (3) in respect of loans received from an entity in a related group; And (4) in respect of loans received from any third parties or in respect of sums raised in another way and which are actual indebtedness, or whose economic result is an indebtedness; And (5) in respect of amounts received as a result of the sale or discount of receivables, invoices, notes or other financial assets, under conditions that allow recourse to the seller (recourse) in the event of non-repayment of receivables, invoices, notes or other financial assets, as aforesaid; And (6) in respect of amounts raised in other transactions and which are defined as financial debt according to accounting principles; And all - as reported in the Company's consolidated financial statements (reviewed /quarterly reports or audited annual reports, as the case may be), the most recent signed before each inspection date; "Financial assets" - the cumulative amount of (1) cash and cash equivalents (unless pledged for the benefit of any third party); (2) deposits with banks (unless pledged for the benefit of any third party); And all - as reported in the Company's consolidated financial statements (reviewed quarterly reports or audited annual reports, as the case may be), the most recent signed before each inspection date;

<sup>44</sup> "Net CAP" - equity plus net financial debt; "Equity" - the Company's capital, as defined according to the accounting principles and if according to these principles the Company's capital also includes the portion attributed to non-controlling interests - less these rights ("the portion attributed to non-controlling interests" - as defined in the standards and interpretations adopted by the Committee for International Accounting Standards); and everything - as reported in the consolidated financial statements of the Company (reviewed quarterly reports or audited annual reports, as the case may be), the latest signed before each inspection date.

<sup>45</sup> The value of each real estate property in which the company has/ will have rights (directly or indirectly through held subsidiaries); for this purpose - "property" is a separate registered unit in the Land Registry Office.

<sup>46</sup> All real estate assets in which the company has/ will have rights (directly or indirectly through held subsidiaries).

<sup>47</sup> Calculated in accordance with the balances as of December 31, 2023.

<sup>49</sup> The loan agreement was signed on January 10, 2022 and the loan was drawn down on February 15, 2022.

<sup>50</sup> 80% of total annual rental income divided by the loan amount.

	Loan grant date	Original loan amount EUR in thousands	Principal balance as of December 31, 2023 EUR in thousands	Financial liabilities	Net debt to CAP net	Value of a single asset
				ratio <sup>51</sup> of 66.5%; rate of minimal rental fees of the pledged assets against the loan EUR 2.12 million	N.R	N.R
					As of the signing date of the report 59%	As of the signing date of the report EUR 2.28 million

It should be noted that in addition, as of the date of the report, the Company's sub-subsidiaries have immaterial bank loans (against real estate collateral) that are subject to financial covenants in a total amount of approximately EUR 68.6 million and an average LTV ratio of approximately 42% and immaterial bank loans (against real estate collateral) excluding financial covenants in a total amount of approximately EUR 190.1 million and with an average LTV ratio of approximately 39%.

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<sup>51</sup> According to the value of assets by the appraisal conducted by the bank.

**ARGO Properties N.V.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2023**  
**(IN THOUSANDS OF EUROS)**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	Note	December 31,	
		2023	2022
		Euros in thousands	Euros in thousands
<b>CURRENT ASSETS:</b>			
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
		<u>26,858</u>	<u>45,433</u>
<b>NON-CURRENT ASSETS:</b>			
Investment property	5	666,410	654,683
Investment property – construction rights	5	13,116	8,897
Accounts receivable		403	2,518
Deferred taxes	9	513	-
		<u>680,442</u>	<u>666,098</u>
		<u>707,300</u>	<u>711,531</u>
<b>CURRENT LIABILITIES:</b>			
Current maturities of loans from banks	7	6,618	12,398
Accounts payable	6	8,856	6,794
		<u>15,474</u>	<u>19,192</u>
<b>NON-CURRENT LIABILITIES:</b>			
Loans from banks and financial institutions	7	341,909	294,344
Deferred taxes	9	19,674	26,708
		<u>361,583</u>	<u>321,052</u>
<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY:</b>			
Share capital	11	181	181
Share premium		225,628	221,012
Statutory capital reserve	11d	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		<u>330,243</u>	<u>371,287</u>
		<u>707,300</u>	<u>711,531</u>

(\*)reclassified

21<sup>st</sup> November 2024Date of approval of the  
financial statementsOfir Rahamim  
Joint CEOGuy Priel  
CFORon 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**

		<u>Year ended December 31, 2023</u>	<u>Year ended December 31, 2022</u>	<u>Year ended December 31 2021</u>
	<u>Note</u>	<u>Euros in thousands</u>	<u>Euros in thousands</u>	<u>Euros in thousands</u>
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)
<u>Profit from property rental</u>		17,593	13,339	9,287
General and administrative expenses	13	(6,437)	(5,653)	(4,209)
<u>Operating income before changes in fair value of investment property, net</u>		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)	-	-
<u>Operating (loss) income</u>		(45,667)	34,708	68,822
Finance expenses, net	13	(7,636)	(5,523)	(2,080)
Change in fair value of financial assets and exchange rate differences		2,400	3,215	2,335
<u>(Loss) income before taxes on income</u>		(50,903)	32,400	69,077
Taxes on income	9	7,408	(5,125)	(10,245)
<u>Total net and comprehensive (loss) income attributable to shareholders of the Company</u>		(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**

	<u>Share capital</u>	<u>Share premium</u>	<u>Statutory capital reserve</u>	<u>Share based payment capital reserve</u>	<u>Retained earnings</u>	<u>Total equity attributable to shareholders of the Company</u>
	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
<u>Balance as of December 31, 2023</u>	<u>181</u>	<u>225,628</u>	<u>83,400</u>	<u>1,472</u>	<u>19,562</u>	<u>330,243</u>

**Year ended December 31, 2022**  
**Equity attributable to shareholders of the Company**

	<u>Share capital</u>	<u>Share premium</u>	<u>Statutory capital reserve</u>	<u>Share based payment capital reserve</u>	<u>Retained earnings</u>	<u>Total equity attributable to shareholders of the Company</u>
	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
<u>Balance as of December 31, 2022</u>	<u>181</u>	<u>221,012</u>	<u>131,727</u>	<u>3,637</u>	<u>14,730</u>	<u>371,287</u>

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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	<b>Year ended December 31, 2021</b>					<b>Total attributable equity shareholders of the Company</b>
	<b>Equity attributable to equity holders of the Company</b>					
	<b>Share capital</b>	<b>Share premium</b>	<b>Statutory capital reserve (1)</b>	<b>Share based payment capital reserve</b>	<b>Retained earnings</b>	
	<b>Euros in thousands</b>					
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
<u>Balance as of December 31, 2021</u>	<u>181</u>	<u>221,012</u>	<u>110,652</u>	<u>1,650</u>	<u>8,530</u>	<u>342,025</u>

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<u>Year ended December 31,</u> <u>2023</u> <u>Euros in thousands</u>	<u>Year ended December 31,</u> <u>2022</u> <u>Euros in thousands</u>	<u>Year ended December 31</u> <u>2021</u> <u>Euros in thousands</u>
<u>Cash flows from operating activities:</u>			
Net (loss) income	(43,495)	27,275	58,832
Adjustments required to present net cash from operating activities:			
<u>Adjustments to profit or loss:</u>			
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
<u>Changes in operating asset and liability items:</u>			
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
<u>Cash flows from investing activities:</u>			
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	(65,963)	(155,469)	(121,688)
<u>Cash flows from financing activities:</u>			
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**


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	<b>Year ended December 31,</b>	<b>Year ended December 31,</b>	<b>Year ended December 31</b>
	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>Euros in thousands</b>	<b>Euros in thousands</b>	<b>Euros in thousands</b>
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	<u>27,352</u>	<u>35,076</u>	<u>36,291</u>
Balance of cash and cash equivalents at the end of the year	<u><u>11,562</u></u>	<u><u>27,352</u></u>	<u><u>35,076</u></u>
 (a) Non cash activities			
Purchase of real estate (*)	<u>876</u>	<u>362</u>	<u>1,690</u>
Payables in respect of investing activities	<u>(2,474)</u>	<u>(3,902)</u>	<u>4,369</u>

(\*) see Note 6.

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### 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	Stake holders which holds more than 5% from the capital voting rights or the Company's Equity. Director or CEO of the Company or someone that has sole right to nominate them.
	-

The report date or the date of the report	-	December 31, 2023
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The signing date or the date of signing the report	-	November 21, 2024
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**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") as adopted by the European Union (hereinafter: "EU-IFRS") and with Book 2 Title 9 of the Dutch Civil Code 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.

The financial statements were authorized for issue by the Company's Board of Directors on November 21<sup>st</sup>, 2024.

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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**j. Revenue recognition:

Revenue from contracts with customers is recognized 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 Group's performance. Revenues are recognized according to reporting periods in which the services were provided. The Group charges its customers based on payment terms agreed upon in specific agreements when payments are made before or after the service is performed, the Group 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 Group recognizes its revenues on a gross basis.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**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 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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### 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 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

- o. Standards issued that are not effective 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 1 regarding 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 3:- CASH AND CASH EQUIVALENTS**Composition:

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

(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 AND ACCOUNTS RECEIVABLE**Composition:

	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
	<b>Euros in thousands</b>	<b>Euros in thousands</b>
Restricted bank accounts	9,084	15,058
Liquidated investments	2,538	-
Tenants, net	755	306
Prepaid expenses	1,459	342
Accounts receivable and debit balances	241	264
	<u>14,077</u>	<u>15,970</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**NOTE 5:- INVESTMENT PROPERTY**

 a. Composition and movement:

	<u>Year ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
	<u>Euros in</u>	<u>Euros in</u>
	<u>thousands</u>	<u>thousands</u>
<u>Income generating residential real estate – level 3:</u>		
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)
	<u>657,826</u>	<u>634,680</u>
<u>Income generating commercial real estate – level 3:</u>		
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)
	<u>21,700</u>	<u>28,900</u>
	<u>679,526</u>	<u>663,580</u>

(\*) As of December 31, 2023, the Group 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**


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**NOTE 5:- INVESTMENT PROPERTY (Cont.)**

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

	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
<u>Income-generating residential real estate:</u>		
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
 <u>Income-generating real estate under development: (**)</u>		
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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**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:

	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
	<b>Euros in thousands</b>	<b>Euros in thousands</b>
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	<u>(41,413)</u>	<u>(38,917)</u>
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	<u>47,278</u>	<u>44,001</u>
Increase of 5% in representative rental fees per square meter	<u>33,431</u>	<u>33,753</u>
Decrease of 5% in representative rental fees per square meter	<u>(33,431)</u>	<u>(33,753)</u>

- e. Regarding charges: see Note 10.
- f. Income from future minimal rental fees:

The Group owns income generating residential real estate where all of its lease agreements are shorter than one year.

As of December 31, 2023, the Group 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 Group 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:

<b>As of December 31:</b>	<b>Euros in thousands</b>	<b>Euros in thousands</b>
	<b>2023</b>	<b>2022</b>
First year	704	700
Second year	662	658
Third year	624	634
Fourth year	396	628
Fifth year	258	391
Sixth year and thereafter	<u>2,219</u>	<u>1,221</u>
	<u>4,863</u>	<u>4,232</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### 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 Group 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 Group 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 (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 51.4%), 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 signing the report this ratio is approximately 6.1%).
- During October 2022, the Group entered into refinancing agreements with two German financial institutions (hereinafter only in this subsection: 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 only in this subsection: the "Current Loans"), which the Company's subsidiaries have drawn during the years of 2019 and 2020 from the abovementioned Banks (hereinafter only in this subsection: the "New Loans").

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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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.
- 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 increased with 1% per annum if the loan is not repaid on December 31, 2028, and 0.5% per annum at each additional exit date / early repayment date if the loan is not fully repaid by that date.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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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% (43.9% as of the signing date of the report) and the value of a single asset is lower than 15% of the value of the Group's consolidated real estate assets (2.3% as of the signing date of the report). 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 Group 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 fixed interest rate based of 3.95%. 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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

#### 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.
- 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 only in this subsection: the "Bank") for refinancing at the total amount of approximately EUR 39 million (hereinafter only in this subsection: 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 EUR 5 million was drawn down 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 Group extracted 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 Group for financing new acquisitions and for its operating activities.

The current loans: 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 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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**h. Purchases of investment property and entering into financing agreements during 2023 (Cont.):

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. Financing at an amount of approximately EUR 15.5 million for the acquisition of new assets upon which the Company's sub-subsidiaries entered into notary purchase agreements.

b. Refinancing at a manner of "Top Up" at an amount of approximately EUR 3.2 million as an addition to other current loans that the bank had provided to the Company's sub-subsidiaries. And repayment of bank loan of other bank with balance of EUR 1.3 million.

The said engagement with the bank was signed during 2024.

- 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 Group'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.
- During the period as of January 1, 2024, the Company, via its wholly owned sub-subsidiaries, completed the acquisition of 14 assets with 128 units for total consideration of EUR 20,315 thousands.

**NOTE 6:- ACCOUNTS PAYABLE**Composition:

	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
	<b>Euros in thousands</b>	<b>Euros in thousands</b>
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
	<u>8,856</u>	<u>6,794</u>

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 7:- LOANS FROM BANKS

a. Composition:

	<b>Weighted interest rate (*) as of December 31, 2023</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
	<b>%</b>	<b>Euros in thousands</b>	<b>Euros in thousands</b>
<u>Non-current loans from banks and others:</u>			
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)
<u>Total loans from banks and others, net of deferred finance costs</u>		<u>348,527</u>	<u>306,742</u>
Less - current maturities		(6,618)	(12,398)
		<u>341,909</u>	<u>294,344</u>
<u>Maturity dates (excluding the deduction of deferred finance costs):</u>			
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
		<u>351,906</u>	<u>308,742</u>

(\*) 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 48,884 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).

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### 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) 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 between the Company's sub-subsidiary and the banking corporation was signed in June 2024 for a period of five years, the loan bears a fixed interest rate of 4.16% per annum, the remaining balance of the loan was drawn down during the third quarter of 2024. A loan agreement for a total amount of EUR 1.15 million was signed on October 28, 2024 for a period of 5 years, this loan bears a fixed interest rate of 3.6% per annum, the drawing down of the loan is expected in the coming weeks.

### 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 2022, 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 Group 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 Group 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:

<u>State</u>	<u>%</u>
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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 9:- TAXES ON INCOME (Cont.)**b. Tax assessmentsFinal 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**NOTE 9:- TAXES ON INCOME (Cont.)**

 d. Deferred taxes:

 (1) Composition:

	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
	<b>Euros in thousands</b>	<b>Euros in thousands</b>
<u>Deferred tax liabilities</u>		
Investment property	(23,349)	(28,822)
<u>Deferred tax assets</u>		
Losses carried forward for tax purposes and other temporary differences	4,188	2,114
<u>Deferred tax liabilities, net</u>	<u>(19,161)</u>	<u>(26,708)</u>
<u>Deferred taxes are presented in the statement of financial position as follows:</u>		
Non-current assets	513	-
Non-current liabilities	(19,674)	(26,708)
	<u>(19,161)</u>	<u>(26,708)</u>

 (2) Movement in profit or loss:

	<b>Year ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
	<b>Euros in thousands</b>	<b>Euros in thousands</b>
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)
<u>Balance at the end of the period/year</u>	<u>(19,161)</u>	<u>(26,708)</u>

(\*) 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 9:- TAXES ON INCOME (Cont.)**

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

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

- 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:

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 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:

	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
	<b>Euros in thousands</b>	<b>Euros in thousands</b>
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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**


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**NOTE 11:- EQUITY**a. Composition of share capital:

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

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 Group 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
<b>Date of the approval of allocations (name of the approving organ)</b>	January 19, 2023 – <b>In regards of the joint CEOs</b> (the remuneration committee and the Company's Board of directors) and March 9, 2023 (the general meeting of the Company's shareholders); August 23, – <b>In regards of other senior officers</b> 2023 (the audit committee and the Company's Board of Directors);	August 31, 2023 (the remuneration committee); September 7, 2023 (the Company's <b>Board of Directors</b> ); September 16, 2023 (the general meeting of the Company's shareholders);	
<b>Number of allocated options</b>	2,048,904	1,331,277	839,283
<b>Date of actual allocation</b>	1,309,169 options were allocated on July 2, 2023 to the joint CEOs; 739,735 options were allocated to other senior officers on August 23, 2023.	October 16, 2023	
<b>Exercise price (NIS)</b>	77.13	65	59.33
<b>The method of the options exercise</b>	Cashless only with accordance to the average share price in the period of 30 days prior to the exercise notice (*)		
<b>Vesting periods and dates</b>	3 vesting periods of one, two and three years, starting from July 1, 2023	One vesting date on December 31, 2024	
<b>Final date for exercise</b>	June 30, 2027	June 30, 2026	
<b>Fair value of the total amount of granted options as determined by an external independent appraiser</b>	NIS 12,492 thousand	NIS 4,960 thousand	NIS 4,580 thousand
<b>Main parameters that were used for the valuation of the options</b>			
<b>Valuation Model</b>	Black and Scholes	Black and Scholes	Black and Scholes and Monte Carlo
<b>Closing price of the share (NIS) on the date of valuation</b>	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	
<b>Annual standard deviation</b>	29%-31%	31%	
<b>Option expected term (based on "Simplified method")</b>	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.	
<b>Risk-free interest rate</b>	3.96%-4.26%	3.89%	
<b>Maximum dilution factor</b>	Up to 6%	Up to 7%	

\* 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).

