G CITY EUROPE LIMITED
(formerly “Atrium European Real Estate Limited”)

ANNUAL FINANCIAL STATEMENTS 2022

CONTENTS

DIRECTORS' REPORT

The Directors submit their report and the audited consolidated financial statements of G City Europe Limited ("G City Europe" or "the Company", formerly "Atrium European Real Estate Limited") and its subsidiaries (together with G City Europe, the "Group") for the year ended 31 December 2022.

INCORPORATION

G City Europe was incorporated in Jersey, Channel Islands, on 8 December 1997.

PRINCIPAL ACTIVITIES

The principal activity of the Group is the ownership, redevelopment and operation of community shopping centres and residential for rent properties in Central Europe. The Group operates mainly in Poland, the Czech Republic and Russia.

RESULTS

KEY PERFORMANCE INDICATORS

KEY FIGURES OF THE GROUP	Unit[1]	2022	2021	Change %/ppt
OPERATIONAL FIGURES				
Cash net rental income - excl. straight line	€'000	147.052	129.311	13,7 %
Net rental income	€'000	135.464	135.809	(0,3)%
Like-for-like net rental income - excl. straight line	€'000	108.809	89.399	21,7 %
Operating margin	%	92,4	95,0	(2,6)%
EBITDA	€'000	113.957	116.565	(2,2)%
Adjusted EBITDA - excl. straight line	€'000	125.544	110.067	14,1 %
Company adjusted EPRA earnings	€'000	52.047	57.750	(9,9)%
FINANCIAL FIGURES				
Profit after taxation for the year	€'000	7.180	87.115	
Cash and cash equivalents	€'000	201.147	500.375	(59,8)%
Net cash generated from operating activities	€'000	62.048	69.853	(11,2)%
Total assets	€'000	2.933.264	3.392.798	(13,5)%
Equity	€'000	1.397.268	1.923.048	(27,3)%
Borrowings	€'000	1.328.146	1.232.389	7,8 %
LTV (net)	%	43,8	26,1	17,7 %
PORTFOLIO FIGURES				
Number of standing investment assets	Number	22	26	
Standing investments at fair value	€'000	2.070.086	2.523.443	(18,0)%
Standing investments held for sale	€'000	166.070	-	
Occupancy rate	%	93,2	93,9	(0,7)%
Redevelopments at fair value	€'000	176.729	93.863	88,3 %
Land at fair value	€'000	149.925	150.520	(0,4)%
Revaluation of standing investments	€'000	(35.755)	49.021	
Revaluation of redevelopments and land	€'000	(1.264)	2.733	

The key performance indicators include a 75% stake in assets held in Joint Ventures

SPECIAL DIVIDEND

In October 2021, the independent committee of the Board of Directors of the Company and Gazit Hercules 2020 (Newco), an indirect wholly-owned subsidiary of G City Limited (formerly "Gazit Globe Limited"), had reached an agreement on the terms and conditions for the acquisition for cash at a price of €3.63 per G City Europe share (the "Offer Price"), including a payment in the amount of €3.03 per share in cash (the "Cash Offer Price") and €0.60 per share by way of a cash dividend paid by the Company as a capital repayment (the "Special Dividend"). The Special Dividend in the amount of €240.3 million was paid on 4 February 2022 - See note 1.4

On 8 February 2022 the Q4 2021 AFFO (adjusted EPRA earnings less recurring capex) of €0.036 per share, which amounted to €14.4 million was paid as capital repayment to G City Europe shareholders.

On 23 February 2022 the Pro Rata Q1 2022 AFFO Dividend of €0.019 per share which amounted to €1.9 million was paid as capital repayment to G City Europe shareholders, with the exception of G City.

STRATEGIC AND OPERATION RISK FACTORS

FAIR VALUE OF PROPERTIES

The fair value of the Group's Investment properties is inherently uncertain due to the individual nature of each property and the characteristics of the local, regional and national real estate markets. Less certainty and a higher degree of caution, should be attached to the valuation than would normally be the case.

DEVELOPMENT RISK

Since 2015, G City Europe has focused on the redevelopment and extension of the Group’s existing properties. The Group has also embarked on developments in growing its residential for rent portfolio and re-positioning of the retail portfolio to prime assets in Central Europe capital cities.

The construction and redevelopment of properties is subject to a risk of defective construction, corrective or other works and associated adverse publicity, cost overruns, commercial related risks (lack of demand for new or redeveloped space or tenants wanting to step-out of projects), delays in construction work or other unforeseen delays and planning, permitting, zoning, procedural and compliance risks. Any of the above could have a material adverse effect on how the Group's business, properties and projects are perceived by target tenants that impact on the Group’s profitability from budget overruns and ability to market and lease its properties in the future.

The Group has commissioned the construction of some of the properties that it owns. As the owner and developer, the Group is liable for possible defects found in such properties as well as other direct or indirect damage relating to such properties. Potential damage related to construction may affect the fair value of these properties. Consequent liabilities and budget overruns may affect the profitability of the Group’s business. The occurrence of any of the foregoing factors may have a material adverse effect on the business, net assets, cash flows, financial condition, prospects, results of operations and net profits.

E-COMMERCE

The Group has a majority of food and fashion anchored shopping centres and retail properties that meet the everyday needs of consumers.

The growth of online sales may affect consumers’ behaviour, demand for commercial retail premises, decrease in footfall and may also lead to higher investment needs and higher pressure on margins. Shopping centres are constantly adapting their services and tenant offerings to meet changing consumer behaviour and demand to continue to attract customers, which could have a material adverse effect on the Group’s business, financial conditon, prospects and results of operations.

The Group aims to adapt its operations to the effects of increasing online retail by focusing on prime urban locations, in growing demographics which are more resilient to internet penetration. However, there can be no certainty as to the successful implementation of the strategy nor that the strategy will work which could result in lower cash flows and valuations.

RISK RELATED TO EMERGING AND DEVELOPING MARKETS

The Group operates in emerging and developing markets. The Group's operations in those markets are exposed to higher risks compared with operations in more developed markets; including legal, economic and political risks to which the operations in these countries are exposed. Our markets are vulnerable to geopolitical risks arising from conflicts between or within states with significant potential consequences for the political, economic and social status quo of the Group's markets. Changes in economic and political situations in one emerging or developing market country may have a negative related or unrelated consequential impact on the economic and political and situation in other emerging or developing market countries. Recent conflict between Russia and Ukraine could lead to further sanctions and jeopardize the recovery of the CEE economy.

The Group aims to mitigate the above risks by having experienced local management teams in the different countries in which it operates.

CYBER RISK

The IT risks faced by the Group include cyber security crime, potential loss of relevant and sensitive data and unauthorised access to or manipulation of confidential information. This may also affect the Group's ability to report promptly or accurately, cause interruption in collection and or payments, loss of income and also result in damage to its reputation.

The risk is partially mitigated by the Group wide IT controls with a strong emphasis on access security, backup and recovery procedures, accompanied by cyber insurance policy. In addition, the Group proactively manages this risk by way of an active action plan, including enhancing awareness of employees, encouraging responsible behaviour across the organisation and keeping systems and IT knowledge up-to-date.

RETAIL/LETTING RISK

Market consolidation of retailers may pose a risk to the Group as tenants may appeal rental levels or even exit the market thus weakening our profitability. In addition, bankruptcy of retailers could result in the risk of defaults on payment, which in turn could impact the cashflows of the Group.

The Group takes an active approach to managing these risks by detailed analysis of turnover across its tenant base and employing experienced local management teams in the different countries in which the Group operates, while making use of external local experts and specialists. In addition, our strategy of focusing the Group's portfolio on high quality assets in strong, attractive urban locations and investing in improving our assets reduces the risk further.

COMPETITORS

The Group faces competition from other owners, operators and developers. One of the primary areas of focus for the Group is the active management of its Standing Investments through optimising its tenant mix and ensuring asset attractiveness is achieved and improved by finding the right balance between retaining existing tenants and re-letting rental space to new tenants. The Group competes with local real estate developers, private investors, property funds and other retail property owners for tenants. Other than the requirements for capital, there are few other barriers to entry to the property market.

The dominance of a shopping centre in a particular area is an important factor that determines the shopping centre's ability to compete for tenants. The Group remains focused on prime dominant shopping centres in capital cities.

The Group mitigates this risk by employing experienced local management teams in the different countries in which the Group operates; adopting a proactive asset management approach and strict due diligence processes prior to the acquisitions of new assets.

CONCENTRATION

The Group's portfolio is concentrated and mostly consists of retail properties of which 89% by fair value are located in Poland and the Czech Republic. The Group's portfolio is exposed to concentration risks due to its focus on retail real estate and on certain countries and cities (e.g. Warsaw in Poland and Prague in the Czech Republic). The performance of the real estate portfolio of the Group may be disproportionately impacted by events or market developments occurring in specific regions of the portfolio or by developments that affect certain types of commercial or residential real estate. The Group's high level of concentration in retail properties and its dependency on the Polish and Czech Republic's markets may have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

The Group mitigates this risk by investing in high quality assets in urban locations with a demographic growth located in the strong economies of Poland and the Czech Republic and have favourable labour market and strong GDP growth.

REGULATORY/COMPLIANCE RISK

Compliance risk is related to the application of existing legislation and new legislation. Significant changes can affect the business operations and there could be a risk that the Group does not meet one or more of the requirements.

The Group mitigates this risk by internal procedures aimed at keeping knowledge of laws and regulations up-to date.

ENVIRONMENTAL RISK

Risks associated with climate change and extreme weather including droughts, earthquakes and severe thunderstorms impact people and organizations worldwide. Higher temperatures can affect an ability to maintain a comfortable indoor environment and increase operational costs to keep the properties attractive to tenants and visitors. Energy transition to renewable sources, use of eco-friendly building materials in construction and legal regulations to reduce carbon emissions (EU Taxonomy) might have an adverse impact on profitability. In addition, financial institutions currently develop new Environmental, Social and Governance (ESG) frameworks to be met by the companies for future financing.

The Group has developed asset level action plans, as an integrated part of the annual budget and business plans, to monitor and manage the asset's environmental performance and create awareness among employees, tenants, suppliers, and contractors. The Group follows the energy optimization program introduced in 2021 through a set of short-, medium- and long-term energy reduction targets.

The Group uses BREEAM In-Use to understand the climate change risks impacting the assets portfolio and develop the sustainable management of its properties. Currently over 70% of the Group's portfolio value is certified. Under the Company's Green Finance Framework the Group raised a total amount of €650 million in 2021 to finance and refinance assets that are BREEAM certified.

FINANCIAL RISK FACTORS

For Financial risks including credit risk, liquidity risk, market risks and tax risks refer to note 1.34 on Risk Management included in the consolidated financial statements.

The Group continues with the retail asset rotation programme further concentrating on high quality properties in the capital cities of Warsaw and Prague. In addition, the Group strategy is to rotate from unsecured euro bonds market into asset secured long term loans.

GEOPOLITICAL RISK

Due to the Russia-Ukraine conflict and impact of sanctions, a high degree of judgment has been applied in determining the estimated cash flows used in the assessment of the fair value of investment properties in Russia. Consequently, a higher level of uncertainty exists in the valuations than would normally be the case. The fair values as determined by external, independent real estate valuation expert have used all available information from reliable sources in developing appropriate assumptions to determine the fair value of investment properties. The Group has performed a full external valuation of its income producing assets in Russia on 31 December 2022, which resulted in a net devaluation of €2.2 million. The valuations are therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty and a higher degree of caution were attached to the valuation of the Russian portfolio.

Russia's occuppancy as of 31 December 2022 and the collections for twelve months ended 31 December 2022 are not significantly impacted by the conflict. There is a risk of declining GDP, increased interest rates, devaluation of local currency and departure of international tenants that could adversely affect the Group performance in the country.

DIRECTORS

G City Europe’s Directors who served as of the date of approving these financial statements are listed on page 68.

COMPANY SECRETARY

Aztec Financial Services (Jersey) Limited (“Aztec”) is the Company Secretary of G City Europe. G City Europe has concluded an agreement with Aztec for the provision of company secretarial and administration services.

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards. The Directors have decided to use International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union ("EU"). The Companies (Jersey) Law 1991 requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of G City Europe and of the profit or loss of G City Europe for that year. During the preparation of these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that G City Europe will continue as a going concern.

The directors confirm, that to the best of their knowledge, they have complied with all the above requirements in preparing the financial statements.