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**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.

e. Share Issuance –

On September 17, 2024 the Company held a tender for classified investors for the issuance of the Company's shares and on September 19, 2024, a public tender was held for the issuance of the Company's shares. According to the Company's shelf offering report and the results of the tenders, the Company issued 2,458,100 shares at a price of NIS 89.70 per share and a total amount of NIS 220,492 thousand (gross) received in cash.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 12:- FINANCIAL INSTRUMENTS

a. Classification of financial assets and financial liabilities

	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
	<b>Euros in thousands</b>	<b>Euros in thousands</b>
<u>Cash, loans and receivables at amortized cost:</u>		
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
	<u>25,459</u>	<u>45,091</u>
<u>Other financial liabilities at amortized cost:</u>		
Credit from banks and others	351,816	306,742
Other accounts payable (1)	4,707	3,401
	<u>356,523</u>	<u>310,143</u>

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 Group 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 Group's loans are at fixed interest or hedged. See Note 7 regarding the Group'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.

The Group 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**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 Group does not provide credit to tenants. In cases in which tenants request credit, the Group 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 Group 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 Group holds cash and cash equivalents, short-term investments and other financial instruments in various financial institutions with high credit ratings. The Group'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).

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**


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**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

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

- (1) The balance of loans from banking corporations and others include interest payments and other financial liabilities.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 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 that bear a variable interest rate and are presented at amortized cost matches or approximates their fair value.

The fair 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:

	<u>Valuation technique</u>	<u>unobservable material data</u>	<u>Range weighted) (average</u>	<u>Fair value sensitivity to change in data which shall effect the profit or loss</u>
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%.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 12:- FINANCIAL INSTRUMENTS (Cont.)

g. Sensitivity tests relating to changes in market factors:

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
	<u>Euros in thousands</u>	<u>Euros in thousands</u>
<u>Sensitivity test to changes in interest rates:</u>		
<u>Effect on profit or loss:</u>		
<u>For loans (*)</u>		
Interest increase of 200 basis points	(5,112)	(5,234)
Interest decrease of 200 basis points	5,112	5,234
<u>For SWAP transactions</u>		
Interest increase of 200 basis points	680	139
Interest decrease of 200 basis points	(680)	(126)
<u>For CAP transactions (*)</u>		
Interest increase of 200 basis points		
Interest decrease of 200 basis points	4,380	4,137
	(1,151)	(1,889)
<u>For FORWARD transactions</u>		
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 Group 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**


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**NOTE 13:- SUPPLEMENTARY INFORMATION TO ITEMS OF STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	<b>Year ended December 31,</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>Euros in thousands</b>	<b>Euros in thousands</b>	<b>Euros in thousands</b>
<u>General and administrative expenses:</u>			
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	(787)	(895)	(705)
	<u>(6,437)</u>	<u>(5,653)</u>	<u>(4,209)</u>
<u>Financial expenses:</u>			
<u>Interest, bank charges and others</u>			
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)
	<u>(7,636)</u>	<u>(5,523)</u>	<u>(2,080)</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**


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

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

**Year ended December 31, 2023**

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

**Year ended December 31, 2022**

	<u>No. of people</u>	<u>Amount - Euros in thousands</u>
Short-term employee benefits	6	2,065
Cost of share based payment (**)	6	1,987

**Year ended December 31, 2021**

	<u>No. of people</u>	<u>Amount - Euros in thousands</u>
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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**NOTE 14:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES  
(Cont.)**
**b. Compensation and benefits granted to interested parties and related parties:**

	<b>Year ended December 31,</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>Euros in thousands</b>	<b>Euros in thousands</b>	<b>Euros in thousands</b>
Salary and related expenses to interested parties employed by the Company (joint CEOs)	<u>2,341</u>	<u>2,164</u>	<u>1,300</u>
The number of people to whom the benefit relates	<u>2</u>	<u>2</u>	<u>2</u>
Compensation for directors not employed in the Company	<u>365</u>	<u>267</u>	<u>137</u>
The number of people to whom the benefit relates	<u>5</u>	<u>5</u>	<u>5</u>

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 their salary, car maintenance and social security contributions as customary. In addition, the Company provides to them 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. 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**


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**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.

	<b>Balance as of January 1, 2023</b>	<b>Cash flows from financing activities, net (a)</b>	<b>Cash flows used in investing activities</b>	<b>cash flows from operating activities (b)</b>	<b>Balance as of December 31, 2023</b>
Loans from banks	<u>306,742</u>	<u>44,812</u>	<u>-</u>	<u>(3,297)</u>	<u>348,257</u>

	<b>Balance as of January 1, 2022</b>	<b>Cash flows from financing activities, net (a)</b>	<b>Cash flows used in investing activities</b>	<b>cash flows from operating activities (b)</b>	<b>Balance as of December 31, 2022</b>
Loans from banks	<u>161,888</u>	<u>145,785</u>	<u>-</u>	<u>(931)</u>	<u>306,742</u>

(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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**NOTE 16:- OPERATING SEGMENTS (Cont.)**

 b. Operating segment revenue and results analysis:

	<b>Income- generating residential real estate</b>	<b>Income- generating real estate for development</b>	<b>Total</b>
	<b>Euros in thousands</b>		
<b>Year ended December 31, 2023</b>			
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)

	<b>Income- generating residential real estate</b>	<b>Income- generating real estate for development</b>	<b>Total</b>
	<b>Euros in thousands</b>		
<b>Year ended December 31, 2022</b>			
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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 16:- OPERATING SEGMENTS (Cont.)

	<b>Income- generating residential real estate</b>	<b>Income- generating real estate for development</b>	<b>Total</b>
	<b>Euros in thousands</b>		
<b>Year ended December 31, 2021</b>			
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			<u>69,077</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**


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**NOTE 16:- OPERATING SEGMENTS (Cont.)**

 c. Operating segment assets and liabilities

Year ended December 31, 2023

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

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

As of December 31, 2023

Segment assets	<u>657,826</u>	<u>21,700</u>	<u>679,526</u>
Unallocated assets			<u>27,774</u>
Segment liabilities	<u>(289,772)</u>	<u>(7,500)</u>	<u>(297,272)</u>
Unallocated liabilities			<u>(79,785)</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**


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**NOTE 16:- OPERATING SEGMENTS (Cont.)**

Year ended December 31, 2022

	<b>Income- generating residential real estate</b>	<b>Income- generating real estate for development</b>	<b>Total</b>
	<b>Euros in thousands</b>		
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 Group's assets in the income-generating residential real estate segment.

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)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 17:- EARNINGS PER SHARE**a. Basic earnings per share:

	<b>Year ended December 31,</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>Euros in thousands</b>	<b>Euros in thousands</b>	<b>Euros in thousands</b>
(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	<u>(43,495)</u>	<u>27,275</u>	<u>58,832</u>
Weighted average number of ordinary shares used to calculate basic earnings per share	<u>18,101,534</u>	<u>18,101,534</u>	<u>16,986,948</u>

b. Diluted earnings per share:

	<b>Year ended December 31,</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>Euros in thousands</b>	<b>Euros in thousands</b>	<b>Euros in thousands</b>
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
<b>Adjustments</b>			
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	<u>18,295,758</u>	<u>18,602,494</u>	<u>18,694,650</u>

(\*) 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), 7(b)3 and note 11(e).

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Appendix to the Consolidated Financial Statements - List of subsidiaries

#### NOTE 19:- INVESTMENTS IN INVESTEES

<u>Name of entity</u>	<u>Country of incorporation</u>	<u>December 31, 2023 % in equity</u>
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%
Schönnow 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).

**ARGO Properties N.V.**  
**COMPANY-ONLY FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2023**  
**(IN THOUSANDS OF EUROS)**

**COMPANY-ONLY STATEMENT OF FINANCIAL POSITION**

	Note	December 31,	
		2023	2022
		Euros in thousands	
<b><u>CURRENT ASSETS:</u></b>			
Cash and cash equivalents	3	5,518	14,993
Cash in trust		5,043	11,359
Restricted deposits and liquidated investments		2,538	(*) 11,150
Other receivables		65	(*) 10
Financial assets		-	96
(*) reclassified		13,164	37,608
<b><u>NON-CURRENT ASSETS:</u></b>			
Investment in investees	6	371,812	392,217
Deferred taxes		-	-
		371,812	392,217
<b><u>Total assets</u></b>		<b><u>384,976</u></b>	<b><u>429,825</u></b>
<b><u>CURRENT LIABILITIES:</u></b>			
Accounts payable		938	1,034
<b><u>NON-CURRENT LIABILITIES:</u></b>			
Loans from financial institutions		53,594	56,966
Deferred taxes		201	538
		53,795	57,504
<b><u>EQUITY:</u></b>			
Share Capital		181	181
Share Premium		225,628	221,012
Share-based payment capital reserve		1,472	3,637
Statutory capital reserve		83,400	131,727
Retained earnings		19,562	14,730
		330,243	371,287
<b><u>Total equity and liabilities</u></b>		<b><u>384,976</u></b>	<b><u>429,825</u></b>

August 13<sup>th</sup> 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 company-only financial statements.

**COMPANY-ONLY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**


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	<u>Year ended December 31, 2023</u>	<u>Year ended December 31, 2022</u>	<u>Year ended December 31 2021</u>
	<u>Euros in thousands</u>	<u>Euros in thousands</u>	<u>Euros in thousands</u>
General and administrative expenses net of intercompany charges	(3,521)	(1,253)	(1,206)
Financial income (expenses), net	2,018	2,301	2,350
Taxes on income	337	(611)	(517)
Equity in earnings (losses) of investees	<u>(42,329)</u>	<u>26,838</u>	<u>58,205</u>
<u>Net and comprehensive (loss) income</u>	<u>(43,495)</u>	<u>27,275</u>	<u>58,832</u>

The accompanying notes are an integral part of the company-only financial statements.

**COMPANY-ONLY STATEMENT 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
<u>Balance as of December 31, 2023</u>	<u>181</u>	<u>225,628</u>	<u>83,400</u>	<u>1,472</u>	<u>19,562</u>	<u>330,243</u>

**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
<u>Balance as of December 31, 2022</u>	<u>181</u>	<u>221,012</u>	<u>131,727</u>	<u>3,637</u>	<u>14,730</u>	<u>371,287</u>

The accompanying notes are an integral part of the company-only financial statements.

## COMPANY-ONLY STATEMENT OF CHANGES IN EQUITY

	Year ended December 31, 2021					Total attributable equity shareholders of the Company
	Equity attributable to equity holders of the Company					
	Share capital	Share premium	Statutory capital reserve (1)	Share based payment capital reserve	Retained earnings	
	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
<u>Balance as of December 31, 2021</u>	<u>181</u>	<u>221,012</u>	<u>110,652</u>	<u>1,650</u>	<u>8,530</u>	<u>342,025</u>

The accompanying notes are an integral part of the company-only financial statements.

**COMPANY-ONLY CASH FLOW STATEMENT**

	Year ended December 31,	Year ended December 31,	Year ended December 31,
	<u>2023</u>	<u>2022</u>	<u>2021</u>
	<u>Euros in thousands</u>	<u>Euros in thousands</u>	<u>Euros in thousands</u>
<u>Cash flows to operating activities of the Company</u>			
Net income (loss) attributable to the Company's shareholders	(43,495)	27,275	58,832
Adjustments required to present net cash to operating activities of the Company:			
Adjustments to profit or loss items of the Company:			
Financial expenses	(1,511)	(2,300)	(2,557)
Cost of share-based payment	2,451	1,987	1,387
Deferred taxes	(337)	611	517
Equity in earnings (losses) of investees	42,329	(26,838)	(58,205)
Changes in operating asset and liabilities items of the Company:			
Increase in other receivables	(55)	138	(131)
Increase (decrease) in accounts payable	<u>165</u>	<u>(228)</u>	<u>244</u>
Net cash derived from operating activities of the Company	<u>(453)</u>	<u>645</u>	<u>87</u>
<u>Cash Flows from investing activities of the Company</u>			
Movement in restricted deposits and liquidated investments	8,612	(11,150)	-
Investment in investees and prepaid expenses	(21,923)	(56,394)	(52,486)
(Purchase) realization of financial derivatives	<u>-</u>	<u>1,850</u>	<u>1,640</u>
Net cash used in investing activities of the Company	<u>(13,311)</u>	<u>(65,694)</u>	<u>(50,846)</u>

**COMPANY-ONLY CASH FLOW STATEMENT**

	<u>Year ended December 31, 2023</u>	<u>Year ended December 31, 2022</u>	<u>Year ended December 31 2021</u>
	<u>Euros in thousands</u>	<u>Euros in thousands</u>	<u>Euros in thousands</u>
<u>Cash flows from financing activities of the Company</u>			
Interest paid	(2,084)	(1,963)	
Receipt of long-term loans, net	-	59,680	
Issuance of shares, net	-	-	50,871
Net cash derived from financing activities of the Company	<u>(2,084)</u>	<u>57,717</u>	<u>50,871</u>
Change in cash and cash equivalents	(15,848)	(7,332)	112
Effect of changes in exchange rates	57	(392)	1,770
Balance of cash and cash equivalents at the beginning of the year	<u>26,352</u>	<u>34,076</u>	<u>32,194</u>
Balance of cash and cash equivalents at the end of the year	<u>10,561</u>	<u>26,352</u>	<u>34,076</u>

**NOTES TO COMPANY-ONLY FINANCIAL STATEMENTS**

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**1: - GENERAL**

Argo Properties N.V. (hereinafter - "the Company") was incorporated in January 2018 and commenced its operations in July 2018 and is a Dutch-based real estate company engaging via subsidiaries in acquisition, mainly from private sellers, and value enhancement of investment properties in Germany, in the area of income-generating residential real estate and income-generating real estate for development.

**2: - ACCOUNTING POLICIES**

The Company's separate financial information is prepared in accordance with accounting policies set forth in Note 2 to the Company's consolidated financial statements.

The Company prepared its Company-Only financial statements in accordance with the International Financial Reporting Standards ('IFRS') as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code. In case no other policies are mentioned, refer to the accounting policies as described in the accounting policies in the consolidated financial statements. For an appropriate interpretation, the company-only financial statements of Argo Properties N.V. should be read in conjunction with the consolidated financial statements. The company-only financial statements are presented in Euros and all values are rounded to the nearest thousand (€ in thousands) except when otherwise indicated.

With regard to the company-only income statement, the company applies the exemption of article 2:402 BW.

If there is no further explanation provided to the items in the company-only statement of financial positions and the company-only income statement, please refer to the notes in the consolidated statement of financial position and statement of income.

The principles for the valuation of assets and liabilities and the determination of the result are the same as those applied to the consolidated statement of income.

Subsidiaries are accounted for at fair value in accordance with IAS 27. Management has estimated that the net asset value of its subsidiaries is a reliable indicator of the fair value.

**3: - CASH AND CASH EQUIVALENTS**

Cash equivalents are considered as highly liquid investments, which include 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.

During the first quarter of 2020, the Company signed a trust agreement with subsidiaries held by the Company by indirect holding (hereinafter in this note: "the Subsidiaries"). Under said agreement, cash balances and cash equivalents in the subsidiaries in excess of € 50 thousand shall be held for the sole purpose of holding and managing cash balances in trust for the Company. The Company has the exclusive and unlimited ability to use the cash balances and cash equivalents held in the accounts in the names of the subsidiaries in trust for the Company at its discretion and considers these balances as cash balances that are used and available to the Company at any time.

**4: - TAXES ON INCOME**

For information regarding the Company's taxation environment, see Note 9a to the Company's consolidated financial statements.

**5: - MATERIAL EVENTS IN THE REPORT PERIOD AND THEREAFTER**

Regarding material events with regards to the Company's loans and equity see Notes 5(g) and 11 to the consolidated financial statements.

**6: - INVESTMENT IN INVESTEES**

As at 31 December 2023 the company has 1 direct 100% subsidiaries: GRT B.V. (The Netherlands)

**Movements in the investment accounts in the period:**

GRT BV, Amsterdam, The Netherlands (100% held by the Company)

	In €'000
<b>Balance as of January 1, 2022</b>	<b>308,985</b>
Result for the period	26,838
Investment	56,394
<b>Balance as of January 1, 2023</b>	<b>392,217</b>
Result for the period	(42,329)
Investments	21,923
Otehrs	1
<b>Balance as of December 31, 2023</b>	<b>371,812</b>

**7: - TAX**

Argo Properties N.V. forms a fiscal unity with GRT B.V. and GRT Finco BV for the corporate income tax in the Netherlands.

**8: - EMOLUMENTS OF DIRECTORS****Total remuneration of  
the directors in 2023**

	<b>EUR in thousands</b>
Ron Tira	52
Nir Ilani	54
Bert van den Heuvel	69
Monique van Dijken Eeuwijk	69
Peter Bodis	48
Accruals	73
	<hr/> 365

**9: - FEES OF THE AUDITOR**

	<b>IUS Statutory Audits</b>	<b>Other auditors</b>	<b>Total</b>
	<b>Euros in thousands</b>		
Audit and assurance services	66	115	181
Others	-	10	10
	66	125	191
	66	125	191

**NOTE 10:- OFFICE AND EMPLOYEES**

The Company's offices are located in Amstelveen. The Company also has other offices throughout Germany from which the Property Management Company manages the properties.

The Group's employees and service providers as of December 31, 2023 and December 31, 2022 are as follows:

<b>Employing company</b>	<b>Position in the employing company</b>	<b>Number of employees</b>	
		<b>As at December 31, 2023</b>	<b>As at December 31, 2022</b>
The Company	VP Business Development	1	1
	Bookkeeping and office manager	2	3
	CFO	1	1
Gama	Co-CEO	2	2
	VP Strategy, Transactions, and Finance	1	1
	Director of Regulation	-	1
	COO	1	1
The Property Management Company	Accounting	6	6
	Head of Hanover operations	1	1
	Property management/ marketing/ technical	41	41
<b>Total</b>		<b>56</b>	<b>58</b>

**Amsterdam, November 21<sup>st</sup>, 2024**

<b>Name</b>	<b>Position</b>	<b>Signature</b>
Ron Tira	Chairman of the Board of Directors	
Nir Ilani	Executive Director	
Bert van den Heuvel	External Director	
Monique van Dijken Eeuwijk	External Director	
Peter Bodis	Non External director	

**OTHER INFORMATION**

***Statutory arrangements in respect of the appropriation of net result***

The Articles of Association of the Company provide that the appropriation of the net result for the year is decided upon at the Annual General Meeting of Shareholders.

**INDEPENDENT AUDITOR'S OPINION**

## INDEPENDENT AUDITOR'S REPORT

To: the shareholders and Board of Directors of Argo Properties N.V.

### Report on the audit of the financial statements 2023 included in the annual report

#### *Our opinion*

We have audited the financial statements 2023 of Argo Properties N.V. based in Amsterdam, the Netherlands.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Argo Properties N.V. ('the Company') as at 31 December 2023 and of its result and its cash flows for 2023 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

1. the consolidated and company-only statement of financial position as at 31 December 2023;
2. the following statements for 2023: the consolidated and company-only statements of profit or loss and other comprehensive income, changes in equity and cash flows; and
3. the notes comprising material accounting policy information and other explanatory information.

#### *Basis for our opinion*

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Argo Properties N.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Information in support of our opinion**

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

### ***Materiality***

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 10.7 mln. The materiality is based on approximately 3.2% of total assets. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

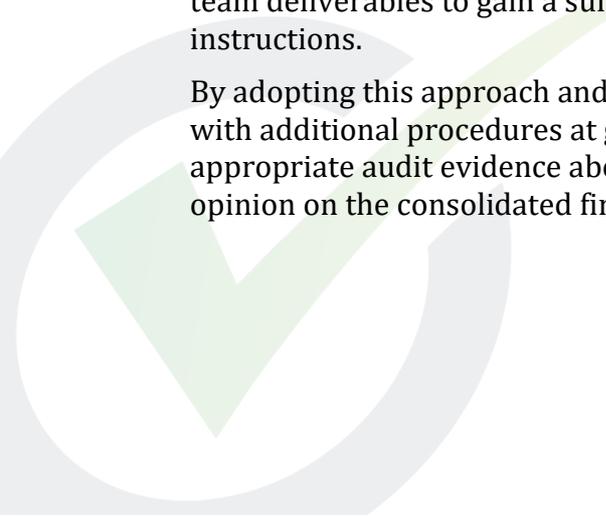
We agreed with the board of directors that misstatements in excess of EUR 530.000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

### ***Scope of the group audit***

Argo Properties N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Argo Properties N.V.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. The group audit had a centralized audit approach on all group entities being that we consider all activities (regardless of the legal subsidiaries in which transactions are recorded) to be part of one component, which is the financial information presented in the consolidated financial statements (for the group as a whole). We have used the work of other auditors i.e. of a component audit team who performed the audit work for all group entities. We provided detailed written instructions to the component audit team, which, in addition to communicating our requirements of the component audit team, among others also included detailed significant audit areas, including awareness for significant risks and fraud risks. Furthermore, we performed procedures for overseeing the component audit team which included (virtual) meetings with the component audit team and working paper reviews as well as review of component audit team deliverables to gain a sufficient understanding of the work performed based on our instructions.

By adopting this approach and performing the procedures mentioned above, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion on the consolidated financial statements.



### ***Audit approach fraud risks***

Within the framework of our audit of the financial statements we were alert for the risk of fraud specifically relating to so called management override of internal controls including manual journal entries with the aim to manipulate the financial statements and relating to fraudulent revenue recognition.

We executed a mainly substantive audit approach which amongst others included evaluating design and implementation of internal controls that mitigate fraud risks, analytical procedures, reconciliation procedures, sampling, balance detail testing, visiting a sample of company's properties and examination of actual occupancy, data analysis and sampling of manual journal entries for unusual transactions and evaluating estimates for management bias. We performed inquiries with management in respect of fraud and compliance with laws and regulations and reviewed legal arrangements and material contracts.

For the audit of the figures, we cooperated with a component audit team in line with Dutch Standard 600. We were involved in their planning and completion procedures and reviewed their audit file. The component audit team had no findings in relation to the identified fraud risks.

Also management confirmed to us that they are not aware of any instances of actual or suspected fraud or noncompliance with laws and regulations including corruption.

Our audit procedures did not lead to specific indications of fraud or suspicions of fraud and/or noncompliance with laws and regulations that are material for our audit.

### ***Audit approach going concern***

Management and the Board of Directors prepared the financial statements on a going concern basis. When preparing the financial statements management and the Board of Directors made a specific assessment of the company's ability to continue as a going concern and to continue its operations for the foreseeable future (i.e. at least twelve months from the date of the preparation of the financial statements).

Our procedures to evaluate the management and Board of Directors' going concern assessment included amongst others:

- Discussing the going concern assumption and assessment with the management;
- Considering whether the management and Board of Directors' going concern assessment includes all relevant information of which we are aware of based on our knowledge and understanding obtained through our audit of the financial statements. This included assessing the assumptions and methodologies used by management and the Board of Directors to prepare the cash flow forecast;
- Assessing management's three-year (2024-2026) cashflow forecast and liquidity analysis, as well as their quarterly sources and uses analysis;
- Inspecting the financing agreements of the company.

Based on our audit procedures performed we conclude that the management and Board of Directors' use of the going concern basis of accounting is appropriate.

### ***Our key audit matters***

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the board of directors. The key audit matters are not a comprehensive reflection of all matters discussed.

We identified the following key audit matter(s):

#### ***Valuation of investment property***

As mentioned in notes 2B, 2H and 5, to the consolidated financial statements, as of 31 December 2023, the company has investment properties. As per the accounting policy described in note 2, investment property is measured at their fair values as of the balance sheet date with changes in fair value recognized in profit or loss. The fair value of all the investment property of the company (including investment property - development rights) as of 31 December 2023, amounts to a total of EUR 679,526 thousand, and in 2023 the company recorded a decrease in fair value in the amount of EUR 56,823 thousand (of which a total of approx. EUR 11,471 thousand is due to a one-time effect update of purchase tax rates).

As mentioned in note 2B to the consolidated financial statements, the measurement of the fair value of investment property is a critical estimate, involving uncertainties and subjective assessments. The measurement and determination of fair value is based on valuations, which include assumptions, some of which are subjective considering the circumstances and the best information as of 31 December 2023, and which were conducted with the assistance of external real estate appraisers. These assumptions mainly include the rate of return, the projected net operating income (NOI) of the assets and market prices for relevant comparison units. These basic assumptions, as well as the determination of the fair value estimate as a whole of the company's investment property, including the selection of an appropriate valuation approach, are the result of subjective conclusions in an environment of uncertainty, sometimes particularly significant. Changes in the aforementioned basic assumptions may result in changes in the fair value of the investment property, sometimes substantially, and therefore also affect the company's financial position as of 31 December 2023 and the results of its operations for that year, as detailed in Note 5.

Due to the above, and in particular that the fair value of investment property is a critical estimate, involving uncertainties and is based on valuations, which include assumptions, some of which are subjective, we determined, according to our professional judgment, that the examination of the fair value of investment property, with an emphasis on the reasonableness of the rates of return used in its estimation, is a key matter in the audit.

### *The audit procedures used to address the key audit matter*

The following are the main procedures we performed to address this key matter in our audit, with an emphasis on examining the reasonableness of the rates of return used in the valuations of the assets:

- Understanding the internal control environment regarding the measurement and determination of the fair value of the investment property;
- Assessing the competence and independence of the external real estate appraisers used by the company;
- Examination and analysis of fair value presentations, mainly valuations, conducted by the company and appraisers on its behalf, based on models that incorporate quantitative and qualitative considerations;
- Examining the base assumptions applied in the valuations, selected on a sample basis, with an emphasis on examining the rates of return, as well as predicted NOI, market prices/comparison prices per square meter rental unit/land unit and the valuation approach taken;
- Reviewing valuations, on a sample basis, by an expert appraiser on our behalf with an emphasis on examining the rates of return;
- Communication with the external appraisers used by the company;
- Involvement of the senior staff of the engagement team.

### **Unaudited corresponding figures**

The financial statements 2022 and 2021 have not been audited. Consequently, the corresponding figures included in the consolidated and company-only statements of profit or loss and other comprehensive income, changes in equity and cash flows and in the related notes are unaudited.

### **Report on the other information included in the annual report**

The annual report contains other information, in addition to the financial statements and our auditor's report thereon.

The other information consists of:

1. the Board of Directors' report;
2. other information as required by Part 9 of Book 2 of the Dutch Civil Code;

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains all the information regarding the Board of Directors' report and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the Board of Directors' report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

## **Report on other legal and regulatory requirements**

### ***Engagement***

We were engaged by the board of directors as auditor of Argo Properties N.V. on 14 September 2023, as of the audit for the year 2023 and have operated as statutory auditor since that financial year.

## **Description of responsibilities regarding the financial statements**

### ***Responsibilities of management and the Board of Directors for the financial statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting, unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Board of Directors is responsible for overseeing the company's financial reporting process.

### ***Our responsibilities for the audit of the financial statements***

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them

all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amstelveen, 21 November 2024

**IUS Statutory Audits Coöperatie U.A.**

Original signed by

J.C. Schächter RA

*Ref: IUS-ARGO-JS-WC-JR23-21/11/2024*



## ARGO Properties N.V.

### Comply or explain manual Dutch Corporate Governance Code

#### financial year 2023

##### Comply or explain

Argo Properties N.V. (the 'Company') has a one-tier board. Management is executed by the executive director and delegated to the managing directors. Supervision is executed by the non-executive directors. The Dutch Corporate Governance Code (the "Code") provides that the company must explicitly state in a separate chapter of the management report or a publication on the company's website the extent to which the company complies with the principles and best practice provisions of the Code and, where it does not comply, why and to what extent it deviates from these. The Code recognizes that a one-size fits all approach does not work for a company's governance structure by definition and deviations can be justified. The Code departs from the main concept that the company has a management board and a supervisory board. It, however, also acknowledges the concept of a one-tier board. Responsibilities attributed in the Code to the chairperson of the supervisory board in a two-tier structure, are attributed to the chair of the board in a one-tier structure. The comply-or-explain principle stresses that the boards are responsible for the company's governance structure and compliance with the Code and must provide a clear explanation of a deviation. The Code clarifies what companies should at least include in such explanation.

The explanation of any deviations must in any event include the following elements:

- (i) how the company departed from the principle or the best practice provision.
- (ii) the reasons for the departure.
- (iii) if the departure is of a temporary nature and continues for more than one financial year, an indication of when the company intends to comply with the principle or the best practice provision again; and
- (iv) where applicable, a description of the alternative measure that was taken and either an explanation of how that measure attains the purpose of the principle or the best practice provision or a clarification of how the measure contributes to good corporate governance

of the company.

#### Comply-or-explain manual

The below overview serves as a manual for the company to assess the compliance with the principles and best practices of the Code. In the second column, for each principle and best practice the "comply", "deviate" or "N/A" (not applicable) box can be ticked. An explanation can be included in the third column, which for a deviation should in any event cover the elements outlined under (i) through (iv) above.

Only the explanation in respect of deviations from the Code's principles and best practices needs to be included in a separate chapter of the management report or a publication on the company's website; the explanation about principles and best practices the company has complied with, or which are not applicable can be used for internal purposes. Nevertheless, a company may want to elaborate on its compliance with the Code in the management report in more general terms or make public a full overview of compliance and non-compliance with the Code, extending to all principles and best practices.

Comply or explain manual

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non- applicability
1	LONG-TERM VALUE CREATION		
1.1	<p>Long-term value creation (principle)</p> <p>The management board is responsible for the continuity of the company and its affiliated enterprise and for sustainable long-term value creation by the company and its affiliated enterprise. The management board considers the impact the actions of the company and its affiliated enterprise have on people and the environment and to that end weighs the stakeholder interests that are relevant in this context. The supervisory board monitors the management board in this.</p>	<p>✓ Comply</p>	<p>Board Regulations: General, article v; Tasks of Executive Director, Article 3), 5), 8)</p> <p><i>Since the Company has a one-tier Board, the Non-Executive Board Members are already involved in these subjects. The Company does not require specific approval from the Non-Executive Board Members.</i></p>

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non- applicability
1.1.1	<p>Long-term value creation strategy (best practice)</p> <p>The management board should develop a view on sustainable long-term value creation by the company and its affiliated enterprise and formulate a strategy in line with this. The management board should formulate specific objectives in this regard. Depending on market dynamics, it may be necessary to make short-term adjustments to the strategy.</p> <p>When developing the strategy, attention should in any event be paid to the following:</p> <ul style="list-style-type: none"> <li>i. the strategy's implementation and feasibility.</li> <li>ii. the business model applied by the company and the market in which the company and its affiliated enterprise operate.</li> <li>iii. opportunities and risks for the company.</li> <li>iv. the company's operational and financial goals and their impact on its future position in relevant markets.</li> <li>v. the interests of the stakeholders;</li> <li>vi. the impact of the company and its affiliated enterprise in the field of sustainability, including the effects on people and the environment;</li> <li>vii. paying a fair share of tax to the countries in which the company operates; and</li> </ul>	✓ Comply	<p>Board Regulations: General, article v; Tasks of Executive Director, Article 3), 5), 8)</p>

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Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non- applicability
	viii. the impact of new technologies and changing business models.		