The Directors are responsible for the keeping of proper accounting records that disclose with reasonable accuracy the financial position of G City Europe at any time and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of G City Europe and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as the Directors are aware, there is no relevant audit information of which the Group's auditors are unaware, and each Director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

By order of the Board of Directors,

.... 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 December 2022 €'000	31 December 2022 €'000	31 December 2021 €'000	31 December 2021 €'000
ASSETS					
Standing investments	1.5	1.886.786		2.340.068	
Redevelopments and land	1.6	326.654		244.383	
Property and equipment		1.361		679	
Intangible assets		5.380		7.135	
Equity-accounted investment in joint ventures	1.7	187.230		192.773	
Derivatives	1.16	27.338		11.847	
Deferred tax assets	1.17	-		1.482	
Financial assets at amortised cost	1.8	30.682		19.760	
Other Long term assets	1.9	26.566		36.689	
Non-current assets			**2.491.997**		**2.842.969**
Receivables from tenants	1.10	10.897		19.472	
Other receivables	1.11	20.404		20.321	
Financial assets at amortised cost	1.8	27.624		558	
Financial assets at FVOCI	1.12	11.143		9.103	
Asset held for sale	1.13	170.052		-	
Cash and cash equivalents		201.147		500.375	
Current assets			**441.267**		**549.829**
TOTAL ASSETS			**2.933.264**		**3.392.798**
EQUITY AND LIABILITIES					
Stated capital	1.14	1.311.062		1.885.713	
Capital reserves	1.14	11.253		(23.169)	
Retained deficit		(200.069)		(207.249)	
Currency translation reserve		(65.836)		(73.105)	
Hybrid bond reserve	1.14	340.858		340.858	
Equity			**1.397.268**		**1.923.048**
Long term borrowings	1.15	1.119.488		1.073.897	
Deferred tax liabilities	1.17	65.990		90.334	
Long term liabilities from leases	1.18	40.042		41.820	
Other long term liabilities	1.19	9.132		13.339	
Non-current liabilities			**1.234.652**		**1.231.237**
Trade and other payables	1.20	33.832		35.582	
Accrued expenditure	1.21	45.732		39.837	
Short term borrowings	1.15	208.658		158.492	
Income tax payable		164		1.486	
Provisions		3.418		3.116	
Liability held for sale	1.13	9.540		-	
Current liabilities			**301.344**		**238.513**
Total equity and liabilities			**2.933.264**		**3.392.798**

The financial statemements were approved and authorised for issue by the Board of Directors on 22 March 2023 and were duly signed on the Board's behalf by Chaim Katzman, Chairman of the Board, and Ryan Lee, Group Chief Executive Officer.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		2022		2021	
	Note	€'000	€'000	€'000	€'000
Gross rental income	1.22	136.953		133.880	
Service charge income	1.23	56.966		50.143	
Property expenses	1.24	(67.100)		(56.773)	
Net rental income			**126.819**		**127.250**
Revaluation of standing investments, net	1.5	(34.434)		45.140	
Revaluation of redevelopments and land, net	1.6	(1.264)		2.733	
Depreciation, amortisation and impairments		(2.852)		(3.641)	
Administrative expenses	1.25	(30.743)		(31.471)	
Share of profit of equity-accounted investment	1.7	7.023		12.323	
Net result on disposals	1.26	(6.518)		(600)	
Costs connected with developments		(732)		(668)	
Net operating profit			**57.299**		**151.066**
Interest income	1.27	2.828		976	
Interest expense	1.27	(43.211)		(40.000)	
Foreign currency differences		(3.259)		735	
Other financial expense, net	1.28	(6.337)		(8.363)	
Profit before taxation			**7.320**		104.414
(Charge)/benefit for the year	1.29	(140)		(17.299)	
Net profit for the year			**7.180**		**87.115**

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

		2022		2021	
	Note	€'000	€'000	€'000	€'000
Net profit for the year		**7.180**		**87.115**	
Items that will not be reclassified to the statement of profit or loss:					
Movement in financial assets at FVOCI reserve		2.087		550	
Items that may be reclassified to the statement of profit or loss:					
Movement in hedging reserves (net of deferred tax)		32.334		9.424	
Amounts reclassified to profit or loss in respect of exchange differences on translation of foreign operations disposed during the year		7.445		-	
Exchange differences arising on translation of foreign operations		(176)	-	-	-
Total comprehensive income for the year			**48.870**		**97.089**

CONSOLIDATED CASH FLOW STATEMENT

	2022 €'000	2021 €'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	7.320	104.414
Adjustments for:		
Revaluation of standing investments, net	34.434	(45.140)
Revaluation of redevelopments and land, net	1.264	(2.733)
Depreciation, amortisation and impairments	2.852	3.641
Dividends from listed equity securities	(675)	(264)
Other income	-	(1.671)
Foreign exchange (profit)/loss, net	3.259	(735)
Change in legal provisions, net of amounts paid	528	(1.215)
Share based payment expenses	-	4.463
Share of profit of equity-accounted investments in joint ventures	(7.023)	(12.323)
Net result on disposals	6.518	600
Lease interest expense	3.286	3.250
Net loss from bonds buy back and early repayments of loans	-	3.401
Other financial expense	2.838	-
Interest income	(2.828)	(976)
Interest expense	43.211	40.000
Operating cash flows before working capital changes	**94.984**	**94.712**
Decrease in trade and other receivables and prepayments net	6.814	4.254
(Decrease)/increase in trade and other payables and accrued expenditure net	(7.352)	10.313
Cash generated from operations	**94.446**	**109.279**
Interest paid	(43.794)	(39.357)
Interest received	2.675	946
Dividends received (mainly dividends from Joint Ventures)	13.247	6.210
Corporate taxes paid, net	(4.526)	(7.225)
Net cash generated from operating activities	**62.048**	**69.853**
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments related to investment properties and other assets	(86.315)	(38.090)
Proceeds from the disposal of investment properties	246.919	14.555
Repayment of loans provided	3.560	270
Loans provided to a third party	(35.127)	-
Net cash generated from/(used in) investing activities	**129.037**	**(23.265)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Reduction of capital	(305.378)	-
Repayment of long term borrowings	(418.457)	(85.532)
Receipt of long term borrowings	304.678	292.200
Proceeds from Hybrid bonds issuance	-	340.858
Utilisation (repayment) of a revolving credit facility, net	205.000	(87.090)
Repayments of leases	(694)	(1.136)
Dividends paid	(256.658)	(53.998)
Hybrid Bonds interest paid	(12.697)	(6.360)
Net cash (used in)/generated from financing activities	**(484.206)**	**398.942**
Net (decrease)/increase in cash and cash equivalents	**(293.121)**	**445.530**
Cash and cash equivalents at beginning of the year	**500.375**	**55.221**
Cash and cash equivalents held for sale	(1.946)	(376)
Effect of exchange rate fluctuations on cash held	(4.161)	-
Cash and cash equivalents at end of the year	**201.147**	**500.375**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Stated capital €'000	Hedging reserve €'000	Financial assets at FVOCI reserve €'000	Retained earnings €'000	Currency translation reserve €'000	Equity attributable to the owners of the Company €'000	Hybrid bonds reserve €'000	Total Shareholders Equity €'000
Balance at 1 January 2022		**1.885.713**	**(10.297)**	**(12.871)**	**(207.249)**	**(73.105)**	**1.582.190**	**340.858**	**1.923.048**
Net profit for the year		-	-	-	7.180	-	7.180	-	7.180
Other comprehensive income for the year		-	32.334	2.087	-	7.269	41.690	-	41.690
Total comprehensive income for the year		**-**	**32.334**	**2.087**	**7.180**	**7.269**	**48.870**	**-**	**48.870**
Transactions with owners									
Issue of shares	1.14	75	-	-	-	-	75	-	75
Dividends distribution	1.14	(256.651)	-	-	-	-	(256.651)	-	(256.651)
Capital repayment	1.14	(305.378)	-	-	-	-	(305.378)	-	(305.378)
Hybrid bonds interest distribution	1.14	(12.697)	-	-	-	-	(12.697)	-	(12.697)
Balance at 31 December 2022		**1.311.062**	**22.037**	**(10.784)**	**(200.069)**	**(65.836)**	**1.056.410**	**340.858**	**1.397.268**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Stated capital €'000	Share based payment reserve €'000	Hedging reserve €'000	Financial assets at FVOCI reserve €'000	Retained earnings €'000	Currency translation reserve €'000	Equity attributable to the owners of the Company €'000	Hybrid bonds reserve €'000	Total Shareholders Equity €'000
Balance at 1 January 2021		**1.944.947**	**1.564**	**(19.721)**	**(13.421)**	**(294.364)**	**(73.105)**	**1.545.900**	**-**	**1.545.900**
Net profit for the year		-	-	-	-	87.115	-	87.115	-	87.115
Other comprehensive income for the year		-	-	9.424	550	-	-	9.974	-	9.974
Total comprehensive income for the year		**-**	**-**	**9.424**	**550**	**87.115**	**-**	**97.089**	**-**	**97.089**
Transactions with owners										
Share based payment	1.14	-	1.732	-	-	-	-	1.732	-	1.732
Hybrid bonds interest distribution	1.15	(6.360)	-	-	-	-	-	(6.360)	-	(6.360)
Issue of shares	1.14	1.124	(747)	-	-	-	-	377	-	377
Dividends distribution	1.14	(80.132)	-	-	-	-	-	(80.132)	-	(80.132)
Scrip dividend	1.14	26.134	-	-	-	-	-	26.134	-	26.134
Reclassification of a share based payment to a cash settlement		-	(2.550)	-	-	-	-	(2.550)	-	(2.550)
Net proceeds from Hybrid bonds issuance	1.15	-	-	-	-	-	-	-	340.858	340.858
Balance at 31 December 2021		**1.885.713**	**-**	**(10.297)**	**(12.871)**	**(207.249)**	**(73.105)**	**1.582.190**	**340.858**	**1.923.048**

NOTES TO THE FINANCIAL STATEMENTS

1.1. REPORTING ENTITY

G City Europe Limited (the "Company", formerly "Atrium European Real Estate Limited") is a company incorporated in Jersey, and whose shares were publicly traded until 18 February 2022 on both the Vienna Stock Exchange and the Euronext Amsterdam Stock Exchange under the ticker ATRS. On 18 February 2022 the shares of the Company were de-listed, see Note 1.4 of the consolidated annual financial statements of the Group as at and for the year ended 31 December 2022. G City Europe Limited registered office is 11-15 Seaton Place, St. Helier, Jersey, Channel Islands and its business address is 79 Spyrou Kyprianou, MGO Protopapas, 3076 Limassol, Cyprus.

The consolidated financial statements of G City Europe as at and for the year ended 31 December 2022 comprise G City Europe and its subsidiaries, collectively the “Group”.

G City Europe is an owner, operator and redeveloper of shopping centres and residential for rent properties in Central Europe.

1.2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and endorsed by the European Union (“EU”).

The consolidated financial statements have been prepared on a historical cost basis, except for standing investments and redevelopments and land (“investment property”), derivative financial instruments, contingent considerations, and financial assets at fair value through Other Comprehensive Income (“OCI”) or through Profit and Loss ("PL") that have been measured at fair value. The consolidated financial statements are prepared on a going concern basis.

These financial statements are presented in Euros (“€”), which is considered by the Board of Directors to be the appropriate presentation currency due to the fact that the majority of the transactions of the Group are denominated in or based on this currency. All financial information is presented in Euros and all values are rounded to the nearest thousand (€’000), unless stated otherwise, except share and per share information.

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS EFFECTIVE, AND ENDORSED BY THE EU, AS OF 1 JANUARY 2022

Amendments to IFRS 3, IAS 16, IAS 37 and improvements to IFRS Standards 2018-2020

The International Accounting Standards Board (“IASB”) issued several amendments narrowing scope and clarifying requirements of the standards that do not have a material impact on the Group’s consolidated financial statements.

- Amendments to ***IFRS 3 Business Combinations*** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- Amendments to ***IAS 16 Property, Plant and Equipment*** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- Amendments to ***IAS 37 Provisions, Contingent Liabilities and Contingent Assets*** specify which costs a company includes when assessing whether a contract will be loss-making.
- Annual Improvements make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.

NEW STANDARDS, AMENDMENTS TO AND INTERPRETATIONS OF EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN ADOPTED BY THE GROUP EARLY

The following amendments are not expected to have a significant impact on the Group's consolidated financial statements.

- The IASB has made amendments to ***IFRS 3 Business Combinations*** to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. The October 2022 amendment clarified that loan covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. It also includes additional disclosures for the financial statements. These amendments should be applied for annual periods beginning on or after 1 January 2024. Earlier application is permitted.
- The IASB amended ***IAS 1 Presentation of Financial Statements*** requiring disclosing material rather than significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. Immaterial accounting policy information does not need to be disclosed. These amendments are effective for annual periods beginning on or after 1 January 2023 and are applied prospectively. Earlier application is permitted.
- Amendments to ***IAS 8 Accounting policies, Changes in Accounting Estimates and Errors*** clarifies a distinction between changes in accounting policies and changes in accounting estimates. The amendments become effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.
- The IASB amended ***IAS 12 Income taxes*** require entities to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. Deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities should be recognised at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

    - right-of-use assets and lease liabilities, and
    - decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of these adjustments should be recognised in retained earnings, or another component of equity. The amendments apply for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.

USE OF JUDGEMENTS AND ESTIMATES

The preparation of financial statements in conformity with IFRS requires the Board of Directors to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis when making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The following are critical judgements that management have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements:

Acquisition of subsidiaries - The Group acquires subsidiaries that own real estate. At the time of acquisition, a consideration is made whether each acquisition represents an acquisition of a business or an acquisition of an asset. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired together with the property. More specifically, the following criteria, which indicate an acquisition of a business, are considered: the number of properties acquired, the extent to which strategic management processes and operational processes are acquired and the complexity of the processes acquired. When the acquisition of a subsidiary does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognised.

Joint arrangements - The Group is an owner of 75% shares of an investment in one of its assets in Czech Republic. The Group has determined that it does not control the investee and the ownership is shared with the other 25% owner. The investment is a joint arrangement. The Group has (after considering the structure and form of the arrangement, the terms agreed by the parties in the contractual arrangement and the Group's rights and obligations arising from the arrangement) classified its interest as a joint venture. Consequently, it accounts for this investment using the equity method.

Determination of functional currency - The Group determines the Euro as the functional currency of the majority of operating entities within the Group. The Group considered all primary and secondary indicators and, as the indicators varied, the judgement was taken that the Euro is acceptable as the functional currency as it most faithfully represents the economic effects of the underlying transactions, events, and conditions.

KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions and key sources of estimation uncertainty at the end of the reporting period that have a significant effect on the amounts recognised in the financial statements:

Fair value measurements and valuation processes – investment property is presented at fair value in the statement of financial position. The majority of the fair values are determined by independent real estate valuation experts using recognised valuation techniques and the principles of IFRS 13 Fair Value Measurement. The Group categorises the standing investments and redevelopments and land fair value as Level 3 within the fair value hierarchy.