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
1.1.2	<p>Involvement of the supervisory board (best practice)</p> <p>The management board should engage the supervisory board early on in formulating the strategy for realizing sustainable long-term value creation. The management board account to the supervisory board for the strategy and the explanatory notes to that strategy.</p>	✓ Comply	<p>Board Regulations: General, article v; Tasks of Executive Director, Article 3), 5), 8)</p> <p><i>Since the Company has a one-tier Board, the Non-Executive Board Members are already involved in these subjects. The Company does not require specific approval from the Non-Executive Board Members.</i></p>
1.1.3	<p>Role of the supervisory board (best practice)</p> <p>The supervisory board should supervise the manner in which the management board implements the strategy for sustainable long-term value creation strategy. The supervisory board should regularly discuss the strategy, the implementation of the strategy and the principal risks associated with it. In the report drawn up by the supervisory board, an account is given of its involvement in the establishment of the strategy, and the way in which it monitors its implementation.</p>	✓ Comply	<p>Board Regulations: General, article v; Tasks of Executive Director, Article 3), 5), 8)</p> <p><i>Since the Company has a one-tier Board, the Non-Executive Board Members are already involved in these subjects. The Company does not require specific approval from the Non-Executive Board Members.</i></p>

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
1.1.4	<p>Accountability of the management board (best practice)</p> <p>In the management report, the management board should provide a more detailed explanation of its view on sustainable long-term value creation and the strategy to realize this and describe the contributions made to sustainable long-term value creation in the past financial year. In addition, it describes the formulated objectives, what effects the company's products, services and activities have had on people and the environment, how the interests of stakeholders have been considered, what action has been taken in that context and the extent to which the set objectives have been attained. The management board should report on both the short-term and long-term developments.</p> <p>The second sentence of this best practice provision is not applicable if the company reports in accordance with the requirements laid down in Dutch legislation pursuant to the Corporate Sustainability Reporting Directive<sup>1</sup> (CSRD) or comparable standards applicable to the company in respect of its listing outside the Netherlands</p>	✓ Comply	This topic is covered in the annual report.

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Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
1.1.5	<p>Dialogue with stakeholder</p> <p>To ensure that the interests of the relevant stakeholders of the company are considered when the sustainability aspects of the strategy are determined; the company should draw up an outline policy for effective dialogue with those stakeholders. The relevant stakeholders and the company should be prepared to engage in a dialogue. The company should facilitate this dialogue unless, in the opinion of the management board, this is not in the interests of the company and its affiliated enterprise. The company should publish the policy on its website</p>	✓	
1.2	<p><b>Risk management (principle)</b></p> <p>The company should have adequate internal risk management and control systems in place. The management board is responsible for identifying and managing the risks associated with the company's strategy and activities.</p>	✓ Comply	<p>Board Regulations: Tasks of Non-Executive Directors and Executive Directors article 7), Tasks of the Executive Director: Article 5), 7)</p> <p>AC Charter: Article 4. -II chapter Article 5– d Article 10 - e, f, i Article 11– c, i, p,</p>

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Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
			Article 12 – c, d, g Article 14

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
1.2.1	<p>Risk assessment (best practice)</p> <p>The management board should identify and analyze the risks associated with the strategy and activities of the company and its affiliated enterprise. The identification and analysis should cover in any case the strategic, operational, compliance and reporting risks. The management board responsible for establishing the risk appetite, and also the measures that are put in place in order to counter the risks being taken.</p>	✓ Comply	<p>AC Charter: Article 4. -II chapter Article 5– d Article 10 - e, f, i Article 11– c, i, p, Article 12 – c, d, g Article 14</p>
1.2.2	<p>Implementation (best practice)</p> <p>Based on the risk assessment, as referred to in best practice provision 1.2.1, the management board should design, implement and maintain adequate internal risk management and control systems. To the extent relevant, these systems should be integrated into the work processes within the company and its affiliated enterprise, and should be familiar to those whose work to which they are relevant.</p>	✓ Comply	<p>AC Charter: Article 4. -II chapter</p>

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
1.2.3	<p>Monitoring of effectiveness (best practice)</p> <p>The management board should monitor the design and operation of the internal risk management and control systems and should carry out a systematic assessment of their design and operation at least once a year. Attention should be paid to observed weaknesses, instances of misconduct and irregularities, indications from whistleblowers, lessons learned and findings from the internal audit function and the external Auditor.. Where necessary, improvements should be made to internal risk management and control systems.</p>	✓ Comply	AC Charter: Article 14–
1.3	<p>Internal audit function (principle)</p> <p>The task of the internal audit function is to assess the design and the operation of the internal risk management and control systems. The management board is responsible for the internal audit function. The supervisory board oversees the internal audit function and maintains regular contact with the person fulfilling this function.</p>	✓ Comply	<p>AoA Art. 22.1</p> <p>Board Regulations: Art. 13,14 (p.19) – i)</p> <p>AC Charter: Article 10 - e, f, i</p>

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
1.3.1	<p><b>Appointment and dismissal (best practice)</b></p> <p>The management board both appoints and dismisses the senior internal auditor. Both the appointment and the dismissal of the senior internal auditor should be submitted to the supervisory board for approval, along with the recommendation of the audit committee.</p>	✓ Comply	<p>AC Charter: Article 4. -II chapter Article 5– d Article 10 - e, f, i Article 11– c, i, p, * <i>“Since the Company has a one-tier Board, the Non-Executive Board Members are already involved in these subjects. The Company does not require specific approval from the Non-Executive Board Members.”</i></p>
1.3.2	<p><b>Assessment of the internal audit function (best practice)</b></p> <p>The management board should assess annually the way in which the internal audit function fulfils its responsibility, after consultation with the audit committee. An independent third party should assess the performance of the internal audit function at least every five years.</p>	✓ Comply	<p>AoA article 21.5(e )</p> <p>AC Charter: Article 4. -II chapter Article 5– d Article 10 - e, f, i Article 11– c, i, p,</p>

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
1.3.3	<p>Internal audit plan (best practice)</p> <p>The internal audit function should draw up an audit plan for consultation with the management board, the audit committee and the external auditor. The audit plan should be submitted to the management board and then to the supervisory board for approval. In the internal audit plan, attention should be paid to interaction with the external auditor.</p>	✓ Comply	<p>AoA articles 22.4 and 21.5(d)</p> <p>AC Charter:            Article 4. -II chapter            Article 5– d            Article 10 - e, f, i            Article 11– c, i, p,            Article 12 – c, d, g            Article 14</p> <p><i>* “Since the Company has a one-tier Board, the Non-Executive Board Members are already involved in these subjects. The Company does not require specific approval from the Non-Executive Board Members</i></p>
1.3.4	<p>Performance of work (best practice)</p> <p>The internal audit function should have sufficient resources to execute the internal audit plan and have access to information that is important for the performance of its work. The internal audit function should have direct access to the audit committee and the external auditor. Records should be kept of how the audit committee is informed by the internal audit function.</p>	✓ Comply	<p>AoA articles 22.2(e), 22.2(f), 22.2(g) and 21.5(e)</p> <p>AC Charter:            Article 4. -II chapter            Article 5– d            Article 10 - e, f, i            Article 11– c, i, p,            Article 12 – c, d, g            Article 14</p>

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Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
1.3.5	Reports of findings (best practice) The internal audit function should report its audit results to the management board and the audit committee,	✓ Comply	AoA article 22.7  AC Charter: Article 4. -II chapter Article 5– d Article 10 - e, f, i Article 11– c, i, p, Article 12 – c, d, g Article 14

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
	<p>and inform the external auditor. The findings of the internal audit function should, at least, include the following:</p> <ul style="list-style-type: none"> <li>i. any flaws in the effectiveness of the internal risk management and control systems.</li> <li>ii. any findings and observations with a material impact on the risk profile of the company and its affiliated enterprise; and</li> <li>iii. any failings in the follow-up of recommendations made by the internal audit function.</li> </ul> <p>The internal audit function should report hierarchically to a member of the management board, preferably to the CEO.</p>		
1.3.6	<p>Absence of an internal audit department (best practice)</p> <p>If there is no separate department for the internal audit function, the supervisory board will assess annually whether adequate alternative measures have been taken, partly on the basis of a recommendation issued by the audit committee and will consider whether it is necessary to establish an internal audit department. The supervisory board should include the conclusions, along with any resulting recommendations and</p>	✓ Comply	<p>Board Regulations: Art. 13,14 (p.19) – i)</p> <p>AC Charter: Article 10 - e, f, i</p>

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Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
	alternative measures, in the report of the supervisory board.		
1.4	<p>Risk management accountability (principle)</p> <p>The management board should render account of the effectiveness of the design and the operation of the internal risk management and control systems.</p>	✓ Comply	Board Regulations
1.4.1	<p>Accountability to the supervisory board (best practice)</p> <p>The management board should discuss the effectiveness of the design and operation of the internal risk management and control systems referred to in best practice provisions 1.2.1 to 1.2.3 inclusive with the audit committee, and render account of this to the supervisory board.</p>	✓ Comply	See paragraph 1.2(c) of Schedule 6 of the Board Regulations.

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
1.4.2	<p>Accountability in the management report (best practice)</p> <p>In the management report, the management board should render account of:</p> <ul style="list-style-type: none"> <li>i. the execution of the risk assessment, with a description of the principal risks facing the company in relation to its risk appetite, as referred to in best practice provision 1.2.1.;</li> <li>ii. the design and operation of the internal risk management and control systems during the past financial year;</li> <li>iii. any major failings in the internal risk management and control systems which have been observed in the financial year, any significant changes made to these systems and any major improvements planned, along with a confirmation that these issues have been discussed with the audit committee and the supervisory board; and</li> <li>iv. the sensitivity of the results of the company to material changes in external factors.</li> </ul>	✓ Comply	This is covered in the annual report.

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Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
1.4.3	<p>Statement by the management board (best practice)</p> <p>The management board should state in the management report, with clear substantiation, that:</p> <ul style="list-style-type: none"><li>i. the report provides sufficient insights into any failings in the effectiveness of the internal risk management and control systems with regard to the risks as referred to in best practice provision 1.2.1;</li><li>ii. the aforementioned systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies;</li></ul>	✓ Comply	

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
	<ul style="list-style-type: none"> <li>iii. based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis; and</li> <li>iv. the report states those material risks, as referred to in best practice provision 1.2.1, and the uncertainties, to the extent that they are relevant to the expectation of the company's continuity for the period of twelve months after the preparation of the report.</li> </ul>		
1.5	<p><b>Role of the supervisory board (principle)</b></p> <p>The supervisory board should supervise the policies carried out by the management board and the general affairs of the company and its affiliated enterprise. In so doing, the supervisory board should also focus on the effectiveness of the company's internal risk management and control systems and the integrity and quality of the financial sustainability reporting.</p>	✓ Comply	Board Regulations – 1 <sup>st</sup> Chapter – General

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Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
1.5.1	<p>Duties and responsibilities of the AC (best practice) The audit committee undertakes preparatory work for the supervisory board's decision-making regarding the supervision of the integrity and quality of the company's financial and sustainability reporting and the effectiveness of the company's internal risk management and control systems, as referred to in best practice provisions 1.2.1 to 1.2.3 inclusive. It focuses among other things on the supervision of the management board with regard to:</p> <ul style="list-style-type: none"> <li>i. relations with, and compliance with recommendations and follow up of comments by, the internal and external auditors and any other external party involved in auditing the sustainability reporting.</li> <li>ii. the funding of the company.</li> <li>iii. the company's tax policy.</li> </ul>	✓ Comply	<p>Article 21.5 of the AOA</p> <p>AC Charter – full Procedure, Tasks and Responsibilities Chapter</p>
1.5.2	<p>Attendance of the management board, internal auditor and external auditor at AC consultations (best practice)</p> <p>The chief financial officer, the internal auditor and the external auditor should attend the audit committee meetings, unless the audit committee</p>	✓ Comply	<p>Article 21.3, 21.4 and 21.9 of the AOA</p> <p>Board Regulations: meeting of the Board (p.22) and AC Charter Chapter 6 art. Committee's meetings</p>

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
	determines otherwise. The audit committee should decide whether and, if so, when the chairperson of the management board should attend its meetings.		
1.5.3	<p>Audit committee report (best practice)</p> <p>The AC should report to the supervisory board on its deliberations and findings. This report must, at least, include the following information:</p> <ul style="list-style-type: none"> <li>i. the methods used to assess the effectiveness of the design and operation of the internal risk management and control systems referred to in best practice provisions 1.2.1 to 1.2.3, inclusive;</li> <li>ii. the methods used to assess the effectiveness of the internal and external audit processes;</li> <li>iii. material considerations concerning financial and sustainability reporting; and</li> <li>iv. the way in which the material risks and uncertainties, referred to in best practice provision 1.4.2 and 1.4.3, have been analyzed and discussed, along with a description of the most important findings of the audit committee.</li> </ul>	✓ Comply	AC Charter Chapter 8 - Reporting to the Board

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Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
1.5.4	<p>Supervisory board (best practice)</p> <p>The supervisory board should discuss the items reported on by the audit committee as per of best practice provision 1.5.3.</p>	✓ Comply	Board minutes, Board Regulations P. 27 – AC Reports to the Board
1.6	<p>Appointment and assessment of the functioning of the external auditor (principle)</p> <p>The supervisory board should submit the nomination for the appointment of the external auditor to the general meeting and should supervise the external auditor’s functioning.</p>	✓ Comply	Articles 1.1(b), 18.6 and 23.1(g) of the AOA  Board Regulations Tasks of the Non-Executive Directors p. 9 art. 12, 13 and AC Charter

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
1.6.1	<p>Functioning and appointment (best practice)</p> <p>The AC should report annually to the supervisory board on the functioning of, and the developments in, the relationship with the external auditor. The AC should advise the supervisory board regarding the external auditor's nomination for appointment/reappointment or dismissal and should prepare the selection of the external auditor. The AC should give due consideration to the management board's observations during the aforementioned work. Also on this basis, the supervisory board should determine its nomination for the appointment of the external auditor to the general meeting.</p>	✓ Comply	Board Regulations Tasks of the Non-Executive Directors p. 9 art. 12-13, p. 19 art.e, i ,
1.6.2	<p>Informing the external auditor about their functioning (best practice) The supervisory board should give the external auditor a general idea of the content of the reports relating to their functioning.</p>	✓ Comply	Board Regulations P. 27 – AC Reports to the Board

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Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
1.6.3	<p>Engagement (best practice)</p> <p>The AC should submit a proposal to the supervisory board for the external auditor's engagement to audit the annual accounts . The management board should play a facilitating role in this process. In formulating the terms of engagement, attention should be paid to the scope of the audit, the materiality to be applied and remuneration for the audit. The supervisory board should resolve on the engagement.</p>	✓ Comply	<p>Article 21.5(f) of the AOA</p> <p>AC Charter , chapter 11</p>
1.6.4	<p>Accountability (best practice)</p> <p>The main conclusions of the supervisory board regarding the external auditor's nomination and the outcomes of the external auditor selection process should be communicated to the general meeting.</p>	✓ Comply	<p>Board Regulations , The powers and duties of the Board of Directors areas, p. 7</p>

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
1.6.5	<p>Departure of the external auditor (best practice)</p> <p>The company should publish a press release in the event of the early termination of the relationship with the external audit firm. The press release should explain the reasons for this early termination.</p>	✓ Comply	
1.7	<p>Performance of the external auditor's work (principle)</p> <p>The AC and the external auditor should discuss the audit plan, and the findings of the external auditor based on the work the external auditor has undertaken. The management board and the supervisory board should maintain regular contact with the external auditor.</p>	✓ Comply	AC Charter , chapter 11
1.7.1	<p>Provision of information to the external auditor (best practice)</p> <p>The management board should ensure that the external auditor will receive all information that is necessary for the performance of his work in a timely fashion. The management board should give the external auditor the opportunity to respond to the information that has been provided.</p>	✓ Comply	Board Regulations p. 19 , e), i)

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Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
1.7.2	<p>Audit plan and external auditor's findings (best practice)</p> <p>The external auditor should discuss the draft audit plan with the management board before presenting it to the AC. The AC should discuss annually with the external auditor:</p> <ul style="list-style-type: none"><li>i. the scope and materiality of the audit plan and the principal risks of the annual reporting identified by the external auditor in the audit plan; and</li><li>ii. based also on the documents from which the audit plan was developed, the findings and outcomes of the audit work on the annual accounts and the management letter.</li></ul>	✓ Comply	Board Regulations p. 9 art. 13 AC charter chapter 10 Internal auditor

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
1.7.3	<p>Publication of financial reports (best practice)</p> <p>The AC should determine whether and, if so, how the external auditor should be involved in the content and publication of financial reports other than the annual accounts</p>	✓ Comply	AC charter p 12 Communication, functioning and reporting
1.7.4	<p>Consultations with the external auditor outside the management board's presence (best practice)</p> <p>The AC should meet with the external auditor as often as it considers necessary, but at least once per year, without the presence of the management board.</p>	✓ Comply	AC charter p 12 Communication, functioning and reporting
1.7.5	<p>Examination of discussion points arising between the external auditor and the management board (best practice)</p> <p>The supervisory board should be permitted to examine the most important points of discussion arising between the external auditor and the management board based on the draft management letter or the draft audit report.</p>	✓ Comply	AC charter p 12 Communication, functioning and reporting
1.7.6	<p>External auditor's attendance of supervisory board meetings (best practice)</p> <p>The external auditor should in any event attend the meeting of the</p>	✓ Comply	<p>Article 21.4 of the AOA</p> <p>AC charter p 12 Communication, functioning and reporting</p>

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Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
	supervisory board at which the report of the external auditor on the audit of the annual accounts is discussed.		
2	EFFECTIVE MANAGEMENT AND SUPERVISION		
2.1	<p>Composition and size (principle)</p> <p>The management board, the supervisory board and the executive committee (if any) should be composed in such a way as to ensure a degree of diversity appropriate to the company with regard to expertise, experience, competencies, other personal qualities, sex or gender identify, age nationality and cultural or other background.</p>	✓ Comply	Board Regulations

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
2.1.1	<p>Profile (best practice)</p> <p>The supervisory board should prepare a profile, taking account of the nature and the activities of the enterprise affiliated with the company. The profile should address:</p> <ul style="list-style-type: none"> <li>i. the desired expertise and background of the supervisory board members;</li> <li>ii. the desired diverse composition of the supervisory board, referred to in best practice provision 2.1.5;</li> <li>iii. the size of the supervisory board; and</li> <li>iv. the independence of the supervisory board members.</li> </ul> <p>The profile should be posted on the company's website.</p>	N/A	<p>It is addressed in the Board regulations, p. 9 art. 16, p. 20 "Board Profile".</p> <p>The Board members are appointed in accordance with the AoA, Art. 12, regarding, among other things, independence and qualifications.</p>

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
2.1.2	<p>Personal information (best practice)</p> <p>The following information about each supervisory board member should be included in the report of the supervisory board:</p> <ul style="list-style-type: none"> <li>i. gender;</li> <li>ii. age;</li> <li>iii. nationality;</li> <li>iv. principal position (if appropriate);</li> <li>v. other positions, insofar as they are relevant to the performance of the duties of the supervisory board member;</li> <li>vi. date of initial appointment; and</li> <li>vii. current term of office.</li> </ul>	✓ Comply	This information is covered in the annual report.
2.1.3	<p>Executive committee (best practice)</p> <p>If the management board works with an executive committee, the management board should take account of the checks and balances that</p>	N/A	There is no executive committee.

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
	<p>are part of the two-tier system. This means, among other things, that the management board's expertise and responsibilities are safeguarded, and the supervisory board is informed adequately. The supervisory board should supervise this whilst paying specific attention to the dynamics and the relationship between the management board and the executive committee.</p> <p>In the management report, account should be rendered of:</p> <ul style="list-style-type: none"> <li>i. the choice to work with an executive committee;</li> <li>ii. the role, duty and composition of the executive committee; and</li> <li>iii. how the contacts between the supervisory board and the executive committee have been given shape.</li> </ul>		
2.1.4	<p><b>Expertise (best practice)</b></p> <p>Each supervisory board member and each management board member should have the specific expertise required for the fulfilment of his duties. Each supervisory board member should be capable of assessing the broad outline of the overall management.</p>	✓ Comply	Board members appointment statements and documentation reflect compliance

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
2.1.5	<p>Policy on diversity and Inclusion (D&amp;I policy)</p> <p>The company should have a D&amp;I policy for the enterprise. The D&amp;I policy should in any case set specific appropriate and ambitious targets in order to achieve a good balance in gender diversity and the other D&amp;I aspects of relevance to the company with regard to the composition of the management board, the supervisory board, the executive committee (if any) and a category of employees in managerial positions (“senior management”) to be determined by the management board. The supervisory board adopt the D&amp;I policy for the composition of the management board and the supervisory board. The management board should adopt the D&amp;I policy for the executive committee (if applicable), the senior management and for the rest of the workforce with the prior approval of the supervisory board.</p> <p>background. [?]</p>	N/A	<p>Implementing a diversity policy in the income – producing real estate industry may face significant challenges due to the industry's specific hiring requirements. In fields such as construction and engineering, there is a strong demand for specialized expertise and experience which cannot be compromised. These requirements often include professional qualifications, extensive industry experience, and adherence to legal standards. As a result, the pool of eligible candidates is limited to those who meet these stringent criteria, which can restrict the ability to implement a diversity policy effectively. In other words, the need for highly specialized skills and qualifications can overshadow efforts to promote diversity, making it difficult to balance industry-specific demands with broader diversity goals.</p>
2.1.6	<p>Accountability about diversity (best practice)</p> <p>The corporate governance statement should explain the D&amp;I policy and the way in which it is implemented in practice. This includes the following information:</p> <p>i. the goals of the D&amp;I policy;</p>	Deviate	<p>As mentioned in Art. 2.1.5, the company is committed to diversity and inclusion, which are integral values in its culture. However, the professional requirements in construction and engineering pose challenges to effectively implementing a diversity policy. It is imperative to</p>

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Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
	<ul style="list-style-type: none"> <li>ii. the plan to achieve the goals of the D&amp;I policy;</li> <li>iii. the results of the D&amp;I policy in the past financial year and – where relevant and applicable – insight into the info, progression and retention of employees; and</li> <li>iv. the gender composition of the management board, the supervisory board, the executive committee (if any) and senior management at the end of the past financial year. If one or more goals for the composition of the management board, the supervisory board, the executive committee (if any) and/or senior management are not achieved, an explanation of the reasons should be included in the corporate governance statement, along with an explanation as to which measures are being taken to attain the goals, and by when this is likely to be achieved.</li> </ul>		<p>hire employees with specialized expertise and experience and as a result it can limit the pool of candidates and make it difficult to meet diversity goals. In other words, the imperative need for highly specialized skills and qualifications can sometimes overshadow efforts to promote diversity. Despite these challenges, the company remains dedicated to achieving a diverse and inclusive workforce within these constraints.</p>

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Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
2.1.7	<p>Independence of the supervisory board (best practice)</p> <p>The composition of the supervisory board is such that the members are able to operate independently and critically vis-à-vis one another, the management board, and any particular interests involved.</p> <p>In order to safeguard its independence, the supervisory board is composed in accordance with the following criteria:</p> <ul style="list-style-type: none"> <li>i. any one of the criteria referred to in best practice provision 2.1.8, sections i. to v. inclusive should be applicable to at most one supervisory board member;</li> <li>ii. the total number of supervisory board members to whom the criteria referred to in best practice provision 2.1.8 are applicable should account for less than half of the total number of supervisory board members; and</li> <li>iii. for each shareholder, or group of affiliated shareholders directly or indirectly hold more than ten percent of the shares in the company, there is at most one supervisory board member who can be considered to be affiliated with or representing them as stipulated in best practice provision 2.1.8, sections vi. and vii.</li> </ul>	✓ Comply	Board Regulations p. 20, The Chairperson, Board Profile.

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
2.1.8	<p>Independence of supervisory board members (best practice)</p> <p>supervisory board members are not independent if they or their spouse, registered partner or life companion, foster child or relative by blood or marriage up to the second degree:</p> <ul style="list-style-type: none"> <li>i. has been an employee or member of the management board of the company as referred to in Section 5:48 of the Financial Supervision Act (Wet op het financieel toezicht, Wf) in the five years prior to the appointment;;</li> <li>ii. receives personal financial compensation from the company, or an entity associated with it, other than the compensation received for the work performed as a supervisory board member and insofar as this is not in keeping with the normal course of business;</li> <li>iii. has had an important business relationship with the company or an entity associated with it in the year prior to the appointment. This includes in any event the case where the supervisory board member, or the firm of which he is a shareholder, partner, associate or adviser, has acted as adviser to the company (consultant, external auditor, civil notary or lawyer) and the case where the supervisory board member has been a management</li> </ul>	✓ Comply	<p>Article 12.2 of the AOA</p> <p>Board Regulations p. 20, The Chairperson, Board Profile.</p>

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Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
	<p>board member or an employee of a bank with which the company has a lasting and significant relationship;</p> <p>iv. is a member of the management board of a company in which a member of the management board of the company which he supervises is a supervisory board member;</p>		

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
	<ul style="list-style-type: none"> <li>v. has temporarily performed management duties during the previous twelve months in the absence or incapacity of management board members;</li> <li>vi. has a shareholding in the company of at least ten percent, considering the shareholding of natural persons or legal entities collaborating with him on the basis of an express or tacit, verbal or written agreement;</li> <li>vii. is a member of the management board or supervisory board – or is a representative in some other way – of a legal entity which directly or indirectly holds at least ten percent of the shares in the company, unless the entity is a group company.</li> </ul>		
2.1.9	<p>Independence of the chairman of the supervisory board (best practice)</p> <p>The chairman of the supervisory board should not be a former member of the management board of the company and should be independent within the meaning of best practice provision 2.1.8.</p>	✓ Comply	<p>Article 12.2 of the AOA</p> <p>Board Regulations p. 20, The Chairperson, Board Profile.</p>

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
2.1.10	<p>Accountability regarding supervisory board member independence (best practice)</p> <p>The report of the supervisory board should state that, in the opinion of the supervisory board, the independence requirements referred to in best practice provisions 2.1.7 to 2.1.9 inclusive have been fulfilled and, if applicable, should also state which supervisory board member(s), if any, it does not consider to be independent.</p>	✓ Comply	<p>Article 12.2 of the AOA</p> <p>As required from a one-tier Board, Board Regulations p. 20, The Chairperson, Board Profile.</p>
2.2	<p><b>Appointment, succession and evaluation (principle)</b></p> <p>The supervisory board should ensure that a formal and transparent procedure is in place for the appointment and reappointment of management board and supervisory board members, in accordance with the D&amp;I policy. The functioning of the management board and the supervisory board as a collective and the functioning of individual members should be evaluated on a regular basis</p>	✓ Comply	<p>The Board has approved a Remuneration, Selection &amp; Nomination Committee (RSNC) Charter, chapter 2.2 (Chapter B) reflects the compliance with this requirement</p>

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
2.2.1	<p>Appointment and reappointment periods – management board members (best practice)</p> <p>A management board member is appointed for a maximum period of four years. A member may be reappointed for a term of not more than four years at a time, which reappointment should be prepared in a timely fashion. The diversity objectives from best practice provision 2.1.5 should be considered in the preparation of the appointment or reappointment.</p>	N/A	Articles 12 and 13.1 of the AoA address the appointment of ARGO’s directors.
2.2.2	<p>Appointment and reappointment periods – supervisory board members (best practice)</p> <p>A supervisory board member is appointed for a period of four years and may then be reappointed once for another four-year period. The supervisory board member may then be reappointed again for a period of two years, which appointment may be extended by at most two years. In the event of a reappointment after an eight-year period, reasons should be given in the report of the supervisory board. At any appointment or reappointment,</p>	N/A	Articles 12 and 13.1 of the AoA address the appointment of ARGO’s directors

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
	the profile referred to in best practice provision 2.1.1 should be observed.		
2.2.3	<p>Early retirement (best practice)</p> <p>A member of the supervisory board or the management board should retire early in the event of inadequate performance, structural incompatibility of interests, and in other instances in which this is deemed necessary by the supervisory board. In the event of the early retirement of a member of the management board or the supervisory board, the</p>	✓ Comply	<p>Articles 13.10 and/or 13.11 as applicable</p> <p>Board Regulations p. 20 – retirement schedule</p>

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
	company should issue a press release mentioning the reasons for the departure.		
2.2.4	<p>Succession (best practice)</p> <p>The supervisory board should ensure that the company has a sound plan in place for the succession of management board and supervisory board members that is aimed at retaining the balance in the requisite expertise, experience and diversity. Due regard should be given to the profile referred to in best practice provision 2.1.1 in drawing up the plan for supervisory board members. The supervisory board should also draw up a retirement schedule in order to avoid, as much as possible, supervisory board members retiring simultaneously. The retirement schedule should be published on the company's website.</p>	✓ N/A	Retirement, appointment and succession are all addressed by article 12 of the AoA

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Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
2.2.5	<p>Duties of the selection and appointment committee (best practice) The selection and appointment committee should prepare the supervisory board’s decision-making and report to the supervisory board on its deliberations and findings. The selection and appointment committee should in any event focus on:</p> <ul style="list-style-type: none"> <li>i. drawing up selection criteria and appointment procedures for management board members and supervisory board members;</li> <li>ii. periodically assessing the size and composition of the management board and the supervisory board, and making a proposal for a composition profile of the supervisory board;</li> <li>iii. periodically assessing the functioning of individual management board members and supervisory board members, and reporting on this to the supervisory board;</li> </ul>	✓ Comply	<p>Remuneration, Selection &amp; Nomination Committee (RSNC) Charter</p> <p>Board Regulations p. 21, 22 art. 21, 30, p. 26 chapter “board Committees” - full chapter</p>

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
	<ul style="list-style-type: none"> <li>iv. drawing up a plan for the succession of management board members and supervisory board members;</li> <li>v. making proposals for appointments and reappointments; and</li> <li>vi. supervising the policy of the management board regarding the selection criteria and appointment Regulations for senior management.</li> </ul>		
2.2.6	<p>Evaluation by the supervisory board (best practice)</p> <p>At least once per year, outside the presence of the management board, the supervisory board should evaluate its own functioning, the functioning of the various committees of the supervisory board and that of the individual supervisory board members and should discuss the conclusions that are attached to the evaluation. In doing so, attention should be paid to:</p> <ul style="list-style-type: none"> <li>i. substantive aspects, conduct and culture, the mutual interaction and collaboration, and the interaction with the management board;</li> <li>ii. events that occurred in practice from which lessons may be learned; and</li> <li>iii. the desired profile, composition, competencies and</li> </ul>	✓ Comply	Board Regulations p.10, art. 21, 25, 26

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Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
	expertise of the supervisory board.		
2.2.7	Evaluation of the management board (best practice) At least once per year, outside the presence of the management board, the supervisory board should evaluate both the functioning of the management board as a whole and that of the individual management board members, and should discuss the conclusions that must be attached to the evaluation, such also in light of the succession of management board members. At least once annually, the management	✓ Comply	Board Regulations p.10, art. 21, 25, 26

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
	board, too, should evaluate its own functioning as a whole and that of the individual management board members.		
2.2.8	<p>Evaluation accountability (best practice)</p> <p>The supervisory board's report should state:</p> <ul style="list-style-type: none"> <li>i. how the evaluation of the supervisory board, the various committees and the individual supervisory board members has been carried out;</li> <li>ii. how the evaluation of the management board and the individual management board members has been carried out;</li> <li>iii. the main findings and conclusions of the evaluations; and</li> <li>iv. what has been or will be done with the conclusions from the evaluations.</li> </ul>	N/A	
2.3	<p>Organization of the supervisory board and reports (principle)</p> <p>The supervisory board should ensure that it functions effectively. The supervisory board should establish committees to prepare the supervisory board's decision-making. The foregoing does not affect the responsibility of the supervisory board as an organ and of the individual members of the supervisory board for</p>	✓ Comply	Board Regulations p. 8 "Dividing of Duties and Powers among the Directors"