Deferred tax assets - Deferred tax assets are recognised for unused carry-forward tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against losses which can be utilised. Significant estimates are required to determine the amount of deferred tax assets that can be recognised on the basis of the likely timing and level of future taxable profits together with future tax planning strategies.

Lease concessions - From the onset of the COVID-19 pandemic in the first quarter of 2020, shopping centres faced government-imposed trading restrictions. Under IFRS 16, The Group treats rent concessions either as a result from negotiations or mandated by new legislation or regulations as lease modifications and consequently straight-line the concessions enforced or provided over the remaining lease term. The key source of estimation uncertainty includes the level of discounts and remaining lease term at the end of the reporting period.

Taxes - Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws and the amount and timing of future taxable income. Given the wide range of international business relationships, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to current tax and/or deferred tax income and expenses already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as the results of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile. The Group does not consider the potential for tax authorities to "detect" such potential tax issues, instead the Group assumes the relevant tax authorities will be fully knowledgeable of all relevant facts. For further information, see also Note 1.36.

1.3. SIGNIFICANT ACCOUNTING POLICIES

The Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

BASIS OF CONSOLIDATION

SUBSIDIARIES

The consolidated financial statements include the financial statements of the Company as well as the entities that are controlled, directly or indirectly, by the Company ("subsidiaries"). The Group controls an entity when the Group is exposed to, or has the rights to, variable returns from the involvement within the entity and has the ability to affect those returns through its power over the entity. When assessing control, the Group considers its potential voting rights as well as the potential voting rights held by other parties, to determine whether it has power. Those potential voting rights are considered only if the rights are substantive. The Group must have the practical ability to exercise those rights. The consolidation of the financial statements commences on the date on which control is obtained and ends on the date such control ceases. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Group.

For the purposes of the consolidation, all inter-company transactions, balances, income and expenses are eliminated. The subsidiaries comprising the Group have the same financial reporting period as the Company.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

LOSS OF CONTROL

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the consolidated statement of profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value as at the date the control is lost. Subsequently, that retained interest is accounted for using the equity method if significant influence is retained.

INVESTMENT PROPERTY ACQUISITIONS

Where investment property is acquired, via corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business. Where such acquisitions are not judged to be an acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity or assets and liabilities is allocated between the acquired identifiable assets and liabilities based on their relative fair values on the acquisition date without attributing any amount to goodwill or to deferred taxes. Non-controlling interests, if any, participate at their relative share of the fair value of the net identifiable assets on the acquisition date if the acquisitions qualifies as a business combination. Directly attributable costs are recognised as part of the acquisition cost of an asset.

EQUITY ACCOUNTED INVESTMENTS

The Group's current investments in joint ventures are accounted for using the equity method.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control for strategic financial and operating decisions.

The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

Under the equity method, investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of the net assets of the joint venture since the acquisition date.

The statement of profit or loss reflects the Group's share of the results of the operations of the joint ventures. Any change in Other Comprehensive Income of those investees is presented as part of the Group's Other Comprehensive Income. In addition, when there has been a change recognised directly in the equity of the joint ventures, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint ventures are eliminated to the extent of the interest in the joint ventures.

The financial statements of the joint ventures are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in joint ventures. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint ventures is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint ventures and its carrying value, and then recognises the loss as 'Share of profit (loss) of equity-accounted investments in joint ventures' in the Statement of Profit or Loss.

Upon loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

CONSOLIDATION GROUP

The Consolidated financial statements of the Group include the following subsidiaries[1] as at 31 December 2022:

Company name	Country	Ownership
G CITY EUROPE HOLDINGS LIMITED (FORMERLY "ATRIUM HOLDING 1 LIMITED")	Cyprus	100 %
ATRIUM FINANCE PLC (FORMERLY "ATRIUM FINANCE LIMITED")	Cyprus	100 %
G CITY EUROPE RESI LIMITED (FORMERLY "ATRIUM RESI LIMITED")	Cyprus	100 %
ATRIUM RETAIL LIMITED	Cyprus	100 %
MD CE HOLDING LIMITED	Cyprus	100 %
ATRIUM RUSSIA HOLDING 1 LIMITED[2]	Cyprus	100 %
ATRIUM RUSSIA HOLDING 2 LIMITED[2]	Cyprus	100 %
ATRIUM HOLDING 3 LIMITED[2]	Cyprus	100 %
ATRIUM HOLDING 4 LIMITED[2]	Cyprus	100 %
ATRIUM HOLDING 5 LIMITED[2]	Cyprus	100 %
ATRIUM HOLDING 6 LIMITED[2]	Cyprus	100 %
ATRIUM FLORA A.S.	Czech Republic	100 %
ATRIUM PALAC PARDUBICE S.R.O.	Czech Republic	100 %
ATRIUM PANKRAC S.R.O.	Czech Republic	100 %
ATRIUM CZECH REAL ESTATE MANAGEMENT S.R.O.	Czech Republic	100 %
ATRIUM GROUP SERVICES B.V.	Netherlands	100 %
ATRIUM RUSSIAN HOLDING 1 B.V.	Netherlands	100 %
ATRIUM RUSSIAN HOLDING 5 B.V.	Netherlands	100 %
ATRIUM RUSSIAN HOLDING 6 B.V.	Netherlands	100 %
ATRIUM FINANCE B.V.	Netherlands	100 %
ATRIUM FINANCE 2 B.V.	Netherlands	100 %
ATRIUM FINANCE ISSUER B.V.	Netherlands	100 %
ATRIUM BIALA SP. Z O.O.	Poland	100 %
ATRIUM BYDGOSZCZ SP. Z O.O.	Poland	100 %
ATRIUM DOMINIKANSKA SP. Z O.O.	Poland	100 %
ATRIUM KALISZ SP. Z O.O.	Poland	100 %
ATRIUM MOLO SP. Z O.O.	Poland	100 %
ATRIUM PLEJADA SP. Z O.O.	Poland	100 %
ATRIUM PLOCK SP. Z O.O.[2]	Poland	100 %
ATRIUM PROMENADA SP. Z O.O.	Poland	100 %
ATRIUM REDUTA SP. Z O.O.	Poland	100 %
ATRIUM RESIDENTIAL 1 SP. Z O.O.	Poland	100 %
ATRIUM RESIDENTIAL 2 SP. Z O.O.	Poland	100 %

Company name	Country	Ownership
ATRIUM RESIDENTIAL 3 SP. Z O.O.	Poland	100 %
ATRIUM RESIDENTIAL 4 SP. Z O.O.	Poland	100 %
ATRIUM RESIDENTIAL 5 SP. Z O.O.	Poland	100 %
ATRIUM RESIDENTIAL 6 SP. Z O.O.	Poland	100 %
ATRIUM RESIDENTIAL 7 SP. Z O.O.	Poland	100 %
ATRIUM RESIDENTIAL 8 SP. Z O.O.	Poland	100 %
ATRIUM RESIDENTIAL 9 SP. Z O.O.[2]	Poland	100 %
ATRIUM RESIDENTIAL 10 SP. Z O.O.[2]	Poland	100 %
ATRIUM RESIDENTIAL 11 SP. Z O.O.[2]	Poland	100 %
ATRIUM RESIDENTIAL 12 SP. Z O.O.[2]	Poland	100 %
ATRIUM RETAIL 1 SP. Z O.O.	Poland	100 %
ATRIUM RESIDENTIAL OSTROBRAMSKA SP. Z O.O.	Poland	100 %
ATRIUM TARGOWEK SP. Z O.O.	Poland	100 %
ATRIUM JASTRZEBIE SP. Z O.O.	Poland	100 %
ATRIUM KING CROSS SP. Z O.O.	Poland	100 %
ATRIUM POLAND 1 SP. Z O.O.	Poland	100 %
ATRIUM POLAND REAL ESTATE MANAGEMENT SP. Z O.O.	Poland	100 %
CENTRUM HANDLOWE NEPTUNCITY SP. Z O.O.	Poland	100 %
ATRIUM RELAX HERITAGE SP. Z O.O.	Poland	100 %
MANHATTAN DEVELOPMENT SP. Z O.O.	Poland	100 %
MD POLAND II SP. Z O.O.	Poland	100 %
PROJEKT ECHO-35 SP. Z O.O.	Poland	100 %
SANDROCK INVESTMENTS SP. Z O.O.	Poland	100 %
ATRIUM CHMIELNA SP. Z O.O.	Poland	100 %
PROPERTY DEVELOPMENT TWO SRL	Romania	100 %
OOO BUGRY	Russia	100 %
OOO BUGRY 1[2]	Russia	100 %
OOO EVEREST	Russia	100 %
OOO LAND DEVELOPMENT	Russia	100 %
OOO MANHATTAN BRATEEVO	Russia	100 %
OOO MANHATTAN DEVELOPMENT	Russia	100 %
OOO MANHATTAN REAL ESTATE MANAGEMENT	Russia	100 %
OOO MANHATTAN SIGNALNY	Russia	100 %
OOO MANHATTAN YEKATERINBURG	Russia	100 %
OOO MD TOGLIATTI	Russia	100 %
ATRIUM SLOVAKIA REAL ESTATE MANAGEMENT SK S.R.O.	Slovakia	100 %
MEL 1 GAYRIMENKUL GELISTIRME YATIRIM INSAAT VE TICARET A.S.	Turkey	100 %

1 Excluding inactive companies

2 New companies in 2022

The Board of Directors approved a business restructuring which involved the closure of the Group's office in Amsterdam with relocation of certain functions to Cyprus and Poland.

In July 2022 the Company transferred it's tax residency from Jersey to Cyprus.

FUNCTIONAL AND PRESENTATION CURRENCY

FOREIGN CURRENCY TRANSACTIONS

The Group’s consolidated financial statements are presented in Euro. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Various factors are assessed to identify the functional currency of the entities that form the Group. In particular, the currency that influences the price of rent income and services is considered. The significant majority of all lease contracts are denominated in the Euro regardless of the local jurisdiction. The valuation of investment properties is carried out in Euro. The Group is financing its assets in Euro. Therefore the Euro has a significant and pervasive impact on the subsidiaries and the Euro has been assessed as the functional currency of most of the entities that form the Group. The functional currency of the residential operations is Polish Zloty.

FOREIGN CURRENCY TRANSACTIONS AND BALANCES

Transactions in foreign currencies are translated to the respective functional currency of Group entities at the foreign exchange rate prevailing as at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies as at the reporting date are translated into the functional currency at the foreign exchange rate prevailing as at that date. Foreign currency exchange gains and losses resulting from the settlement of foreign currency transactions and balances and from the translation at year-end exchange rates are recognised in the consolidated statement of profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into the functional currency at the foreign exchange rates prevailing as at the dates the fair values are determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in Other Comprehensive Income or profit or loss are also recognised in Other Comprehensive Income or profit or loss, respectively).

FOREIGN OPERATIONS

On consolidation, the assets and liabilities of foreign operations are translated into Euro at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at the average foreign exchange rate. The exchange differences arising on translation for consolidation are recognised in Other Comprehensive Income.

On disposal of a foreign operation, the component of Other Comprehensive Income relating to that particular foreign operation is reclassified to profit or loss. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative foreign currency reserve is attributed to noncontrolling interest. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to the consolidated statement of profit or loss. If the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests. Exchange differences arising on items, which in substance form part of the net investment in a foreign entity, are also presented in the statement of comprehensive income and as a separate component of equity until the disposal of the net investment.

INVESTMENT PROPERTIES

The Group's investment properties comprise completed properties ("standing investments") and properties under construction or re-development and land ("redevelopments and land") that are held, or being constructed, to earn rental income or for capital appreciation, or both. Property held under a lease is classified as investment property when it is held, or being constructed, to earn rental income or for capital appreciation, or both.

Investment properties are initially measured at cost, including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating.

All costs directly associated with the development of a property and all subsequent capital expenditure that adds to or replaces part of the property are capitalised. Subsequent capital expenditures are capitalised to the property only if it is probable that the cash outflow will produce future economic benefits and the cost can be measured reliably. The standing investments day-to- day maintenance costs are expensed to the consolidated statement of profit or loss.

The Group capitalises borrowing costs if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use have started and expenditure and borrowing costs are incurred. Capitalisation of borrowing costs may continue until the assets are substantially ready for their intended use. Capitalisation ceases when the project has been completed or abandoned. The capitalisation rate is determined by reference to the actual rate payable on borrowings for the respective development or by the Group's average rate.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Any gain or loss arising from a change in the fair value of investment properties is recognised in the Group's consolidated profit or loss under the caption "Revaluation of standing investment, net" or "Revaluation of redevelopments and land, net".

Upon commencement of a re-development project, the unit is transferred from standing investments to development and land. Upon substantive completion of the re-development project, the unit is transferred back to standing investments. The development's cost shall be its fair value at the date of transfer.

The fair values of all standing investments were determined on the basis of independent external valuations received from Savills and Commonwealth Partnership (CWP). The fair values of most of the redevelopments and land, as at 31 December 2022, were determined on the basis of independent external valuations received from Savills, CWP or CBRE.

Savills, CWP and CBRE are external, independent valuation companies and real estate consultants, having an appropriately recognised professional qualification and recent experience in the respective locations and categories of properties being valued. The valuations were prepared in accordance with the Royal Institution of Chartered Surveyors Valuation - Global Standards which incorporate the International Valuation Standards published by the Royal Institution of Chartered Surveyors (the "Red Book"). For further details about the investment properties valuation process, see Note 1.31.

Investment property is derecognised either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. For further information of the net results on disposal, see Note 1.26.

RIGHT-OF-USE ASSETS

Where the Group is subject to a lease as the lessee, it recognizes a right-of-use asset and a lease liability at the commencement date. The right-of-use asset is initially measured at the amount of the lease liability, adjusted for lease prepayments, lease incentives received, the lessee's initial direct costs (e.g., commissions) and an estimate of restoration, removal and dismantling costs.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The right-of-use assets are subsequently measured in accordance with ***IAS 40 Investment Property.***

The Group applies the fair value model to any right-of-use assets that are investment properties.

The Group accretes the lease liability to reflect interest and reduces the liability to reflect lease payments made. The Group remeasures the lease liability upon the occurrence of certain events (e.g., change in the lease term, change in variable rents based on an index or rate), which is generally recognised as an adjustment to the right-of-use asset.

NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

A non-current asset or a group of assets (disposal group) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the assets must be available for immediate sale in their present condition, the Group must be committed to sell, there must be a plan to locate a buyer and it is highly probable that a sale will be completed within one year from the date of classification.

Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sale. On re-classification as held for sale, investment properties that are measured at fair value continue to be measured in this way.

A non-current asset or disposal group classified as held for sale is presented separately within current assets or liabilities in the statement of financial position as assets or liabilities classified as held for sale.

FINANCIAL INSTRUMENTS

RECOGNITION AND INITIAL MEASUREMENT

Trade receivables, lease receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus for an item not at fair value through profit or loss ("FVPL") transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

CLASSIFICATION AND SUBSEQUENT MEASUREMENT

On initial recognition, a financial asset is classified as measured at: amortised cost or at fair value through other comprehensive income (FVOCI) – debt investment; (FVOCI) - equity investment; or at fair value through profit or loss (FVPL).

The Group financial assets are classified as at amortised cost or as at FVPL and as at FVOCI – equity investment.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment’s fair value in OCI. This election is made on an investment-by-investment basis.

Financial assets: Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to the Board of Directors. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management’s strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group’s management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group’s continuing recognition of the assets.

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets: Subsequent measurement and gains and losses

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets at FVPL

These assets are subsequently measured at fair value. Any gain or loss on these financial assets are recognised in profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVPL. A financial liability is classified as at FVPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities at FVPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

Accrued interest is presented in accrued expenditure in the consolidated financial statements.

Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

DERECOGNITION

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

OFFSETTING

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The Group holds derivative financial instruments to hedge its interest rate risk exposures.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in interest rates.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in Other Comprehensive Income and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The amount accumulated in the hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively.

When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until the period or periods when the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve are immediately reclassified to profit or loss.

EXPECTED CREDIT LOSSES ("ECL")

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as the expected 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade and lease receivables are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

- Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the debtor, borrower or issuer;
- a breach of contract such as a default or when the receivables are past due;
- collection rate;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor or borrower will enter bankruptcy or other financial reorganisation;

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and in hand, short term deposits with a maturity of three months or less, and other short term highly liquid assets that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

STATED CAPITAL

The stated capital account consists of the proceeds received and receivable by G City Europe from the issue of its ordinary shares, net of direct issue costs.

Scrip dividends are accounted for on the date of payment. The Group recognises the value of the announced dividend and scrip dividend issuance on a gross basis in equity movement.

Shares bought back are cancelled upon purchase and recognized as a reduction in stated capital.

Interest from perpetual debt is deducted from the stated capital, similar to discretionary dividends.

HYBRID RESERVE

Perpetual debt instruments are classified as equity if the Group has unconditional rights to avoid delivering cash or another financial asset in settlement of that obligation (IAS 32). A perpetual debt instrument that bears a discretionary interest element is recognised as an equity distribution from the Group's stated capital, similar to discretionary dividends. Any interest including compounded interest is recorded as an equity distribution when this payment becomes non-discretionary or when interest is paid in cash. Any principal repayments are recognised as changes in Hybrid reserve. This includes any gains or losses on any potential refinancing in the future which are recongnised directly in equity.

In regard to the Hybrid Notes issued in 2021, additional information is disclosed in note 1.14.

DIVIDENDS

Dividends on ordinary shares are recognised as a liability in the period in which they are declared. Dividends declared during the period are presented as a reduction in the stated capital of the Group.

LIABILITIES FROM LEASES

Leases are recognised as a right-of-use asset with a corresponding liability at the date at which the leased asset is available for use by the Group.

Lease liabilities are measured at the commencement of the lease at the present value of the lease payments. Lease payments are apportioned between the finance charges and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the statement of profit or loss.

REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor and it has pricing latitude.

RENTAL INCOME

The Group is the lessor in operating leases on standing investments. Rental income from operating leases is recognised on a straight-line basis over the lease term.

SERVICE CHARGES AND EXPENSES RECOVERABLE FROM TENANTS

The Group recognises revenue from service charges over time as performance obligations are satisfied by the Group, and as the tenants simultaneously receive and consume the benefits provided. The Group recognises as revenue the amount of the transaction price that is allocated to these performance obligations. As the Group has a right to consideration from tenants that corresponds directly with the value of the Group's performance to date, the amount of revenue to which the Group has a right to invoice is recognised.

Service charges and other such receipts are included gross of the related costs in revenue, as the Group acts as principal in this respect.

NET RESULT ON DISPOSAL OF PROPERTIES

The net result on disposal of properties is determined as the difference between the net sale proceeds and the net carrying value of the asset and is recognised in the statement of profit or loss when the control of ownership has been transferred to the buyer.

INTEREST INCOME, INTEREST EXPENSE AND OTHER FINANCIAL INCOME AND EXPENSES

Interest income and expenses are accounted for using the effective interest method.

Other financial income and expenses comprise mainly finance lease interest, net profit or loss from bond buybacks or early repayments of loans and impairment of financial instruments.

TAXATION

GENERAL

The Group is subject to income tax, capital gains tax and withholding tax in numerous jurisdictions. The Group recognises liabilities for current taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income and deferred tax liabilities in the period in which the determination is made.

CURRENT INCOME TAX

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income. Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

The taxable profit differs from the net loss or profit as reported in the consolidated statement of profit or loss due to the inclusion or exclusion of income or expense items that are taxable or deductible in different reporting periods or which are not taxable or deductible.

DEFERRED INCOME TAX

Deferred income tax is recognised on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; or

- in respect of taxable temporary differences associated with investments in subsidiaries and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward unused tax credits or unused tax losses can be utilised, except when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. In determining the expected manner of realisation of an investment property measured at fair value a rebuttable presumption exists that its carrying amount will be recovered through sale.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

SEGMENT REPORTING

An operating segment is a component of the Group that is engaged in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed in order to allocate resources to the segment and assess its performance, and for which discrete financial information is available.

The Group is a leading owner and manager of retail and leisure shopping centres.

The retail operations are split into two reportable segments:

- the standing investment segment includes all commercial real estate held to generate rental income for the Group;
- the development segment includes all development activities and activities related to commercial real estate land plots.

The reconciling items mainly include holding activities and other items that relate to activities other than the standing investment segment and the development segment.

The Group's reportable segments are strategic business sectors which carry out different business activities and are managed separately. These reportable segments have different risk profiles and generate revenue/income from different sources.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. Segment results include items directly attributable to a segment as well as those that can be allocated on a reliable basis. The Group evaluates performance of the standing investment segment on the basis of profit or loss from operations before tax excluding foreign exchange gains and losses. The Group identifies, develops, monitors and sells land and projects. The performance of the development segment is evaluated on the basis of expected yield on cost.

The segment reporting is based on the internal reporting to the Board of Directors, as the chief operating decision-maker ('CoDM'). The Board of Directors as chief decision-makers of the Group monitor the contribution made by the segments to the company's performance on the basis of the segment operating profit/(loss). Total Asset and liabilities items are not reported separately to the CoDM.

The residential operations are not qualified as a separate segment for the year 2022 due to the size.

Geographical information is based on the geographical locations of the investment properties. The Group operates in the following countries: Poland, the Czech Republic, Russia, Romania and Turkey. In addition, the Group has its holding, management or other companies in Cyprus, the Netherlands and Jersey.

1.4. MERGER WITH GAZIT HERCULES 2020 LIMITED (NEWCO)

In October 2021, the independent committee of the Board of Directors of the Company and Gazit Hercules 2020 (Newco), an indirect wholly-owned subsidiary of G City Limited (formerly "Gazit Globe Limited"), had reached an agreement on the terms and conditions for the cash acquisition (the "Acquisition") at a price of €3.63 per G City Europe share (the "Offer Price"), including a payment in the amount of €3.03 per share in cash (the "Cash Offer Price") and €0.60 per share by way of a cash dividend paid by the Company as a capital repayment (the "Special Dividend").

The Acquisition was implemented by means of a statutory merger ("Merger") between the Company and Newco under Part 18B of the Companies (Jersey) Law 1991. Post-completion of the Merger, G City Europe continued as the surviving entity, wholly-owned by G City.

In addition to the increase of the Offer Price, Atrium shareholders were entitled to receive the Q4 2021 AFFO (adjusted EPRA earnings less recurring capex). All shareholders with the exception of G City were eligible to the Pro-Rata AFFO generated between 1 January 2022 and 18 February 2022.

On 1 February 2022, the Company held an extraordinary general meeting (the "Reduction of Capital EGM") and approved certain ancillary resolutions in connection with the Merger, including the proposed reduction of the issued share capital of Atrium for the ordinary shares of no par value by €305,377,886 to occur at Closing and the payment of the Q4 2021 AFFO and Pro Rata AFFO Dividends from 1 January 2022 to the Closing of the Merger. The Special dividend was declared and approved by the Board.

On 4 February 2022 the Special Dividend of €0.60 per share, representing a total amount of €240.3 million was paid.

On 8 February 2022 the Q4 2021 AFFO dividend of €0.036 per share which amounted to €14.4 million was paid.

On 18 February 2022 the completion and the effectiveness of the Merger and Reduction of Capital was registered lowering the Company's shares issued by 100,784,779. The Company's delisting from the Amsterdam Stock Exchange and the Vienna Stock Exchange took place on the same day.

On 23 February 2022 the Pro Rata AFFO Dividend of €0.019 per share which amounted to €1.9 million was paid.

1.5. STANDING INVESTMENTS

The current portfolio of standing investments of the Group consists of 20 retail properties and 1 residential building (31 December 2021: 25 retail properties and nil residential building) including 2 retail assets held for sale (31 December 2021: nil).

The devaluation in amount of €15.9 million results mainly from increased capitalisation rates and cost inflation from growing interest rates partially offset by indexation of rental agreements. Valuation loss in amount of €18.5 million relates to a fair value adjustment on non-core disposed or held for sale assets in Poland and Czech Republic based on pricing indicators from buyers.

A roll forward of the total standing investments portfolio is provided in the table below:

Standing investments	**31 December 2022 €'000**	**31 December 2021 €'000**
Balance as at 1 January	2.340.068	2.270.685
Additions - technical improvements extensions	21.348	13.109
Movement in leases	1.796	1.388
Transfers to/from redevelopments and land	(937)	9.746
Transfer to assets held for sale	(166.070)	-
Revaluation of standing investments, net	(34.434)	45.140
Disposals	(274.985)	-
Balance as at 31 December	**1.886.786**	**2.340.068**

During 2022, the Group completed the sale of Optima, Plock, Agromex, Mosty and Copernicus shopping centres in Poland and Slovakia for €274.1 million. This amount represents a lower value of 1.5% from their book value.

The total value of land leases was €35,3 million as at 31 December 2022 (31 December 2021: €38,6 million).

The Cap rates diversification across the Group's income producing portfolio is stated in the table below:

CAP RATES (WEIGHTED AVERAGE)

Standing investments	2022	2021
Poland	6,0 %	6,0 %
Czech Republic	6,3 %	6,2 %
Slovakia	- %	7,3 %
Russia	13,6 %	12,6 %
Weighted average	**7,0 %**	**6,8 %**

For information about the fair value of standing investments, see note 1.32.

FAIR VALUE OF COLLATERAL

Two assets have been provided as collateral against G City Europe's two bank loans, see note 1.15. The analysis of assets pledged as collateral is as follows:

2022	Book value of bank loans	No. of assets pledged as collateral	Fair value of collateral
Collaterised bank loans	290.964	2	534.994
Total	**290.964**	**2**	**534.994**

2021	Book value of bank loans	No. of assets pledged as collateral	Fair value of collateral
Collaterised bank loans	294.460	2	538.717
Total	**294.460**	**2**	**538.717**

1.6. REDEVELOPMENTS AND LAND

The current portfolio of redevelopments and land comprises €176,8 million (2021: €93,9 million) redevelopments and €149,9 million (2021: €150,5 million) land.

	31 December 2022 €'000	31 December 2021 €'000
Balance as at 1 January	244.383	248.252
Additions - retail	35.529	17.000
Additions - residential	51.353	-
Movement in leases	642	-
Transfer to/from standing investments	937	(9.746)
Disposals	(4.926)	(13.856)
Revaluation of redevelopments and land	(1.264)	2.733
Balance as at 31 December	**326.654**	**244.383**

Valuation loss includes €23.7 million derived from the Group's Land banks and developments across Poland, Czech, Russia and Romania. This was offset by a valuation gain in Turkey €22.4 million. The movement in the Group's redevelopments and land results from market and FX changes.

During 2022, the Group completed an acquisition of three residential buildings located in Warsaw, Krakow and Wroclaw for €42.6 million. Transfers from redevelopment and land include the residential property in Krakow in total amount of €13.8 million. The residential properties in Warsaw and Wroclaw are subject of transfer to standing investments upon completion of fit out works.