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Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
	obtaining information and forming an independent opinion.		
2.3.1	<p>Supervisory board's terms of reference (best practice)</p> <p>The division of duties within the supervisory board and the procedures of the supervisory board should be laid down in terms of reference. The supervisory board's terms of reference should include a paragraph dealing with its relations with the management board, the general meeting, the employee participation body (if any) and the executive committee (if any). The terms of reference should be posted on the company's website.</p>	✓ Comply	Board Regulations p. 7 "The powers and duties of the Board of Directors areas"

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
2.3.2	<p>Establishment of committees (best practice)</p> <p>If the supervisory board consists of more than four members, it should appoint from among its members an AC, a remuneration committee and a selection and appointment committee. Without prejudice to the collegiate responsibility of the supervisory board, the duty of these committees is to prepare the decision-making of the supervisory board. If the supervisory board decides not to establish an AC, a remuneration committee or a selection and appointment committee, the best practice provisions applicable to such committees) should apply to the entire supervisory board.</p>	✓ Comply	<p>AoA art 21 – Audit Committee, art. 34 – Remuneration Committee, Board Regulations p. 26 “powers of the Committees”, Committee charters – Audit Committee Charter, Remuneration, Selection and Nomination Committee Charter</p>
2.3.3	<p>Committees’ terms of reference (best practice)</p> <p>The supervisory board should draw up terms of reference for the AC, the remuneration committee and the selection and appointment committee.</p> <p>The terms of reference should indicate the role and responsibility of the committee concerned, its composition and the manner in which it discharges its duties. The terms of reference should be posted on the company’s website.</p>	✓ Comply	<p>AoA art 21 – Audit Committee, art. 34 – Remuneration Committee, Board Regulations p. 26 “powers of the Committees”, Committee charters – Audit Committee Charter, Remuneration, Selection and Nomination Committee Charter</p>

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Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
2.3.4	<p>Composition of the committees (best practice)</p> <p>The AC and the remuneration committee should not be chaired by the chairperson of the supervisory board or by a former member of the management board of the company. More than half of the members of the committees should be independent within the meaning of best practice provision 2.1.8.</p>	✓ Comply	Committee charters – Audit Committee Charter p. 5 chapter 5. Remuneration, Selection and Nomination Committee Charter p. 6 Composition and Organization
2.3.5	<p>Committee reports (best practice)</p> <p>The supervisory board should receive from each of the committees a report of their deliberations and findings. In the report of the supervisory board, it should comment on how the duties of the committees were</p>	✓ Comply	Audit Committee Charter p. 8 chapter 8. Remuneration, Selection and Nomination Committee Charter p. 8, chapter 6

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Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
	conducted in the financial year. In this report, the composition of the committees, the number of committee meetings and the main items discussed at the meetings should be mentioned.		

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
2.3.6	<p>Chairperson of the supervisory board (best practice)</p> <p>The chairman of the supervisory board should in any case ensure that:</p> <ul style="list-style-type: none"> <li>i. the supervisory board has proper contact with the management board, the employee participation body (if any) and the general meeting;</li> <li>ii. the supervisory board elects a vice-chairman;</li> <li>iii. there is sufficient time for deliberation and decision-making by the supervisory board;</li> <li>iv. the supervisory board members receive all information that is necessary for the proper performance of their duties in a timely fashion;</li> <li>v. the supervisory board and its committees function properly;</li> <li>vi. the functioning of individual management board members and supervisory board members is assessed at least annually;</li> <li>vii. the supervisory board members and management board members follow their induction programme;</li> <li>viii. the supervisory board members and management board members follow their education or training programme;</li> <li>ix. the management board performs activities in respect of</li> </ul>	✓ Comply	Board Regulations p. 8 “ Dividing of Duties and Powers among the Directors” art. 3), p. 19, p. 20 “the Chairperson”

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Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
	<p>culture;</p> <p>x. the supervisory board recognizes signs from the enterprise affiliated with the company and ensures that any actual or suspected ) material misconduct and irregularities are reported to the supervisory board without delay;</p> <p>xi. the general meeting proceeds in an orderly and efficient manner;</p>		

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
	<p>xii. effective communication with shareholders is assured; and</p> <p>xiii. The supervisory board is involved closely, and at an early stage, in any merger or takeover processes.</p> <p>The chairman of the supervisory board should consult regularly with the chairman of the management board.</p>		
2.3.7	<p>Vice-chairman of the supervisory board (best practice)</p> <p>The vice-chairman of the supervisory board should deputize for the chairman when the occasion arises.</p>	✓ Comply	Ad-hoc nomination in BoD meetings
2.3.8	<p>Delegated supervisory board member (best practice)</p> <p>A delegated supervisory board member is a supervisory board member who has a special duty. The delegation must not extend beyond the duties of the supervisory board itself and must not include the management of the company. Its purpose is more intensive supervision and advice and more regular consultation with the management board. The delegation should be only of a temporary nature. The delegation must not detract from the duties and powers of the supervisory board. The delegated supervisory board member continues to be a member of the</p>	N/A	

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Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
	supervisory board and should report regularly on the execution of his special duty to the plenary supervisory board.		
2.3.9	Temporary management board function of a supervisory board member (best practice) A supervisory board member who temporarily takes on the management of the company, where the management board members are absent or unable to fulfil their duties, should resign from the supervisory board.	N/A	

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
2.3.10	<p>Company secretary (best practice)</p> <p>The supervisory board should be supported by the company secretary; The secretary:</p> <ul style="list-style-type: none"> <li>i. should ensure that the proper procedures are followed and that the statutory obligations and obligations under the articles of association are complied with;</li> <li>ii. should facilitate the provision of information of the management board and the supervisory board; and</li> <li>iii. should support the chairman of the supervisory board in the organization of the affairs of the supervisory board, including the provision of information, meeting agendas, evaluations and training programs.</li> </ul> <p>The company secretary should, either on the initiative of the supervisory board or otherwise, be appointed and dismissed by the management board, after the approval of the supervisory board has been obtained.</p> <p>If the secretary also undertakes work for the management board and notes that the interests of the management board and the supervisory board diverge, as a result of which it is unclear which interests the secretary should represent, the secretary should report this to the chairperson of the supervisory board.</p>	✓ Comply	Board Regulations p.19 - Company Secretary

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Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
2.3.11	<p>Report of the supervisory board (best practice)</p> <p>The annual statements of the company include a report by the supervisory board. In this report, the supervisory board should render account of the supervision conducted in the past financial year, reporting in any event on the items referred to in best practice provisions 1.1.3, 2.1.2, 2.1.10, 2.2.8, 2.3.5 and 2.4.4 and, if applicable, the items referred to in best practice provisions 1.3.6 and 2.2.2.</p>	✓ Comply	This topic is covered in the annual report.

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
2.4	<p><b>Decision-making and functioning (principle)</b></p> <p>The management board and the supervisory board should ensure that decisions are made in a balanced and effective manner whilst taking account of the interests of stakeholders. The management board should ensure that information is provided in a timely and sound manner. The management board and the supervisory board should keep their knowledge and skills up to date and devote sufficient time on their duties and responsibilities. They should ensure that, in performing their duties, they have the information that is required for effective decision-making.</p>	✓ Comply	Board Regulations p. 6 “Role, responsibilities and tasks of the Board and its members”
2.4.1	<p><b>Stimulating openness and accountability (best practice)</b></p> <p>The management board and the supervisory board are each responsible for stimulating openness and accountability within the body of which they form part, and between the different bodies within the company.</p>	✓ Comply	Board Regulations p. 6 “Role, responsibilities and tasks of the Board and its members” art. xiv.

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
2.4.2	<p>Other positions (best practice)</p> <p>Management board members and supervisory board members should report any other positions they may hold to the supervisory board in advance and, at least annually, the other positions should be discussed at the supervisory board meeting. The acceptance of membership of a supervisory board by a management board member requires the approval of the supervisory board.</p>	✓ Comply	Board Regulations p. 26 “Other Positions”
2.4.3	<p>Point of contact for the functioning of supervisory board and management board members (best practice)</p> <p>The chairman of the supervisory board should act on behalf of the supervisory board as the main contact for the management board, supervisory board members and shareholders regarding the functioning of management board members and supervisory board members. The vice-chairman should function as contact for individual supervisory board</p>	✓ Comply	Board regulations p. 18 “Tasks and Responsibilities Executive Director and the Secretary of the Board”, p. 19, p. 20 “the Chairperson”

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
	members and management board members regarding the functioning of the chairman.		
2.4.4	Attendance at supervisory board meetings (best practice) Supervisory board members should attend supervisory board meetings and the meetings of the committees of which they are a part. If supervisory board members are frequently absent from these meetings, they should be held to account for this. The report of the supervisory board should state the absenteeism rate from supervisory board and committee meetings of each supervisory board member.	✓ Comply	Board Regulations p. 21 and onward: "Board Operation: Invitation, Convening, Voting and Minutes".
2.4.5	Induction programme for supervisory board members (best practice) All supervisory board members should follow an induction programme geared to their role. The induction programme should in any event cover general financial, social and legal affairs, financial and sustainability reporting by the company, any specific aspects that are unique to the relevant company and its business activities, the company culture and the relationship with the employee participation body (if any), and the responsibilities of a	✓ Comply	New members are covered by an On-boarding personal process with the Head of Corporate Governance of the company

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Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
	supervisory board member.		
2.4.6	<p>Development (best practice)</p> <p>The management board and the supervisory board should each conduct an annual review for their own body to identify any aspects regarding which the supervisory board members and management board members require training or education.</p>	✓ Comply	Board Regulations p. 10 art. 21, 25 and 26
2.4.7	<p>Information safeguards (best practice)</p> <p>The management board should ensure that internal procedures are established and maintained which safeguard that all relevant information is known to the management board and the supervisory board in a timely</p>	✓ Comply	Board regulations p. 9 art. 11, The Board members approved the Board Regulations and the Committees charters, they have access to a shared file containing the company's internal regulations

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
	<p>fashion. The supervisory board should supervise the establishment and implementation of these procedures.</p>		
2.4.8	<p>Supervisory board members' responsibility for obtaining information (best practice)</p> <p>The supervisory board and each individual supervisory board member have their own responsibility for obtaining the information from the management board, the internal audit function, the external auditor and the employee participation body (if any) that the supervisory board needs in order to be able to perform its duties as a supervisory organ properly.</p>	✓ Comply	Board Regulations p. 9 art. 11, p. 12 art. 12, 13
2.4.9	<p>Obtaining information from officers and external parties (best practice)</p> <p>If the supervisory board considers it necessary, it may obtain information from officers and external advisers of the company. The company should provide the necessary means to this end. The supervisory board may require that certain officers and external advisers attend its meetings.</p>	✓ Comply	Board Regulations p. 9 art. 11, p. 12 art. 12, 13

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Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
2.5	<p><b>Culture (principle)</b></p> <p>The management board is responsible for creating a culture aimed at long-term value creation for the company and its affiliated enterprise. The supervisory board should supervise the activities of the management board in this regard.</p>	✓ Comply	Board Regulations p. 6 sec. V, p. 11 art. 3), 5), 8)
2.5.1	<p><b>Management board's responsibility for culture (best practice)</b></p> <p>The management board should adopt values for the company and its affiliated enterprise that contribute to a culture focused on long-term value creation and discuss these with the supervisory board. The management board is responsible for the incorporation and maintenance of the values within the company and its affiliated enterprise. The management board should encourage behaviour that is in keeping with the values and propagate these values through leading by example. Attention must be paid to the following, among other things:</p>	✓ Comply	Board Regulations p. 6 sec. V, p. 11 art. 3), 5), 8)

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
	<ul style="list-style-type: none"> <li>i. the strategy and the business model;</li> <li>ii. the environment in which the enterprise operates; and</li> <li>iii. the existing culture within the enterprise, and whether it is desirable to implement any changes in this</li> <li>iv. the social safety within the enterprise and the ability to discuss and report actual or suspected misconduct or irregularities.</li> </ul>		
2.5.2	<p>Code of Conduct (best practice)</p> <p>The management board should draw up a code of conduct and monitor its effectiveness and compliance with this code, both on the part of both it and of the employees of the company. The management board should inform the supervisory board of its findings and observations with regard to the effectiveness of, and compliance with, the code. The code of conduct will be published on the company's website.</p>	✓ Comply	<p>See website</p> <p>- Code of Conduct</p>
2.5.3	<p>Employee participation (best practice)</p> <p>If the company has established an employee participation body, the following should also be discussed in the consultations between the management board, the supervisory board and such</p>	N/A	

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
	<p>employee participation body:</p> <ul style="list-style-type: none"> <li>i. the conduct and culture in the company and its affiliated enterprise;</li> <li>ii. the values adopted by the management board on the basis of best practice provision 2.5.1, and</li> <li>iii. the company's D&amp;I policy</li> </ul>		
2.5.4	<p>Reporting on culture (best practice)</p> <p>In the management report, the management board should provide explanatory notes on:</p> <ul style="list-style-type: none"> <li>i. the culture within the enterprise, and whether it is desirable to implement any changes in this;</li> <li>ii. how the culture, the underlying values and conduct promoted within the enterprise contribute to sustainable long-term value creation and, if it is considered desirable to amend these, which initiatives are taken to further increase this contribution; and</li> <li>iii. the effectiveness of, and compliance with, the code of conduct.</li> </ul>	✓ Comply	This topic is covered in the management report.

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Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
2.6	<p>Misconduct and irregularities (principle)</p> <p>The management board and the supervisory board should be alert to indications of actual or suspected misconduct or irregularities. The management board should establish a procedure for reporting actual or</p>	✓ Comply	The company's Internal Enforcement Program and Regulations for investigating were approved by the Board.

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
	suspicion of misconduct or irregularities and take appropriate follow-up action on the basis of these reports. The supervisory board monitors the management board in this.		
2.6.1	<p>Regulations for reporting actual or suspicion of misconduct or irregularities (best practice)</p> <p>The management board should establish a procedure for reporting actual or suspected irregularities within the company and its affiliated enterprise. The procedure should be published on the company's website. The management board should ensure that employees have the opportunity to file a report without jeopardizing their legal position.</p>	✓ Comply	Policies are in place
2.6.2	<p>Informing the chairperson of the supervisory board (best practice) The management board should inform the chairman of the supervisory board without delay of any signs of actual or suspected material misconduct or irregularities within the company and its affiliated enterprise. If the actual or suspected misconduct or irregularity pertains to the functioning of a management board member, employees can report this directly to the chairman of the supervisory board.</p>	✓ Comply	Board Regulations p. 10, Internal Enforcement Program p. 10 Reporting and Notification

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Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
2.6.3	<p>Notification by the external auditor (best practice)</p> <p>The external auditor should inform the chairperson of the AC without delay if, during the performance of his duties, he discovers or suspects an instance of misconduct or irregularity. If the actual or suspected misconduct or irregularity pertains to the functioning of one or more management board members, the external auditor should report this directly to the chairperson of the supervisory board.</p>	✓ Comply	AC charter p. 7 art 4), p. 10 chapter 11 "external Auditor"

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation, or non-applicability
2.6.4	<p>Oversight by the supervisory board (best practice)</p> <p>The supervisory board monitors the operation of the procedure for reporting actual or suspected misconduct or irregularities, appropriate and independent investigations into signs of misconduct or irregularities, and, if an instance of misconduct or irregularity has been discovered, an adequate follow-up of any recommendations for remedial actions. In order to safeguard the independence of the investigation in cases where the management board itself is involved; the supervisory board should have the option of initiating its own investigation into any irregularities that have been discovered and to coordinate this investigation.</p>	✓ Comply	Internal Enforcement Program p. 10 Reporting and Notification
2.7	<p>Preventing conflicts of interest (principle)</p> <p>Any form of conflict of interest between the company and the members of its management board or supervisory board should be prevented. To avoid conflicts of interest, adequate measures should be taken. The supervisory board is responsible for the decision-making on dealing with conflicts of interest regarding management board members, supervisory board members and majority shareholders in relation to the company.</p>	✓ Comply	<p>Articles 12.10 and 20.15 of the AOA</p> <p>Board Regulations p. 24 chapter “conflicts of interests”, Code of Conduct p. 6 “Conflict of Interest Policies”</p>