In December 2022, the Group disposed of the land plot of €2.9 million related to the sale of Copernicus shopping centre (see Note 1.5).

The total value of land leases was €8,0 million as at 31 December 2022 (31 December 2021: €6,8 million).

1.7. EQUITY-ACCOUNTED INVESTMENT IN JOINT VENTURES

Name of the joint venture	Country of incorporation	Stake in equity of joint venture 31 December 2022 €'000	Investment in joint venture 31 December 2022 €'000	Investment in joint venture 31 December 2021 €'000
Pankrac Shopping Centre k.s	Czech Republic	75 %	185.165	189.858
EKZ 11 k.s.	Czech Republic	75 %	2.065	2.915
Total			**187.230**	**192.773**

Summarised financial information of the joint ventures, Pankrac Shopping Centre k.s and EKZ 11 k.s., based on their IFRS unaudited financial statements updated for adjustments at acquisition and reconciliation with the carrying amount of the investment in the consolidated financial statements, is presented below:

	31 December 2022 €'000	31 December 2021 €'000
Standing investment	244.400	244.500
Other long term assets	1.114	1.262
Cash and cash equivalents	3.460	11.187
Other current assets	3.164	3.667
Non-current liabilities	(1.455)	(1.275)
Current liabilities	(1.043)	(2.310)
Net Assets (100%)	**249.640**	**257.031**
Group share of net assets (75 %)	**187.230**	**192.773**
Carrying amount of interest in joint ventures	**187.230**	**192.773**

	31 December 2022 €'000	31 December 2021 €'000
Net rental income	11.528	11.420
Other items mainly revaluation	(2.164)	5.010
Profit of the Joint Ventures (100%)	**9.364**	**16.430**
Share of profit of equity-accounted investment in joint ventures (75 %)	**7.023**	**12.323**
Dividends received by the Group	**12.573**	**5.946**

The Group has not incurred any contingent liabilities in relation to its interest in the joint ventures, nor do the joint ventures themselves have any contingent liabilities for which the Group is contingently liable.

1.8. FINANCIAL ASSETS AT AMORTISED COST

Loans	31 December 2022 €'000	31 December 2021 €'000
Loans to third parties	58.306	20.318
Total	**58.306**	**20.318**
Amounts due within 12 months (included under current assets)	27.624	558
Amounts due after more than 12 months	30.682	19.760

The Group's financial assets at amortised cost pertains to a secured vendor loan in total amount of €19.8 million granted to the purchaser of the portfolio of 5 assets in Poland which was completed in July 2020. The maturity of the loan is in July 2023. The principal bears interest at 4.5% per annum in the first year, and 4.8% in subsequent years.

In 2022 vendor loans in the amount of €38.3 million were granted to the purchasers of Optima, Plock and Mosty shopping centres located in Slovakia and Poland. The initial maturity of the loans is from 1 to 5 years and the principal bears weighted average interest rate of 4.6% per annum.

The loans are measured at amortised cost which is not significantly different from their fair value.

The credit exposure of the Group arising from the financial asset, as disclosed in note 1.32, represents the maximum credit exposure. The credit risk related to the loan is in line with the Group's market risks, as disclosed in 1.34 Risk Management. The Group obtained a mortgage as collateral and a pledge over ownership in exchange of the borrower's rights as a security for the performance of the obligations under the loan agreement. The value of collateral exceeds the outstanding amount of the loan.

1.9. OTHER LONG TERM ASSETS

Other assets	**31 December 2022 €'000**	**31 December 2021 €'000**
Long term advances	17.857	17.857
Straight line of lease incentives to tenants	7.976	17.413
Other	733	1.419
Total	**26.566**	**36.689**

The outstanding long term advances in amount of €17,9 million at 31 December 2022 (31 December 2021: €17,9 million) are under negotiations with the third party on the future structure of the investment.

Straight lining of lease incentives to tenants include the long term portion of discounts spread on the remaining lease term in accordance with IFRS 16. The short term portion is disclosed under note 1.10 receivable from tenants. Discounts mainly arose as a result of COVID-19 support to tenants.

1.10. RECEIVABLES FROM TENANTS

2022	**Gross €'000**	**Allowances for impaired balances €'000**	**Net €'000**	**%**
Due within term	2.028	(36)	1.992	40,6 %
Overdue 0-30 days	1.905	(68)	1.837	37,5 %
Overdue 31-90 days	956	(171)	785	16,0 %
Overdue 91-180 days	830	(630)	200	4,1 %
Overdue 181-360 days	773	(741)	32	0,7 %
Overdue 361 days and more	4.083	(4.028)	55	1,1 %
Sub-total	**10.575**	**(5.674)**	**4.901**	**100 %**
Straight lining	5.996	-	5.996	
Total	**16.571**	**(5.674)**	**10.897**	

2021	Gross	Allowances for impaired balances	Net	
	€'000	€'000	€'000	%
Due within term	4.397	(54)	4.343	49,6 %
Overdue 0-30 days	1.269	(350)	919	10,5 %
Overdue 31-90 days	2.029	(563)	1.466	16,7 %
Overdue 91-180 days	1.379	(789)	590	6,7 %
Overdue 181-360 days	3.340	(1.980)	1.360	15,5 %
Overdue 361 days and more	5.189	(5.114)	75	0,9 %
Sub-total	**17.603**	**(8.850)**	**8.753**	**100 %**
Straight lining	10.719	-	10.719	
Total	**28.322**	**(8.850)**	**19.472**	

Payment terms normally do not exceed 30 days and are consistent with the industry trends.

The description of collateral held as security in relation to tenants is provided in note 1.34 under credit risk.

The table below provides a reconciliation of changes in allowances for bad debts during the year:

	31 December 2022 €'000	31 December 2021 €'000
At 1 January	**(8.850)**	**(9.192)**
Release	1.940	519
Addition net	-	(177)
Disposed of or transferred to held for sale	1.236	-
At 31 December	**(5.674)**	**(8.850)**

1.11. OTHER RECEIVABLES

Other assets	31 December 2022 €'000	31 December 2021 €'000
Prepayments	7.163	12.494
VAT receivables	6.791	4.596
Restricted cash in banks	269	342
Income tax receivable	509	302
Alternative minimum tax	1.952	55
Deferred purchase price on disposed assets	646	-
Others	3.074	2.532
Total	**20.404**	**20.321**

1.12. FINANCIAL ASSETS AT FVOCI

The Group's financial assets at FVOCI as at 31 December 2022 and 31 December 2021, include investments in two listed equity securities with less than 1% total holding in each individual investment. The financial assets at FVOCI are carried at fair value. The fair value is based on quoted prices (unadjusted) in active markets (Level 1 within the fair value hierarchy). As of 31 December 2022, financial assets at FVOCI amounted to: € 11,2 million (2021: €9,1 million).

1.13. ASSETS AND LIABILITIES HELD FOR SALE

	31 December 2022 €'000	31 December 2021 €'000
Non-current assets		
Standing investments	166.070	-
Other non-current assets	280	-
Current assets		
Receivables from tenants	1.348	-
Other current assets	2.354	-
Assets held for sale	**170.052**	**-**
Non-current liabilities		
Deferred tax liabilities	3.658	-
Other non-current liabilities	950	-
Other current liabilities	4.932	-
Liabilities held for sale	**9.540**	**-**
Total	**160.512**	**-**

As of 31 December 2022, the assets and liabilities held for sale included Atrium Molo located in Poland and Atrium Palac Pardubice located in Czech Republic. The sale of properties are at different stages and the Company believes that the sale will be completed in the following 12 months.

1.14. STATED CAPITAL AND RESERVES

STATED CAPITAL

As at 31 December 2022, the total number of ordinary shares authorised and issued was 299.743.870 (2021: 400.507.737 shares), of which 111.990.360 ordinary shares were registered in the name of Gazit Midas Limited, 187.753.510 ordinary shares were registered in the name of Gazit Gaia Limited.

Impact on stated capital from the Merger is disclosed in note 1.4.

HEDGING RESERVE

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred. See also note 1.16.

FINANCIAL ASSETS AT FVOCI RESERVE

The financial assets at FVOCI reserve comprises the cumulative net change in the fair value of financial assets at FVOCI until the assets are derecognised. See also note 1.12.

CURRENCY TRANSLATION RESERVE

The currency translation reserve comprises the cumulative amounts of the exchange differences on translation of foreign operations.

Currency translation reserve	31 December 2022 €'000	31 December 2021 €'000
Poland	(7.041)	(6.955)
Czech Republic	2.929	2.929
Slovakia	-	(7.355)
Russia	(57.331)	(57.331)
Romania	(907)	(907)
Turkey	(3.486)	(3.486)
Total	**(65.836)**	**(73.105)**

HYBRID RESERVE

In April 2021, the Company priced €350 million green hybrid bonds under its EMTN Programme (the "Hybrid Notes") with an issuance price at 98.197%. The Hybrid Notes carry a coupon of 3.625% until 4 November 2026 ('First Reset Date') and are callable for the first time on 4 August 2026.

Hybrid Notes are treated as part of shareholder's equity in the Company's financial statements. A holder of Hybrid Notes has no shareholder rights. The hybrid bond coupon is fixed at 3.625% per year until 4 November 2026 and is reset every five years. The Hybrid Notes do not have a set maturity date. The Group has the right to redeem the Hybrid Notes at its sole discretion five years from the date of issue and on every yearly interest payment date thereafter. The Hybrid Notes are unsecured, subordinated to all debt and senior only to ordinary share capital.

The overall Hybrid Notes net position recognised in equity as a separate reserve is net of transaction costs and amounted to €340.9 million.

Interest paid on the Hybrid Notes is deducted from the stated capital of the Company, whilst any principal repayments are considered as capital reduction and are deducted from the Hybrid reserve.

In November 2022, the Company deducted from its stated capital and paid in cash its first Coupon in an amount of €12.7 million.

The Hybrid Note has an off-balance sheet accrued interest of €2.1 million as of 31 December 2022.

1.15. BORROWINGS

Borrowings	31 December 2022 €'000	31 December 2021 €'000
Bonds	786.804	783.094
Bank loans	287.306	290.803
Related party credit facility	45.378	-
Long-term liabilities	**1.119.488**	**1.073.897**
Bonds	-	154.835
Bank loans	3.658	3.657
Utilised revolving credit facility	205.000	-
Short-term liabilities	**208.658**	**158.492**
Total	**1.328.146**	**1.232.389**

The borrowings are repayable as follows:

Borrowings total	31 December 2022 €'000	31 December 2021 €'000
Due within one year	208.658	158.492
Due in second year	4.010	3.663
Due within third to fifth year inclusive	1.115.478	661.014
Due after five years	-	409.220
Total	**1.328.146**	**1.232.389**

BONDS

As a result of a downgrade by Moody's to below Investment Grade, an adjustment to the fixed interest rate of the 2025 Bonds is applied from the annual coupon rate due in September 2023. The annual incremental finance costs are €6.25 million.

In July 2022 the Company early repaid its 2022 Bonds due in October 2022 for €154.7 million.

The bonds are subject to the following financial covenants: the solvency ratio shall not exceed 60%; the secured solvency ratio shall not exceed 40%; the consolidated coverage ratio shall not be less than 1.5. All covenants were met as at 31 December 2022.

BONDS 2022

Bond/Due year	Currency	Interest rate	Average time to maturity	Maturity	Book value €'000	Fair value €'000	Effective interest rate €'000
Atrium European Real Estate Limited 2025	EUR	4,25 %	2,7	2025	492.482	415.710	3,9 %
Atrium European Real Estate Limited 2027	EUR	2,625 %	4,7	2027	294.322	206.196	3,1 %
Total/Weighted average		**3,6 %**	**3,4**		**786.804**	**621.906**	**3,6 %**

BONDS 2021

Bond/Due year	Currency	Interest rate	Average time to maturity	Maturity	Book value €'000	Fair value €'000	Effective interest rate €'000
Atrium European Real Estate Limited 2022	EUR	3,625 %	0,8	2022	154.835	157.411	3,5 %
Atrium European Real Estate Limited 2025	EUR	3,0 %	3,7	2025	489.922	514.700	3,4 %
Atrium European Real Estate Limited 2027	EUR	2,625 %	5,7	2027	293.172	294.399	3,1 %
Total/Weighted average		**3,0 %**	**3,8**		**937.929**	**966.510**	**3,4 %**

RELATED PARTY CREDIT FACILITY

On 18 February 2022 the completion and the effectiveness of the Merger and reduction of capital was registered. Following the Merger with Newco, the Borrowings of the Group increased by €305.3 million due to a related party credit facility of Newco from G City.

The related party credit facility from G City of €350.0 million carries a quarterly coupon of 3-month Euribor plus a spread of 1.5% per annum. The maturity date is 31 December 2026.

As of 31 December 2022, the utilised amount of the related party credit facility is €45.4 million. As of 31 December 2022, the Company has an available financing in total amount €304.6 million of unutilised related party credit facility. The related party credit facility is subordinated to the Group's senior debt.

BANK LOANS

The loan with Landesbank Hessen-Thuringen Girozentrale is subject to the following financial covenants: Loan to Value and Interest Service Cover Ratio. Both conditions were met as of 31 December 2022.

The loan with Berlin-Hannoversche Hypothekenbank AG is subject to the following financial covenants: Loan to Value and minimum equity, both of which were met as of 31 December 2022.

During 2022 the Group repaid €3.7m of the principal amount of bank loans.

The bank loans interest rates are hedged, see note 1.16.

BANK LOANS 2022

Lender	Currency	Interest rate	Average time to maturity	Maturity	Book value €'000	Fair value €'000	Effective interest rate €'000
Landesbank Hessen-Thuringen Girozentrale	EUR	2,3 %	3,9	2026	163.924	164.448	2,5 %
Berlin-Hannoversche Hypothekenbank AG	EUR	1,9 %	4,9	2027	127.040	127.299	2,0 %
Total/Weighted average		**2,1 %**	**4,3**		**290.964**	**291.747**	**2,3 %**

BANK LOANS 2021

Lender	Currency	Interest rate	Average time to maturity	Maturity	Book value €'000	Fair value €'000	Effective interest rate €'000
Landesbank Hessen-Thuringen Girozentrale	EUR	2,3 %	4,9	2026	165.532	165.914	2,5 %
Berlin-Hannoversche Hypothekenbank AG	EUR	1,9 %	5,9	2027	128.928	129.225	2,0 %
Total/Weighted average		**2,1 %**	**5,3**		**294.460**	**295.139**	**2,3 %**

Collateral	Fair value of pledged investment properties 31 December 2022 €'000	Fair value of pledged investment properties 31 December 2021 €'000
Landesbank Hessen-Thuringen Girozentrale	305.206	306.334
Berlin-Hannoversche Hypothekenbank AG	229.788	232.383
Total	**534.994**	**538.717**

REVOLVING CREDIT FACILITY

The total amount of the revolving credit facility is €300 million with an expiry date in May 2023. As at 31 December 2022, €205.0 million of the revolving credit facility was utilised (31 December 2021: €nil million utilised). Following the downgrade of G City Europe's corporate rating by Fitch from 'BBB' to 'BB' in January 2022, any utilisation of the revolving credit facility required a step up of 65 bps on interest and 22.75 bps on commitment fee.

For information about the fair value of loans and bonds, see note 1.31.

Accrued interest is not included in the borrowings balance and presented separately in Accrued expenditure. See note 1.21.

1.16. DERIVATIVES

The Group entered into two interest rate swap contracts ("IRSs") in connection with secured bank loans (see note 1.15). These swaps replaced floating interest rates with fixed interest rates. The floating rate on the IRSs is the three month Euribor and the fixed rate is 0.826% on the loan obtained in November 2017 and 0.701% on the loan obtained in November 2018. The swaps have similar terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount and are included in cash flow hedges to reduce the Group's cash flow volatility due to variable interest rates on the bank loans.

An economic relationship between the hedging instrument and the hedged item exists; the hedging instrument and the hedged item have values that move in the opposite direction and offset each other. The interest rate risk associated with the floating debt instruments are hedged entirely with having 1:1 hedge ratio. The IRSs are measured at fair value using the discounted future cash flow method.

The fair value measurement of the IRSs are derived from inputs other than quoted prices in active markets. The inputs used to determine the future cash flows are the 3-month Euribor forward curve and an appropriate discount rate. The inputs used are derived either directly or indirectly. Therefore, these IRSs are classified as a Level 2 fair value measurement under IFRS 13.

For information about the fair value of the derivatives, see note 1.31.

Interest rate swaps	31 December 2022 €'000	31 December 2021 €'000
Carrying amount (liability)	27.338	(11.847)
Notional amount	291.805	295.545
Change in fair value of outstanding hedging instruments since 1 January	39.185	(10.875)

1.17. DEFERRED TAX

Deferred tax liabilities 2022	Balance as at 1 January 2022 €'000	Deferred tax credit/(charge) to the statement of profit or loss €'000	Deferred tax recognised in other comprehensive income €'000	Deferred tax credit/(charge) on properties sold €'000	Deferred tax liabilities classified as held for sale €'000	Balance as at 31 December 2022 €'000
Investment properties	(104.323)	630	-	24.765	3.650	**(75.278)**
Other assets	(1.710)	659	-	45	-	**(1.006)**
Liabilities and provisions	6.492	(1.013)	-	(897)	(43)	**4.539**
Tax losses carried forward	8.885	1.343	-	47	-	**10.275**
Other	322	133	(5.384)	358	51	**(4.520)**
Total	**(90.334)**	**1.752**	**(5.384)**	**24.318**	**3.658**	**(65.990)**

The main driver for the decrease in deferred tax liabilities is the impact of investment properties sold, change in value of the investment properties, foreign currencies on the tax base of the investment properties partially offset by tax depreciation and deferred tax on hedging instruments.

Deferred tax liabilities 2021	Balance as at 1 January 2021 €'000	Deferred tax credit/(charge) to the statement of profit or loss €'000	Balance as at 31 December 2021 €'000
Investment properties	(88.024)	(16.299)	**(104.323)**
Other assets	(1.377)	(333)	**(1.710)**
Liabilities and provisions	6.741	(249)	**6.492**
Tax losses carried forward	4.920	3.965	**8.885**
Other	611	(289)	**322**
Total	**(77.129)**	**(13.205)**	**(90.334)**

1.18. LEASE LIABILITIES

The liabilities from leases as at 31 December 2022 predominantly consisted of liabilities related to long term land leases in Poland and Russia. The short term portion of lease liabilities was disclosed as trade and other payables (see note 1.20).

Lease payments are due as follows:

Liabilities from leases	31 December 2022 Net present value €'000	31 December 2022 Undiscounted lease payments €'000	31 December 2021 Net present value €'000	31 December 2021 Undiscounted lease payments €'000
Due within one year	2.554	2.562	2.832	2.970
Due within two to five years	10.247	12.863	10.807	13.418
Due after five years	29.795	193.236	31.013	191.651
Total	**42.596**	**208.661**	**44.652**	**208.039**
Amounts due within 12 months	2.554	2.562	2.832	2.970
Amounts due after more than 12 months	40.042	206.099	41.820	205.069

The lease obligations are mainly denominated in the local currencies of the respective countries. The Group has two material lease arrangements in Poland; Atrium Promenada, with a net present value ("NPV") of €14,6 million (2021: €19,6 million) and Wars Sawa Junior, with a NPV of €9,0 million (2021: €9,2 million).

1.19. OTHER LONG TERM LIABILITIES

Other long term liabilities of €9,1 million (2021: €13,4 million) principally comprise of long term deposits from tenants amounting to €8,4 million (2021: €11,4 million).

1.20. TRADE AND OTHER PAYABLES

Trade and other payables	31 December 2022 €'000	31 December 2021 €'000
Deferred revenue	6.925	5.887
Short term deposits from tenants	5.812	5.181
VAT payable	1.794	3.993
Short term liabilities from leasing	3.330	3.765
Payables to tenants	924	2.768
Payables connected with development/construction	9.501	1.762
Other taxes and fees payable	1.145	1.289
Cash share based payments	-	6.835
Other	4.401	4.102
Total	**33.832**	**35.582**

1.21. ACCRUED EXPENDITURE

Accrued expenditure	31 December 2022 €'000	31 December 2021 €'000
Bonds interest	9.045	8.294
Construction services	10.675	5.684
Employee compensation	9.438	5.070
Transactions cost	-	5.301
Maintenance security cleaning and marketing	1.609	2.178
Consultancy and audit services	1.150	1.418
Utilities	1.441	1.208
Business restructuring	2.908	-
Other	9.466	10.684
Total	**45.732**	**39.837**

Other accrued expenditures includes €4,9 million (2021: €5,2 million) for amounts that are to be settled and billed to tenants as part of service charge revenues and turnover rent.

Transactions cost relates to the Merger with Newco settled upon completion in Q1 2022 (see note 1.4).

1.22. GROSS RENTAL INCOME

Gross rental income ("GRI") includes rental income from the lease of investment properties, and from advertising areas, communication equipment and other sources.

GRI by country is as follows:

Country	Year ended 31 December 2022		Year ended 31 December 2021	
	€'000	% of total GRI	€'000	% of total GRI
Poland	81.782	59,7 %	79.499	59,4 %
Czech Republic	17.955	13,1 %	17.550	13,1 %
Slovakia	3.962	2,9 %	7.961	5,9 %
Russia	33.254	24,3 %	28.870	21,6 %
Total	**136.953**	**100 %**	**133.880**	**100 %**

Undiscounted cash flows expected from rental contracts:

Expected undiscounted cash flows from rental contracts 2022	Total €'000
Received within 1 year	113.544
Received between 1 and 2 years	86.919
Received between 2 and 3 years	71.607
Received between 3 and 4 years	58.233
Received between 4 and 5 years	46.297
Received later than 5 years	173.786
Total	**550.386**

Expected undiscounted cash flows from rental contracts 2021	Total €'000
Received within 1 year	140.685
Received between 1 and 2 years	117.997
Received between 2 and 3 years	96.482
Received between 3 and 4 years	75.679
Received between 4 and 5 years	59.548
Received later than 5 years	233.281
Total	**723.672**

The undiscounted cash flows assume the following assumptions:

- rental income is based on contractual base rent only
- indexation and turnover rent have been ignored
- Includes occupied GLA as of 31 December.

1.23. SERVICE CHARGE INCOME

Service charge income of €57,0 million (2021: €50,1 million) represents income from services re-invoiced to tenants and results mainly from re-invoiced utilities, marketing, repairs and maintenance and is recorded on a gross basis. Expenses to be reinvoiced to tenants are presented under net property expenses together with other operating costs that are not re-invoiced to tenants.

1.24. PROPERTY EXPENSES

Net property expenses	31 December 2022 €'000	31 December 2021 €'000
Utilities	(22.640)	(16.352)
Security cleaning and other facility related costs	(12.804)	(11.472)
Real estate tax	(7.873)	(7.002)
Repair & Maintenance	(7.366)	(6.736)
Direct employment costs	(9.045)	(7.279)
Marketing and other consulting	(6.186)	(5.694)
Office related expenses	(249)	(220)
Doubtful debtors, net	1.091	(177)
Other	(2.028)	(1.841)
Total	**(67.100)**	**(56.773)**

1.25. ADMINISTRATIVE EXPENSES

Administrative expenses	31 December 2022 €'000	31 December 2021 €'000
Employee costs	(11.285)	(12.788)
Business restructuring costs	(10.269)	-
Consultancy and other advisory fees	(1.304)	(1.922)
Legal costs	(2.485)	(1.448)
Audit, audit related and review fees	(1.322)	(1.239)
Expenses related to directors	(1.135)	(1.455)
Communication and IT	(1.437)	(1.248)
Marketing costs	(331)	(787)
Travel expenses	(392)	(306)
Office costs	(206)	(191)
G City acquisition - transactions costs	-	(8.000)
Acceleration share based payments	-	(3.377)
Other income	1.483	1.671
(Increase)/Decrease in provisions	(151)	1.256
Other corporate fees	(1.909)	(1.637)
Total	**(30.743)**	**(31.471)**

The annual remuneration for 2022 to the Group Executive Team of the Company was in a total amount of €8.5 million which includes base salary, allowances, benefits and annual target bonus. The Group does not have any significant defined benefit pension plans.

1.26. NET RESULT ON DISPOSALS

Net result on disposals	31 December 2022 €'000	31 December 2021 €'000
Atrium Copenicus	(3.660)	-
Atrium Optima	(1.393)	-
Atrium Mosty	(900)	-
Atrium Plock	(144)	-
Atrium Agromex	(84)	-
Land plot in Essentuki Russia	(134)	-
Land plot in Lublin Poland	-	(258)
Land plot in Pitesti Romania	-	(117)
Others	(203)	(225)
Total	**(6.518)**	**(600)**

The Group provided the irrevocable rental guarantee in respect of the vacant premises to the purchaser of Atrium Mosty for a period of 3 years. Guaranteed amount is fixed at €1.8 million and included to the net result on disposal.

1.27. INTEREST INCOME AND INTEREST EXPENSE

Interest expense net	31 December 2022 €'000	31 December 2021 €'000
Interest income	2.828	976
Interest expense	(43.211)	(40.000)
Total	**(40.383)**	**(39.024)**

The Group's interest expense of €43,2 million (2021: €40,0 million) consists of finance expense on bank loans of €6.5 million (2021: €6,5 million), on bonds of €31,6 million (2021: €31,4 million) and on the utilised credit facilities and bank deposits of €5,1 million (2021: €2,1 million).

Interest income in 2022 consists of €1,9 million interest on the loans provided to third parties (2021: €1,0 million).

1.28. OTHER FINANCIAL EXPENSE, NET

Interest expense net	31 December 2022 €'000	31 December 2021 €'000
Interest on financial leases	(3.286)	(3.250)
G City revolving credit facility commitment fees and upfront costs	(1.581)	-
RCF commitment fees	(1.257)	(1.134)
Bank costs	(299)	(339)
Dividend income from financial assets	675	264
Other financial (expense)/income net	(589)	(503)
Net loss from bond buy back	-	(3.401)
Total	**(6.337)**	**(8.363)**

1.29. TAXATION CHARGE FOR THE YEAR

Taxation charge for the year	31 December 2022 €'000	31 December 2021 €'000
Corporate income tax current year	(3.571)	(5.084)
Deferred tax credit/(charge)	1.752	(13.205)
Adjustments to corporate income tax previous years	1.679	990
Income tax charged to the statement of profit or loss	**(140)**	**(17.299)**
Income tax on hedging instrument charged to comprehensive income	(6.850)	(1.450)

The subsidiary companies are subject to taxes for their respective businesses in the countries of their registration at the rates prevailing in those jurisdictions. The changes may potentially have a negative impact on the Group and could result in additional tax charges.