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Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation, or non-applicability
2.7.1	<p>Preventing conflicts of interest (best practice)</p> <p>Management board members and supervisory board members are alert to conflicts of interest and should in any case refrain from the following:</p> <ul style="list-style-type: none"> <li>i. competing with the company;</li> <li>ii. demanding or accepting substantial gifts from the company for themselves or their spouse, registered partner or other life companion, foster child or relative by blood or marriage up to the second degree;</li> <li>iii. providing unjustified advantages to third parties at the company's expense;</li> </ul>	✓ Comply	<p>Article 20.15 of the AOA</p> <p>Board Regulations p. 24 chapter "conflicts of interests", Code of Conduct p. 6 "Conflict of Interest Policies"</p>

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation, or non-applicability
	<p>iv. taking advantage of business opportunities to which the company is entitled for themselves or for their spouse, registered partner or other life companion, foster child or relative by blood or marriage up to the second degree.</p>		
2.7.2	<p>Terms of reference (best practice)</p> <p>The terms of reference of the supervisory board should contain rules on dealing with conflicts of interest, including conflicting interests between management board members and supervisory board members on the one hand and the company on the other. The terms of reference should also stipulate which transactions require the approval of the supervisory board. The company should draw up regulations governing ownership of, and transactions in, securities by management or supervisory board members, other than securities issued, by the company.</p>	✓ Comply	<p>Articles 12.10 and 20 of the AOA</p> <p>Board Regulations p. 24 chapter “conflicts of interests”, Code of Conduct p. 6 “Conflict of Interest Policies”</p> <p><i>* “Since the Company has a one-tier Board, the Non-Executive Board Members are already involved in these subjects. The Company does not require specific approval from the Non-Executive Board Members.”</i></p>

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Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation, or non-applicability
2.7.3	<p>Reporting (best practice)</p> <p>A conflict of interest may exist if the company intends to enter into a transaction with a legal entity:</p> <ul style="list-style-type: none"> <li>i. in which a member of the management board or the supervisory board personally has a material financial interest; or</li> <li>ii. which has a member of the management board or the supervisory board who is related under family law to a member of the management board or the supervisory board of the company.</li> </ul> <p>A management board member should report any potential conflict of interest in a transaction that is of material significance to the company and/or to such management board member to the chairman of the</p>	<p>✓ Comply</p>	<p>Articles 1(nn) and 20.13 of the AOA</p> <p>Board Regulations p. 24 chapter “conflicts of interests”, Code of Conduct p. 6 “Conflict of Interest Policies”</p>

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation, or non-applicability
	<p>supervisory board and to the other members of the management board without delay. The management board member should provide all relevant information on this subject,, including the information relevant to the situation concerning his spouse, registered partner or other life companion, foster child and relatives by blood or marriage up to the second degree.</p> <p>A supervisory board member should report any conflict of interest or potential conflict of interest in a transaction that is of material significance to the company and/or to such supervisory board member to the chairman of the supervisory board without delay and should provide all relevant information on this subject, including the information relevant to the situation regarding his spouse, registered partner or other life companion, foster child or relatives by blood or marriage up to the second degree.</p> <p>. If the chairman of the supervisory board has a potential conflict of interest, he must report this to the vice-chairman of the supervisory board without delay. The supervisory board should decide, outside the presence of the management board member or supervisory board member concerned, whether there is a conflict of interest.</p>		

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation, or non-applicability
2.7.4	<p>Accountability regarding transactions: management board and supervisory board members (best practice)</p> <p>All transactions in which there are conflicts of interest with management board members or supervisory board members should be agreed on terms that are customary in the market. Decisions to enter into transactions in which there are conflicts of interest with management board members or supervisory board members that are of material significance to the company and/or to the relevant management board members or supervisory board members should require the approval of the supervisory board. Such transactions should be published in the management report, together with a statement of the conflict of interest and a declaration that best practice provisions 2.7.3 and 2.7.4 have been complied with.</p>	✓ Comply	<p>Article 20 of the AOA</p> <p>Board Regulations p. 24 chapter “conflicts of interests”, Code of Conduct p. 6 “Conflict of Interest Policies”</p> <p>[</p> <p><i>* “Since the Company has a one-tier Board, the Non-Executive Board Members are already involved in these subjects. The Company does not require specific approval from the Non-Executive Board Members.”</i></p>

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation, or non-applicability
2.7.5	<p>Accountability regarding transactions: majority shareholders (best practice)</p> <p>All transactions between the company and legal or natural persons who hold at least ten percent of the shares in the company should be agreed on terms that are customary in the market. Decisions to enter into transactions with such persons that are of material significance to the company and/or to such persons should require the approval of the supervisory board. Such transactions should be published in the management report, together with a declaration that best practice provision 2.7.5 has been complied with.</p>	✓ Comply	<p>Board Regulations p. 24 chapter “conflicts of interests”, Code of Conduct p. 6 “Conflict of Interest Policies”</p> <p><i>* “Since the Company has a one-tier Board, the Non-Executive Board Members are already involved in these subjects. The Company does not require specific approval from the Non-Executive Board Members.”</i></p>
2.7.6	<p>Personal loans (best practice)</p> <p>The company should not grant its management board members and supervisory board members any personal loans, guarantees or the like unless in the normal course of business and on terms applicable to the personnel as a whole, and after approval of the supervisory board. No</p>	✓ Comply	<p>Article 20 of the AOA</p> <p>Board Regulations p. 25 “Loans and Guarantees”</p> <p><i>* “Since the Company has a one-tier Board, the Non-</i></p>

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Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation, or non-applicability
	remission of loans should be forgiven.		<i>Executive Board Members are already involved in these subjects. The Company does not require specific approval from the Non-Executive Board Members."</i>
2.8	<p><b>Takeover situations (principle)</b></p> <p>In the event of a takeover bid for the company's shares, or for the depositary receipts for the company's shares, if it concerns a private bid for a business unit or a participating interest, where the value of the bid exceeds the threshold referred to in Article 2:107a(1)(c) of the Dutch Civil Code, and/or involves other substantial changes in the structure of the company, both the management board and the supervisory board should ensure that the stakeholder interests concerned are carefully weighed and any conflict of interest for supervisory board members or management board members is avoided. The management board and the supervisory board should be guided in their actions by the interests of the company and its affiliated enterprise.</p>	✓ Comply	Board Regulations p. 24 chapter "conflicts of interests", Code of Conduct p. 6 "Conflict of Interest Policies"

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
2.8.1	<p>Supervisory board involvement (best practice)</p> <p>When a takeover bid for the company's shares or for the depositary receipts for the company's shares is being prepared, in the event of a private bid for a business unit or a participating interest, where the value of the bid exceeds the threshold referred to in Section 2:107a(1)(c) of the Dutch Civil Code, and/or in the event of other substantial changes in the structure of the company, the management board should ensure that the supervisory board is involved in the takeover process and/or the change in the structure closely and in a timely fashion.</p>	✓ Comply	<p>Board Regulations p. 24 chapter "conflicts of interests", Code of Conduct p. 6 "Conflict of Interest Policies"</p> <p>.</p>

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Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
2.8.2	<p>Informing the supervisory board about request for inspection by competing bidder (best practice)</p> <p>If a takeover bid has been announced for the shares, or depositary receipts for shares, in the company, and the management board receives a request from a competing bidder to inspect the company's records, the management board should discuss this request with the supervisory board without delay.</p>	✓ Comply	Board Regulations p. 24 chapter "conflicts of interests", Code of Conduct p. 6 "Conflict of Interest Policies"
2.8.3	<p>Management board's position on a private bid (best practice)</p> <p>If a private bid for a business unit or a participating interest has been made public, where the value of the bid exceeds the threshold referred to in Section 2:107a (1)(c) of the Dutch Civil Code, the management board</p>	✓ Comply	Board Regulations p. 24 chapter "conflicts of interests", Code of Conduct p. 6 "Conflict of Interest Policies"

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
	of the company should as soon as possible make public its position on the bid and the reasons for this position.		AoA art. 20.8
3	<b>REMUNERATION</b>		
3.1	<p><b>Remuneration policy – management board (principle)</b></p> <p>The remuneration policy applicable to management board members should be clear and understandable, should focus on long-term value creation for the company and its affiliated enterprise, and consider the internal pay ratios within the enterprise. The remuneration policy should not encourage management board members to act in their own interest, nor to take risks that are not in keeping with the strategy formulated and the risk appetite that has been established. The supervisory board is responsible for formulating the remuneration policy and its implementation.</p>	✓ Comply	Board Regulations p. 26 The Board Committees. The remuneration policy is being reviewed, updated and published as required.
3.1.1	<p><b>Remuneration policy proposal (best practice)</b></p> <p>The remuneration committee should submit a clear and understandable proposal to the supervisory board concerning the remuneration policy to be pursued with regard to the management board. The supervisory board</p>	✓ Comply	RC Charter P. 3 art. 2.1 “The Remuneration Proposal to the Board”

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Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
	should present the policy to the general meeting for adoption.		
3.1.2	<p>Remuneration policy (best practice)</p> <p>The following aspects should in any event be taken into consideration when formulating the remuneration policy:</p> <ul style="list-style-type: none"> <li>i. the objectives for the strategy for the implementation of long-term value creation within the meaning of best practice provision 1.1.1;</li> <li>ii. the scenario analyses carried out in advance;</li> <li>iii. the pay ratios within the company and its affiliated enterprise;</li> <li>iv. the development of the market price of the shares;</li> </ul>	✓ Comply	<p>According to RC charter p.3, the remuneration policy covers in any event the remuneration structure (fixed and variable components), performance criteria, scenario analyses and pay ratios within the company. Aspects vi and vii are not applicable.</p> <p>Remuneration Policy.</p>

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
	<ul style="list-style-type: none"> <li>v. an appropriate ratio between the variable and fixed remuneration components. The variable remuneration component is linked to measurable performance criteria determined in advance, which are long-term in character;</li> <li>vi. If shares are being awarded, the terms and conditions govern this. Shares should be held for at least five years after they are awarded; and</li> <li>vii. If share options are being awarded, the terms and conditions governing this and the terms and conditions subject to which the share options can be exercised. In any case, share options cannot be exercised during the first three years after they are awarded.</li> </ul>		
3.1.3	<p>Remuneration – executive committee (best practice)</p> <p>If the management board has an executive committee, the management board should inform the supervisory board about the remuneration of the members of the executive committee who are not management board members. The management board should discuss this remuneration with the supervisory board annually.</p>	N/A	

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Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
3.2	<p>Determination of management board remuneration (principle)</p> <p>The supervisory board should determine the remuneration of the individual members of the management board, within the limits of the remuneration policy adopted by the general meeting. The remuneration committee should prepare the supervisory board's decision-making regarding the determination of remuneration. The inadequate performance of duties should not be rewarded.</p>	✓ Comply	Remuneration Policy, Remuneration Proposal according to the RC Charter Chapter 2.1
3.2.1	<p>Remuneration committee's proposal (best practice)</p> <p>The remuneration committee should submit a proposal to the supervisory board concerning the remuneration of individual members of the</p>	✓ Comply	RC Charter P. 3 art. 2.1 "The Remuneration Proposal to the Board"

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
	management board. The proposal is drawn up in accordance with the remuneration policy that has been established and will, in any event, cover the remuneration structure, the amount of the fixed and variable remuneration components, the performance criteria used, the scenario analyses that are conducted and the pay ratios within the company and its affiliated enterprise.		
3.2.2	<p>Management board members' views on their own remuneration (best practice)</p> <p>When drafting the proposal for the remuneration of management board members, the remuneration committee should take note of individual management board members' views with regard to the amount and structure of their own remuneration. The remuneration committee should ask the members of the management board to pay attention to the aspects referred to in best practice provision 3.1.2.</p>	✓ Comply	RC Charter p. 5 art. j
3.2.3	<p>Severance payments (best practice)</p> <p>The remuneration in the event of dismissal should not exceed one year's salary (the 'fixed' remuneration component). Severance pays will not be awarded if the agreement is terminated early at the initiative of the management board</p>	✓ Comply	RC Charter p. 5 art. K

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Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
	member, or in the event of seriously culpable or negligent behavior on the part of the management board member.		
3.3	<b>Remuneration – supervisory board (principle)</b> The supervisory board should submit a clear and understandable proposal for its own appropriate remuneration to the general meeting. The remuneration of supervisory board members should promote an adequate performance of their role and should not be dependent on the results of the company.	✓ Comply	RC Charter P. 3 art. 2.1 “The Remuneration Proposal to the Board”

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
3.3.1	Time spent and responsibility (best practice) The remuneration of the supervisory board members should reflect the time spent and the responsibilities of their role.	✓ Comply	AoA art. 35 Remuneration Policy; RC Charter p. 2 chapter 3 tasks and Responsibilities
3.3.2	Remuneration of supervisory board members (best practice) Supervisory board members must not be awarded remuneration in the form of shares and/or rights to shares.	✓ Comply	AoA art. 35 Remuneration Policy
3.3.3	Share ownership (best practice) Shares held by a supervisory board member in the company on whose supervisory board they serve should be long-term investments.	N/A	
3.4	Accountability for implementation of remuneration policy (principle) In the remuneration report, the supervisory board should render account of the implementation of the remuneration policy in a transparent manner. The report should be published on the company's website.	✓ Comply	See BoD report, annual report.

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Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
3.4.1	<p>Remuneration report (best practice)</p> <p>The remuneration committee should prepare the remuneration report. This report should in any event describe, in a transparent manner, in addition to the matters required by law:</p> <ul style="list-style-type: none"><li>i. how the remuneration policy has been implemented in the past financial year.</li><li>ii. How the implementation of the remuneration policy contributes to long-term value creation.</li><li>iii. that scenario analyses have been taken into consideration;</li></ul>	✓ Comply	RC Charter Chapter 2 Tasks and Responsibilities

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
	<ul style="list-style-type: none"> <li>iv. the pay ratios within the company and its affiliated enterprise and, if applicable, any changes in these ratios in comparison with the previous financial year;</li> <li>v. if a management board member receives variable remuneration, how this remuneration contributes to long-term value creation, the measurable performance criteria determined in advance upon which the variable remuneration depends, and the relationship between the remuneration and performance; and</li> <li>vi. if a current or former management board member receives a severance payment, the reason for this payment.</li> </ul>		
3.4.2	<p>Agreement of management board member (best practice)</p> <p>The main elements of the agreement of a management board member with the company should be published on the company's website in a transparent overview after the agreement has been concluded, and in any event no later than the date of the notice calling the general meeting where the appointment of the management board member will be proposed.</p>	✓ Comply	This is covered in Chapter D (Additional Details") of the Annual report, published on the website. The financial Statements are published in English, and the full report is published in Hebrew.
4	THE GENERAL MEETING		

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Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
4.1	<p>The general meeting (principle)</p> <p>The general meeting should be able to exert such influence on the policies of the management board and the supervisory board of the company that it plays a fully-fledged role in the system of checks and balances in the company. Good corporate governance requires the fully-fledged participation of shareholders in the decision-making in the general meeting.</p>	✓ Comply	

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
4.1.1	<p>Supervisory board supervision (best practice)</p> <p>The supervisory board's supervision of the management board should include the supervision of relations with shareholders.</p>	✓ Comply	Board Regulations p. 3 Background and Applicable Legislation
4.1.2	<p>Proper conduct of business at meetings (best practice)</p> <p>The chairman of the general meeting is responsible for ensuring the proper conduct of business at meetings to promote a meaningful discussion at the meeting.</p>	✓ Comply	

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
4.1.3	<p>Agenda (best practice)</p> <p>The agenda of the general meeting should list which items are up for discussion and which items are to be voted on. The following items should be dealt with as separate agenda items:</p> <ul style="list-style-type: none"> <li>i. material changes to the articles of association;</li> <li>ii. proposals relating to the appointment of management board and supervisory board members;</li> <li>iii. the policy of the company on additions to reserves and on dividends (the level and purpose of the addition to reserves, the amount of the dividend and the type of dividend);</li> <li>iv. any proposal to pay out dividend;</li> <li>v. resolutions to approve the management conducted by the management board (discharge of management board members from liability);</li> <li>vi. resolutions to approve the supervision exercised by the supervisory board (discharge of supervisory board members from liability);</li> </ul>	✓ Comply	<p>AoA article 26</p> <p>Board regulations</p> <p>p. 7 “The powers and duties of the Board of Directors areas” art. ix, xi, xiv, xv,</p> <p>p. 23 “Approval of resolutions of the Board of Directors”</p> <p>p. 26 General Meeting</p>