Effective tax rate

A reconciliation between the current year income tax charge and the accounting profit before tax is shown below:

	2022 €'000	2022 %	2021 €'000	2021 %
Profit (loss) before taxation	7.320		104.414	
Income tax (charge)/credit	(820)	11,2 %	(19.734)	18,9 %
Tax effect of non-taxable income/(non-deductible expenses)	8.748		(7.234)	
Tax effect of losses previously not recognised	(4.989)		12.912	
Deferred tax asset not recognised	1.381		(5.076)	
Tax adjustment of previous years	1.680		990	
FX impact on non financial tax base	(2.167)		2.383	
Others	(3.973)		(1.540)	
Tax charge	**(140)**		**(17.299)**	
Effective tax rate		**1,9 %**		**16,6 %**

Unrecognised deferred tax assets and liabilities:

As at 31 December 2022, deferred tax liabilities of €96,5 million (2021: €94,2 million) on temporary differences at the time of initial recognition arising from investment property transactions treated as an asset acquisition had not been recognised in accordance with the initial recognition exemption in IAS 12, ***Income taxes.***

The Group has not recognised deferred tax assets of €45,9 million (2021: €62,8 million) as it is not probable that future taxable profit will be available against which the Group can utilise these benefits. These unrecognised deferred tax assets arose primarily from the negative revaluation of investment properties and carryforward tax losses. The tax losses expire over a number of years, in accordance with local tax legislation.

Unrecognised deferred tax assets

Country	31 December 2022 €'000	31 December 2021 €'000
Poland	19.798	30.075
Czech Republic	222	49
Russia	23.778	21.435
Romania	1.359	2.721
Turkey	693	7.273
Others	25	1.252
Total	**45.875**	**62.805**

The Group is liable for taxation on taxable profits in the following jurisdictions at the rates below:

Country	31 December 2022 %	31 December 2021 %
Poland	19,0 %	19,0 %
Czech Republic	19,0 %	19,0 %
Slovakia	21,0 %	21,0 %
Russia	20,0 %	20,0 %
Romania	16,0 %	16,0 %
Turkey	23,0 %	25,0 %
Cyprus	12,5 %	12,5 %
Jersey	0,0 %	0,0 %
Netherlands	25,8 %	25,0 %

1.30. SEGMENT REPORTING

Reportable segments for the year ended 31 December 2022	Standing Investment Segment €'000	Redevelopments and land segment €'000	Reconciling item €'000	Total €'000
Gross rental income	146.620	-	(9.667)	136.953
Service charge income	59.918	-	(2.952)	56.966
Net property expenses	(71.072)	-	3.972	(67.100)
Net rental income	**135.466**	**-**	**(8.647)**	**126.819**
Net result on disposals	(6.404)	(114)	-	(6.518)
Costs connected with developments	-	(732)	-	(732)
Revaluation of investment properties	(35.755)	(1.264)	1.321	(35.698)
Depreciation, amortisation and impairments	(1.785)	-	(1.067)	(2.852)
Administrative expenses	(14.029)	(161)	(16.553)	(30.743)
Share of profit of equity-accounted investment in joint ventures	-	-	7.023	7.023
Net operating (loss)/profit	**77.493**	**(2.271)**	**(17.923)**	**57.299**
Interest expense, net	-	-	-	(40.383)
Foreign currency differences	-	-	-	(3.259)
Other financial expenses	-	-	-	(6.337)
Profit before taxation for the year	**77.493**	**(2.271)**	**(17.923)**	**7.320**
Taxation charge for the year	-	-	-	(140)
Profit after taxation for the year	**77.493**	**(2.271)**	**(17.923)**	**7.180**
Investment properties	2.070.086	326.654	(183.300)[1]	2.213.440
Additions to investment properties	22.601	86.874	(1.245)	108.230

[1]Our 75% share of investment property held in a joint venture in the Czech Republic.

Reportable segments for the year ended 31 December 2021	Standing Investment Segment €'000	Redevelopments and land segment €'000	Reconciling item €'000	Total €'000
Gross rental income	143.009	-	(9.129)	133.880
Service charge income	52.243	-	(2.100)	50.143
Net property expense	(59.443)	-	2.670	(56.773)
Net rental income	**135.809**	**-**	**(8.559)**	**127.250**
Net result on disposals	-	(600)	-	(600)
Costs connected with developments	-	(668)	-	(668)
Revaluation of investment properties	48.056	2.733	(2.916)	47.873
Depreciation, amortisation and impairments	(1.933)	-	(1.708)	(3.641)
Administrative expenses	(12.862)	(116)	(18.493)	(31.471)
Share of profit of equity-accounted investment in joint ventures	-	-	12.323	12.323
Net operating (loss)/profit	**169.070**	**1.349**	**(19.353)**	**151.066**
Interest expense, net	-	-	-	(39.024)
Foreign currency differences	-	-	-	735
Other financial expenses	-	-	-	(8.363)
Profit before taxation for the year	**169.070**	**1.349**	**(19.353)**	**104.414**
Taxation charge for the year	-	-	-	(17.299)
Profit after taxation for the year	**169.070**	**1.349**	**(19.353)**	**87.115**
Investment properties	2.523.443	244.383	(183.375)[1]	2.584.451
Additions to investment properties	13.592	17.000	(483)	30.109

[1]Our 75% share of investment property held in a joint venture in the Czech Republic.

For the year ended 31 December 2022	POLAND				CZECH REPUBLIC			
	Standing Investment Segment €'000	Redevelopments and land segment €'000	Reconciling item €'000	Total €'000	Standing Investment Segment €'000	Redevelopments and land segment €'000	Reconciling item €'000	Total €'000
Gross rental income	81.781	-	-	81.781	27.622	-	(9.667)	17.955
Service charge income	28.462	-	-	28.462	12.442	-	(2.952)	9.490
Net property expenses	(36.310)	-	-	(36.310)	(14.009)	-	3.972	(10.037)
Net rental income	**73.933**	**-**	**-**	**73.933**	**26.055**	**-**	**(8.647)**	**17.408**
Net result on disposals	(5.009)	-	-	(5.009)	-	-	-	-
Costs connected with developments	-	(26)	-	(26)	-	-	-	-
Revaluation of investment properties	(25.961)	(12.125)	-	(38.086)	(7.612)	(11.096)	1.321	(17.387)
Depreciation, amortisation and impairments	(1.199)	-	-	(1.199)	(192)	-	(8)	(200)
Administrative expenses	(9.940)	29	-	(9.911)	(3.261)	-	(51)	(3.312)
Share of profit of equity-accounted investment in	-	-	-	-	-	-	7.023	7.023
Net operating (loss)/profit	**31.824**	**(12.122)**	**-**	**19.702**	**14.990**	**(11.096)**	**(362)**	**3.532**
Investment properties	1.397.850	202.384	-	1.600.234	413.086	-	(183.300)	229.786
Additions to investment properties	14.259	72.670	-	86.929	6.258	14.204	(1.245)	19.217

For the year ended 31 December 2022	SLOVAKIA				RUSSIA[1]			
	Standing Investment Segment €'000	Redevelopments and land segment €'000	Reconciling item €'000	Total €'000	Standing Investment Segment €'000	Redevelopments and land segment €'000	Reconciling item €'000	Total €'000
Gross rental income	3.963	-	-	3.963	33.254	-	-	33.254
Service charge income	2.806	-	-	2.806	16.208	-	-	16.208
Net property expenses	(2.624)	-	-	(2.624)	(18.129)	-	-	(18.129)
Net rental income	**4.145**	**-**	**-**	**4.145**	**31.333**	**-**	**-**	**31.333**
Net result on disposals	(1.395)	-	-	(1.395)	-	(114)	-	(114)
Costs connected with developments	-	-	-	-	-	(535)	-	(535)
Revaluation of investment properties	-	-	-	-	(2.182)	(413)	-	(2.595)
Depreciation, amortisation and impairments	-	-	-	-	(394)	-	-	(394)
Administrative expenses	(72)	-	-	(72)	(756)	-	-	(756)
Net operating (loss)/profit	**2.678**	**-**	**-**	**2.678**	**28.001**	**(1.062)**	**-**	**26.939**
Investment properties	-	-	-	-	259.150	22.418	-	281.568
Additions to investment properties	-	-	-	-	2.084	-	-	2.084

[1]As of 31 December 2022, the Group's cash balance in Russia was €9.6 million (31 December 2021: €2.7 million).

For the year ended 31 December 2022	OTHER COUNTRIES				RECONCILING			
	Standing Investment Segment €'000	Redevelopments and land segment €'000	Reconciling item €'000	Total €'000	Standing Investment Segment €'000	Redevelopments and land segment €'000	Reconciling item €'000	Total €'000
Costs connected with developments	-	(171)	-	(171)	-	-	-	-
Revaluation of investment properties	-	22.370	-	22.370	-	-	-	-
Depreciation, amortisation and impairments	-	-	-	-	-	-	(1.059)	(1.059)
Administrative expenses	-	(190)	-	(190)	-	-	(16.502)	(16.502)
Net operating (loss)/profit	**-**	**22.009**	**-**	**22.009**	**-**	**-**	**(17.561)**	**(17.561)**
Investment properties	-	101.852	-	101.852	-	-	-	-

For the year ended 31 December 2021	POLAND				CZECH REPUBLIC			
	Standing Investment Segment €'000	Redevelopments and land segment €'000	Reconciling item €'000	Total €'000	Standing Investment Segment €'000	Redevelopments and land segment €'000	Reconciling item €'000	Total €'000
Gross rental income	79.499	-	-	79.499	26.679	-	(9.129)	17.550
Service charge income	25.821	-	-	25.821	8.968	-	(2.100)	6.868
Net property expenses	(31.715)	-	-	(31.715)	(9.575)	-	2.670	(6.905)
Net rental income	**73.605**	**-**	**-**	**73.605**	**26.072**	**-**	**(8.559)**	**17.513**
Net result on disposals	-	(412)	-	(412)	-	-	-	-
Costs connected with developments	-	(160)	-	(160)	-	-	-	-
Revaluation of investment properties	26.060	1.541	-	27.601	4.029	3	(2.916)	1.116
Depreciation, amortisation and impairments	(1.242)	-	-	(1.242)	(203)	-	-	(203)
Administrative expenses	(9.995)	-	-	(9.995)	(1.787)	-	-	(1.787)
Share of profit of equity-accounted investment in	-	-	-	-	-	-	12.323	12.323
Net operating (loss)/profit	**88.428**	**969**	**-**	**89.397**	**28.111**	**3**	**848**	**28.962**
Investment properties	1.628.333	122.802	-	1.751.135	518.358	17.220	(183.375)	352.203
Additions to investment properties	8.129	9.552	-	17.681	2.969	7.442	(483)	9.928

For the year ended 31 December 2021	SLOVAKIA Standing Investment Segment €'000	SLOVAKIA Redevelopments and land segment €'000	SLOVAKIA Reconciling item €'000	SLOVAKIA Total €'000	RUSSIA Standing Investment Segment €'000	RUSSIA Redevelopments and land segment €'000	RUSSIA Reconciling item €'000	RUSSIA Total €'000
Gross rental income	7.961	-	-	7.961	28.870	-	-	28.870
Service charge income	4.243	-	-	4.243	13.211	-	-	13.211
Net property expenses	(4.460)	-	-	(4.460)	(13.693)	-	-	(13.693)
Net rental income	**7.744**	**-**	**-**	**7.744**	**28.388**	**-**	**-**	**28.388**
Costs connected with developments	-	-	-	-	-	(337)	-	(337)
Revaluation of investment properties	(1.327)	-	-	(1.327)	19.295	1.502	-	20.797
Depreciation, amortisation and impairments	-	-	-	-	(462)	-	-	(462)
Administrative expenses	(316)	-	-	(316)	(764)	-	-	(764)
Net operating (loss)/profit	**6.101**	**-**	**-**	**6.101**	**46.457**	**1.165**	**-**	**47.622**
Investment properties	118.000	-	-	118.000	258.752	24.881	-	283.633
Additions to investment properties	163	-	-	163	2.331	6	-	2.337

For the year ended 31 December 2021	OTHER COUNTRIES Standing Investment Segment €'000	OTHER COUNTRIES Redevelopments and land segment €'000	OTHER COUNTRIES Reconciling item €'000	OTHER COUNTRIES Total €'000	RECONCILING Standing Investment Segment €'000	RECONCILING Redevelopments and land segment €'000	RECONCILING Reconciling item €'000	RECONCILING Total €'000
Net result on disposals	-	(188)	-	(188)	-	-	-	-
Costs connected with developments	-	(171)	-	(171)	-	-	-	-
Revaluation of investment properties	-	(313)	-	(313)	-	-	-	-
Depreciation, amortisation and impairments	(25)	-	-	(25)	-	-	(1.708)	(1.708)
Administrative expenses	-	(116)	-	(116)	-	-	(18.493)	(18.493)
Net operating (loss)/profit	**(25)**	**(788)**	**-**	**(813)**	**-**	**-**	**(20.201)**	**(20.201)**
Investment properties	-	79.480	-	79.480	-	-	-	-

1.31. FAIR VALUE

Fair value measurements recognised in the consolidated statement of financial position are categorised using the fair value hierarchy that reflects the significance of the inputs used in determining the fair values:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The following table shows the assets and liabilities of the Group which are presented at fair value in the statement of financial position as at 31 December 2022, including their levels in the fair value hierarchy:

	Note	Level 1 €'000	Level 2 €'000	Level 3 €'000	Fair value as at 31 December 2022 €'000
Standing investments	1.5				
Poland		-	-	1.397.851	1.397.851
Czech Republic		-	-	229.785	229.785
Russia		-	-	259.150	259.150
Total standing investments		**-**	**-**	**1.886.786**	**1.886.786**
Redevelopments and land	1.6				
Poland		-	-	202.386	202.386
Russia		-	-	22.418	22.418
Turkey		-	-	98.101	98.101
Others		-	-	3.749	3.749
Total redevelopments and land		**-**	**-**	**326.654**	**326.654**
Assets and liabilities net of disposal group held for sale	1.13	**-**	**166.070**	**-**	**166.070**
Financial assets at FVOCI	1.12	**11.143**	**-**	**-**	**11.143**
Financial liabilities measured at fair value Interest rate swaps used for hedging	1.16	**-**	**27.338**	**-**	**27.338**

The Company transferred assets and liabilities of Atrium Molo and Atrium Palac Pardubice held for sale from Level 3 to Level 2 category based on pricing indicators from buyers. There were no other transfers of assets or liabilities between Level 1, Level 2 and Level 3 during 2022.