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
	<p>vii. any substantial change in the corporate governance structure of the company and in the compliance with this Code; and</p> <p>viii. the appointment of the external auditor.</p>		
4.1.4	<p>Proposal for approval or authorization (best practice)</p> <p>A proposal for approval or authorization by the general meeting should be explained in writing. In its explanation the management board should deal with all facts and circumstances relevant to the approval or authorization to be granted. The notes to the agenda should be posted on the company's website.</p>	✓ Comply	<p>Board regulations p. 7 "The powers and duties of the Board of Directors areas" art. ix, xi, xiv, xv, p. 23 "Approval of resolutions of the Board of Directors"</p> <p>p. 26 general Meeting</p>
4.1.5	<p>Shareholder's explanation when exercising the right to put items on the agenda (best practice)</p> <p>If a shareholder has arranged for an item to be put on the agenda, he should explain this at the meeting and, if necessary, answer questions about it.</p>	✓ Comply	Articles of Association Article 24

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Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
4.1.6	<p>Placing of items on the agenda by shareholders (best practice)</p> <p>A shareholder should only exercise the right to put items on the agenda after having consulted with the management board on this. If one or more shareholders intend to request that an item be put on the agenda that may result in a change in the company's strategy, for example as a result of the dismissal of one or several management board or supervisory board members, the management board should be given the opportunity to stipulate a reasonable period in which to respond (the response time). The opportunity to stipulate the response time should also apply to an intention as referred to above for judicial leave to call a general meeting pursuant to Article 2:110 of the Dutch Civil Code. The relevant shareholder should respect the response time stipulated by the management board, within the meaning of best practice provision 4.1.7.</p>	✓ Comply	Article 24 and Article 26.3 to AoA

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
4.1.7	<p>Stipulation of the response time (best practice)</p> <p>If the management board stipulates a response time, this should be a reasonable period that does not exceed 180 days from the moment the management board is informed by one or more shareholders of their intention to put an item on the agenda to the day of the general meeting at which the item is to be dealt with. The management board should use the response time for further deliberation and constructive consultation, in any event with the relevant shareholder(s) and should explore the alternatives. At the end of the response time, the management board should report on this consultation and the exploration to the general meeting. This should be monitored by the supervisory board.</p> <p>The response time may be stipulated only once for any given general meeting and should not apply to an item in respect of which a response time or a statutory reflection period as referred to in Article 2:114b of the Dutch Civil Code has already been stipulated, or to meetings where a shareholder holds at least three-quarters of the issued capital as a consequence of a successful public bid.</p>	✓ Comply	

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Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
4.1.8	Attendance of members nominated for the management board or supervisory board (best practice) Management board and supervisory board members nominated for appointment should attend the general meeting at which votes will be cast on their nomination.	✓ Comply	
4.1.9	External auditor's attendance (best practice) The external auditor may be questioned by the general meeting in relation to his report on the fairness of the financial statements. The external auditor should attend and be entitled to address the meeting for this purpose.	✓ comply	AoA p. 54

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
4.1.10	<p>General meeting's report (best practice)</p> <p>The report of the general meeting should be made available, on request, to the shareholders no later than three months after the end of the meeting, after which shareholders should have the opportunity to react to the report in the following three months. The report should then be adopted in the manner provided for in the articles of association.</p>	✓ Comply	AoA Art. 27, reporting is a requirement by Israeli Securities Law and regulations
4.2	<p>Provision of information (principle)</p> <p>The management board and the supervisory board should ensure that the general meeting is adequately provided with information.</p>	✓ Comply	Board Regulations p. 26 'general Meeting'.
4.2.1	<p>Substantiation of invocation of overriding interest (best practice)</p> <p>If the management board and the supervisory board do not provide the general meeting with all information desired with the invocation of an overriding interest on the part of the company, they must give reasons for this.</p>	✓ Comply	Board Regulations p. 26 'general Meeting'.
4.2.2	<p>Policy on bilateral contacts with shareholders (best practice)</p> <p>The company should formulate an outline policy on bilateral contacts with the shareholders and should post this policy on its website. Shareholders and the company should be prepared to enter into a dialogue, where appropriate and at their own</p>	Deviate	This is not deemed necessary due to frequent, steady bilateral contact with shareholders and the market.

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Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
	<p>discretion. The company is expected to facilitate the dialogue unless, in the opinion of the management board, this is not in the interests of the company and its affiliated enterprise. Shareholders are expected to be prepared to enter into a constructive dialogue with the company. If a shareholder enters into a dialogue with the company outside the context of a general meeting, the shareholder shall disclose his full share position (long and short and through derivatives) at the request of the company.</p>		
4.2.3	<p>Meetings and presentations (best practice)</p> <p>Analyst meetings, analyst presentations, presentations to institutional or other investors and press conferences should be announced in advance on the company's website and by means of press releases. Analysts' meetings and presentations to investors should not take place shortly before the publication of the regular financial information. All shareholders should be able to follow these meetings and presentations in real time, by means of webcasting, telephone or otherwise. After the meetings, the presentations should be posted on the company's website.</p>	<p><input type="checkbox"/></p> <p>✓ comply</p> <p><input type="checkbox"/></p>	<p>Presentations are posted on TASE website before the meetings ]</p>

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
4.2.4	<p>Posting information in a separate section of the website (best practice)</p> <p>The company should post and update information which is relevant to the shareholders and which it is required to publish or submit pursuant to the provisions of company law and securities law applicable to it in a separate section of the company's website.</p>	✓ Comply	See under 'Investor Relations' on the website.
4.2.5	<p>Management board contacts with press and analysts (best practice) The contacts between the management board on the one hand and the press and financial analysts on the other should be managed and structured carefully and with due observance of the applicable laws and regulations. The company should not do anything that might compromise the independence of analysts in relation to the company and vice versa.</p>	✓ Comply	
4.2.6	<p>Outline of anti-takeover measures (best practice)</p> <p>The management board should outline all existing or potential anti- takeover measures in the management report and should also indicate in what circumstances and by whom these measures may be used.</p>	N/A	

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Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
4.3	<p>Casting votes (principle)</p> <p>Participation of as many shareholders as possible in the general meeting's decision-making is in the interest of the company's checks and balances. The company should, as far as possible, give shareholders the opportunity to vote by proxy and to communicate with all other shareholders.</p>	✓ Comply	Art. 28.7 of AoA
4.3.1	<p>Voting as deemed fit (best practice)</p> <p>shareholders, including institutional investors (pension funds, insurance companies, investment institutions and asset managers), should exercise their voting rights on an informed basis and as they deem fit. Institutional investors that use the services of proxy advisors (i) should encourage those proxy advisors to be prepared to enter into a dialogue with the company regarding their voting policy, voting guidelines and voting recommendations, and (ii) ensure that their votes are cast in line with their own voting policy</p>	N/A	

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
4.3.2	<p>Providing voting proxies or voting instructions (best practice)</p> <p>The company should give shareholders and other persons entitled to vote the possibility of issuing voting proxies or voting instructions, to an independent third party prior to the general meeting.</p>	✓ Comply	Art. 29 of AoA p.
4.3.3	<p>Cancelling the binding nature of a nomination or dismissal (best practice)</p> <p>The general meeting of shareholders of a company not having statutory two-tier status (<i>structuurregime</i>) may adopt a resolution to cancel the binding nature of a nomination for the appointment of a member of the management board or of the supervisory board and/or a resolution to dismiss a member of the management board or of the supervisory board by an absolute majority of the votes cast. It may be provided that this majority should represent a given proportion of the issued capital, which proportion must not be set higher than one-third. If this proportion of the capital is not represented at the meeting, but an absolute majority of the votes cast is in favor of a resolution to cancel the binding nature of a nomination, or to dismiss a board member, a new meeting may be convened at which the resolution may be passed by an absolute majority of the votes</p>	✓ Comply	AoA, art. 12.6

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Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
	cast, regardless of the proportion of the capital represented at the meeting.		
4.3.4	Voting right on financing preference shares (best practice) The voting right attaching to financing preference shares should be based on the fair value of the capital contribution.	N/A	Not applicable, there are no preference shares.
4.3.5	Publication of institutional investors' voting policy (best practice) Institutional investors should implement principle 4.4 when drawing up their engagement policy. Institutional investors should publish their engagement policy on their website.	N/A	

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
4.3.6	<p>Report on the implementation of institutional investors' voting policy (best practice)</p> <p>Institutional investors should report annually on their website on how they implemented their engagement policy. The report should provide in any case a general description on their voting behavior as well as an explanation of the most significant votes and the use of the services of proxy advisors. "Most significant votes" should be understood in any event to mean:</p> <ul style="list-style-type: none"> <li>i. votes on matters that have received substantive media attention or votes on items that are regarded by institutional investors as a priority in of the run-up to the general meeting season;</li> <li>ii. votes on a resolution on the agenda of a general meeting (a) that are of strategic importance, or (b) where the institutional investor disagrees with the resolution of the company's management board; or</li> <li>iii. votes in general meetings of companies in which the institutional investor has a large holding compared to the institutional investor's holding in other investee companies.</li> </ul>	N/A	

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Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
	<p>In addition, institutional investors should report on their website at least once per quarter on whether and, if so, how they have voted as shareholders for each company and voting item. In the report, institutional investors should disclose the key points of the dialogues they have conducted with companies. If an institutional investor votes against a resolution of the management board or abstains from voting on a resolution of the management board, the institutional investor should explain the reasons for its voting behaviour to the management board either pro-actively or at the company's request..</p>		
4.3.7	<p>Abstaining from voting in the event of a larger short position than long position. Shareholders will abstain from voting if their short position in the company is larger than their long position.</p>	N/A	

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Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
4.3.8	<p>Share lending</p> <p>Shareholders should recall their lent shares before the voting record date for a general meeting of the company if the agenda for that meeting includes one or more significant matters. The shareholder should determine what is regarded as a significant matter, but this will include, in any event, resolutions on the agenda of a general meeting:</p> <ul style="list-style-type: none"><li>i. that is of strategic importance;</li><li>ii. where the shareholder disagrees with the resolution of the management board.</li></ul>	N/A	
4.4	<p>Recognizing the importance of company strategy</p> <p>Shareholders, including institutional investors, recognize the importance of a strategy focused on sustainable long-term value creation for the company and its affiliated enterprise.</p>	N/A	

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Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
4.5	<p>Issuing depositary receipts for shares</p> <p>Depositary receipts for shares can be a means of preventing a majority (including a chance majority) of shareholders from controlling the decision-making process as a result of absenteeism at a general meeting. Depositary receipts for shares should not be issued as an anti-takeover protective measure. The board of the trust office should issue voting proxies under all circumstances and without limitations to all depositary receipt holders who request this. The holders of depositary receipts so authorized can exercise the voting right at their discretion. The board of the trust office should have the confidence of the holders of depositary receipts. Depositary receipt holders should have the possibility of recommending candidates for the board of the trust office. The company should not disclose to the trust office information which has not been made public.</p>	N/A	

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
4.5.1	<p>Trust office board</p> <p>The board of the trust office should have the confidence of the holders of depositary receipts and operate independently of the company that has issued the depositary receipts. The trust conditions should specify in what cases and subject to what conditions holders of depositary receipts may request the trust office to call a meeting of holders of depositary receipts</p>	N/A	
4.5.2	<p>Appointment of board members</p> <p>The board members of the trust office should be appointed by the board of the trust office, after the vacancy has been announced on the website of the trust office. The meeting of holders of depositary receipts may make recommendations to the board of the trust office for the appointment of persons to the position of board member. No management board members or former management board members, supervisory board members or former supervisory board members, employees or permanent advisors of the company should be a member of the board of the</p>	N/A	

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Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
	trust office.		
4.5.3	<p>Board appointment period</p> <p>A person may be appointed to the board of the trust office for a maximum of two four-year terms, followed by a maximum of two two-year terms. In the event of a reappointment after an eight-year period, reasons should be given in the report of the board of the trust office.</p>	N/A	
4.5.4	<p>Attendance of the general meeting</p> <p>The board of the trust office should attend the general meeting and should, if desired, make a statement about how it proposes to vote at the meeting.</p>	N/A	

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
4.5.5	<p>Exercise of voting rights</p> <p>In exercising its voting rights, the trust office should be guided primarily by the interests of the depositary receipt holders, taking the interests of the company and the enterprise affiliated with it into account.</p>	N/A	
4.5.6	<p>Periodic reports</p> <p>i. The trust office should report periodically, but at least once per year, on its activities. The report should be posted on the company's website</p>	N/A	
4.5.7	<p>Contents of the reports</p> <p>The report referred to in best practice provision 4.5.6 should in any event set out:</p> <p>i. the number of shares for which depositary receipts have been issued and an explanation of changes to this number;</p> <p>ii. the work carried out in the financial year;</p> <p>iii. the voting behaviour in the general meetings held in the financial year;</p> <p>iv. the percentage of votes represented by the trust office</p>	N/A	

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Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
	<p>during the meetings referred to in section iii;</p> <p>v. the remuneration of the members of the board of the trust office;</p> <p>vi. the number of meetings held by the board and the main items dealt with in them;</p> <p>vii. the costs of the activities of the trust office;</p> <p>viii. any external advice obtained by the trust office;</p> <p>ix. the positions or ancillary positions held by the board members of the trust office; and</p> <p>x. the contact details of the trust office.</p>		

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
4.5.8	<p>Voting proxies</p> <p>The board of the trust office should issue voting proxies under all circumstances and without limitations to all depositary receipt holders who request this. Each depositary receipt holder may also issue binding voting instructions to the trust office in respect of the shares which the trust office holds on his behalf.</p>		
5	<b>ONE-TIER GOVERNANCE STRUCTURE</b>		
5.1	<p>One-tier governance structure (principle)</p> <p>The composition and functioning of a board of directors comprising both executive and non-executive directors must be such that the supervision by non-executive directors can be properly carried out and independent supervision is assured.,</p>	✓ Comply	Board regulations p.2 Background and Applicable Legislation
5.1.1	<p>Composition of the management board (best practice)</p> <p>The majority of the board of directors is made up of non-executive directors. The requirements for independence stipulated in best practice provisions 2.1.7 and 2.1.8 apply to the non-executive directors.</p>	✓ Comply	<p>Board regulations p.3 Background and Applicable Legislation;</p> <p>Definitions ‘Board’, ‘management Board’, “Non-Executive Director”, “External Director”, “Non-External Director”, "Independent Director".</p> <p>P. 14 composition of the Board</p>

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Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
5.1.2	<p>Chairman of the management board (best practice)</p> <p>The chairman of the board of directors chairs the meetings of the board. The chairman of the board of directors should ensure that the board collectively and its committees have a balanced composition and function properly.</p>	✓ Comply	Board Regulations p. 20 The Chairperson
5.1.3	<p>Independence of the chairman of the board of directors (best practice)</p> <p>The chairman of the board of directors should not be an executive director or former executive director of the company and should be independent within the meaning of best practice provision 2.1.8.</p>	✓ Comply	Board Regulations p. 20 The Chairperson
5.1.4	<p>Composition of committees (best practice)</p> <p>The committees referred to in best practice provision 2.3.2 should comprise exclusively of non-executive directors. Neither the AC nor the remuneration committee can be chaired by the chairman of the board of directors or by a former executive director of the company.</p>	✓ Comply	Board Regulations p. 26 The Board Committees

Ref	Principle or best practice	Comply, deviate or non-applicable	Explanation of compliance, deviation or non-applicability
		N/A	
5.1.5	<p>Accountability for supervision by non-executive directors (best practice)</p> <p>The non-executive directors render account of the supervision exercised in the past financial year. They should, as a minimum, report on the items referred to in best practice provisions 1.1.3, 2.1.2, 2.1.10, 2.2.8, 2.3.5 and 2.4.4 and, if applicable, the items referred to in best practice provisions 1.3.6 and 2.2.2.</p>	✓ Comply	Board Regulations p. 6 The powers and duties of the Board of Directors; p. 8 Tasks of Non-Executive Directors and Executive Directors