The following table shows the assets and liabilities of the Group which are presented at fair value in the statement of financial position as at 31 December 2021, including their levels in the fair value hierarchy:

	Note	Level 1 €'000	Level 2 €'000	Level 3 €'000	Fair value as at 31 December 2021 €'000
Standing investments	1.5				
Poland		-	-	1.628.333	1.628.333
Czech Republic		-	-	334.983	334.983
Slovakia		-	-	118.000	118.000
Russia		-	-	258.752	258.752
Total standing investments		**-**	**-**	**2.340.068**	**2.340.068**
Redevelopments and land	1.6				
Poland		-	-	122.809	122.809
Russia		-	-	24.875	24.875
Turkey		-	-	75.746	75.746
Others		-	-	20.953	20.953
Total redevelopments and land		**-**	**-**	**244.383**	**244.383**
Financial assets at FVOCI	1.12	**9.103**	**-**	**-**	**9.103**
Financial liabilities measured at fair value Interest rate swaps used for hedging	1.16	**-**	**11.847**	**-**	**11.847**

There were no transfers of assets or liabilities between Level 1, Level 2 and Level 3 during 2021.

Investment properties measured at level 3 fair value:

	2022		2021	
	Standing Investment Segment €'000	Redevelopments and land segment €'000	Standing Investment Segment €'000	Redevelopments and land segment €'000
Balance as at 1 January	**2.340.068**	**244.383**	**2.270.685**	**248.252**
Profit (loss) included in the Statement of profit or loss				
Revaluation of investment properties	(34.434)	(1.264)	45.140	2.733
Additions and Disposals				
New residential properties	-	51.354	-	-
Construction technical improvements and extensions	21.348	35.528	13.109	17.000
Disposals	(274.985)	(4.926)	-	(13.856)
Other movements				
Movements in financial leases	1.796	642	1.388	-
Transfers from redevelopments and land to standing Investments	35.466	(35.466)	9.746	(9.746)
Transfers to redevelopments and land from standing Investments	(36.403)	36.403	-	-
Transfer (to)/from assets held for sale	(166.070)	-	-	-
Balance as at 31 December	**1.886.786**	**326.654**	**2.340.068**	**244.383**

A description of the Investment Properties' valuation process:

The policies and procedures for standing investments and redevelopments and land valuations are approved by the Board of Directors.

The criteria for selecting the valuation companies includes recognised professional qualifications, reputation and recent experience in the respective locations and categories of the properties being valued.

Full external valuations of all the assets within the Group’s standing investment properties are performed on an annual basis at year end. An interim update valuation is performed only if material changes in net annual rental income occurred during the period or when deemed necessary by management.

For interim reporting purposes, the valuations of redevelopments and land properties are examined internally by the Company’s internal valuation team in order to verify that there have been no significant changes to the underlying assumptions. When considered necessary, external valuations are obtained to validate and support the carrying values of redevelopments and land.

The fair values of all standing investments were determined on the basis of independent external valuations received from Savills and Commonwealth Partnership (CWP). The fair values of most of the redevelopments and land, as at 31 December 2022, were determined on the basis of independent external valuations received from Savills, CWP and CBRE. Approximately 89% (2021: 86%) of the land properties were valued externally. Savills, CWP and CBRE are all external, independent valuation companies and real estate consultants, having an appropriately recognised professional qualification and recent experience in the respective locations and categories of properties being valued. The valuations were prepared in accordance with the Royal Institution of Chartered Surveyors Valuation Standards published by the Royal Institution of Chartered Surveyors (the "Red Book").

The majority of the significant unobservable inputs are provided by the Company’s external, independent, international valuers and reflect current market assessments, while taking into account each property’s unique characteristics.

The valuation results of the investment properties are presented to the Board of Directors. This includes a discussion of any changes to the significant assumptions used in the valuations, significant changes (or, lack of changes if such are expected) in the valuations and the current economic situation of the market where the properties are located.

For the Cap rates diversification across the Group's income producing portfolio see note 1.5.

The valuation techniques used in measuring the fair value of the Group’s assets and liabilities which are presented at fair values in the statement of financial position as at 31 December 2022:

Standing investments:

The fair value of standing investments is determined using a Discounted Cash Flow model. The Discounted Cash Flow model considers the present value of the net cash flow to be generated from the properties, taking into account the aggregate of the net annual rental income. The expected net cash flows are capitalised using a capitalisation rate that is based on the recent property transactions, general knowledge of the market and investment funds’ expectations. This Cap rate is considered an ‘all risks yield’ and accounts for the investors view of the specifics of the property and it’s leasing status. The Group categorises the standing investments fair value as Level 3 within the fair value hierarchy.

The following table shows the significant unobservable inputs used in the fair value measurement of standing investments for the Discounted Cash Flow method:

Significant unobservable inputs 2022	Range	Weighted average
Estimated rental value ("ERV")	€1 - €279 per sqm per month	€15 per sqm per month
Capitalisation rate	4.8% - 14.75%	7.0%

Inter-relationship between key unobservable inputs and fair value measurements:

2022	Estimated change € in millions	Estimated total fair value following the change € in millions
Increase of 5% in ERV[1]	94,3	2.016,0
Decrease of 5% in ERV[1]	(94,3)	1.827,4
Increase of 25bp in Cap rates[2]	(70,1)	1.851,6
Decrease of 25bp in Cap rates[3]	76,0	1.997,7

1 The effect of the increase/(decrease) in ERV on the estimated fair value of each country is approximately pro rata their fair value
2 The distribution of the estimated decrease (in € millions): Poland -56.3, Czech Republic -9.2, Russia-4.6
3 The distribution of the estimated increase (in € millions): Poland 61.2, Czech Republic 10.0, Russia 4.8

Significant unobservable inputs 2021	Range	Weighted average
Estimated rental value ("ERV")	€1 - €240 per sqm per month	€15 per sqm per month
Capitalisation rate	4.5% - 13.7%	6.8%

Inter-relationship between key unobservable inputs and fair value measurements:

2021	Estimated change € in millions	Estimated total fair value following the change € in millions
Increase of 5% in ERV[1]	115,1	2.455,1
Decrease of 5% in ERV[1]	(115,1)	2.225,0
Increase of 25bp in Cap rates[2]	(85,3)	2.254,8
Decrease of 25bp in Cap rates[3]	92,3	2.432,4

1 The effect of the increase/(decrease) in ERV on the estimated fair value of each country is approximately pro rata their fair value
2 The distribution of the estimated decrease (in € millions): Poland -63.5, Czech Republic -12.9, Slovakia -3.9, Russia -5.0
3 The distribution of the estimated increase (in € millions): Poland 68.9, Czech Republic 14.0, Slovakia 4.2, Russia 5.2

Redevelopments and land:

The fair value of 11% of redevelopments and land (31 December 2021: 22%) was determined using the Comparable method. The Comparable valuation method is based on the sales (offering and listing) prices of similar properties that have recently been transacted in the open market. Sales prices are analysed by applying appropriate units of comparison and are adjusted for differences with the valued property on the basis of elements of comparison, such as location, land ownership risk, size of the plot and zoning etc. Such adjustments are not considered to be observable market inputs.

The following table shows the significant unobservable input used in the fair value measurement of redevelopments and land for the Comparable method:

Significant unobservable inputs 2022	Range	Weighted average
Price	€40 - €63 per sqm	€58 per sqm

Inter-relationship between key unobservable inputs and fair value measurements:

2022	Estimated change € in millions	Estimated total fair value following the change € in millions
Increase of 5% in price[1]	1,8	38,1
Decrease of 5% in price[1]	(1,8)	34,6

1 The effect of the increase (decrease) in price on the estimated fair value of each country is approximately pro rata their fair value

Significant unobservable inputs 2021	Range	Weighted average
Price[1]	€13 - €61 per sqm	€59 per sqm

1 One outlying value of €785/m² of land is excluded from the range.

Inter-relationship between key unobservable inputs and fair value measurements:

2021	Estimated change € in millions	Estimated total fair value following the change € in millions
Increase of 5% in price[1]	2,5	56,5
Decrease of 5% in price[1]	(2,5)	51,5

1 The effect of the increase (decrease) in price on the estimated fair value of each country is approximately pro rata their fair value

The fair value of 38% of redevelopments and land (31 December 2021: 11%) was determined using the Cost method. The fair value of the remaining 51% of redevelopments and land (31 December 2021: 67%) was determined using the Residual value method. The Residual value method uses the present value of the market value expected to be achieved in the future from the standing investment once it is developed less estimated cost to completion on the basis that the development is compliant with zoning regulations. The rental levels are set at the current market levels capitalised at the net yield which reflects the risks inherent in the net cash flows.

The following table shows the significant unobservable inputs used in the fair value measurement of redevelopments and land for the Residual valuation method:

Significant unobservable inputs 2022	Range	Weighted average
ERV	€14.9 - €20.5 per sqm per month	€19.37 per sqm per month
Capitalisation rate	5.0-8.0%	5.7%
Construction costs	€725 - €2,475 per sqm GLA	€716 per sqm GLA
Development Time Frame	1 - 5.42 years	4.31 years

Inter-relationship between key unobservable inputs and fair value measurements:

2022	Estimated change € in millions	Estimated total fair value following the change € in millions
Increase of 5% in ERV[1]	16,4	271,7
Decrease of 5% in ERV[1]	(16,4)	239,0
Increase of 25bp in Cap rates[2]	(12,7)	242,7
Decrease of 25bp in Cap rates[3]	13,8	269,2
Increase of 5% in expected construction costs[4]	(15,0)	240,4
Decrease of 5% in expected construction costs[5]	15,0	270,3
Increase of +1 year in development timeframe[6]	(20,5)	234,9
Decrease of - 1 year in development timeframe[7]	22,1	277,5

1 The effect of the increase/(decrease) in ERV on the estimated fair value of each country is approximately pro rata their fair value
2 The distribution of the estimated decrease (in € million): Poland -12.7
3 The distribution of the estimated increase (in € million): Poland 13.8
4 The distribution of the estimated decrease (in € million): Poland -10.0, Turkey -5.0
5 The distribution of the estimated increase (in € million): Poland 10.0, Turkey 5.0
6 The distribution of the estimated decrease (in € million): Poland -9.5, Turkey -11.0
7 The distribution of the estimated increase (in € million): Poland 10.1, Turkey 12.0

Significant unobservable inputs 2021	Range	Weighted average
ERV	€13.6 - €14.4 per sqm per month	€14.19 per sqm per month
Capitalisation rate	8.0%	8.0%
Construction costs	€597 - €1,430 per sqm GLA	€716 per sqm GLA
Development Time Frame	2 - 6.25 years	5.56 years

Inter-relationship between key unobservable inputs and fair value measurements:

2021	Estimated change € in millions	Estimated total fair value following the change € in millions
Increase of 5% in ERV[1]	5,6	195,3
Decrease of 5% in ERV[1]	(2,8)	187,0
Increase of 25bp in Cap rates[2]	(1,1)	188,7
Decrease of 25bp in Cap rates[3]	3,9	193,7
Increase of 5% in expected construction costs[4]	(4,1)	185,7
Decrease of 5% in expected construction costs[5]	9,9	199,7
Increase of +1 year in development timeframe[6]	(10,7)	179,1
Decrease of - 1 year in development timeframe[7]	11,7	201,5

1 The effect of the increase/(decrease) in ERV on the estimated fair value of each country is approximately pro rata their fair value
2 The distribution of the estimated decrease (in € million): Poland -1.1
3 The distribution of the estimated increase (in € million): Poland 3.9
4 The distribution of the estimated decrease (in € million): Poland -1.5, Turkey -2.6
5 The distribution of the estimated increase (in € million): Poland 4.3, Turkey 5.6
6 The distribution of the estimated decrease (in € million): Poland -1.4, Turkey -9.3
7 The distribution of the estimated increase (in € million): Poland 1.5, Turkey 10.2

Assets and liabilities, net of disposal group held for sale

As at 31 December 2022, disposal group held for sale was €166.070 million (31 December 2021: €nil). The Group categorises the fair value of the assets and liabilities held for sale as Level 2 within the fair value hierarchy based on the sale agreements signed by the Group and third parties.

Financial assets at FVOCI

For additional details on the available for sale financial assets see note 1.12.

Interest rate swaps used for hedging

The swaps are cash flow hedges designed to reduce the Group's cash flow exposure to variable interest rates on certain borrowings. The swaps are presented at fair value. The Group categorises fair value swaps as Level 2 within the fair value hierarchy. The inputs used to determine the future cash flows are the 3 month Euribor forward curve and an appropriate discount rate. The inputs used are derived either directly (i.e. as prices) or indirectly (i.e. from prices).
The following table shows the assets and liabilities of the Group which are not presented at fair value in the statement of financial position as at 31 December 2022, including their levels in the fair value hierarchy:

		2022		2021	
	Level	Net book value €'000	Fair value €'000	Net book value €'000	Fair value €'000
Financial liabilities					
Bonds	2	786.804	621.906	937.929	966.510
Bank loans	2	290.964	291.747	294.460	295.139
Total		**1.077.768**	**913.653**	**1.232.389**	**1.261.649**

The fair values of loans and bonds were determined by an external appraiser using discounted cash flow models, zero-cost derivative strategies for fixing the future values of market variables.

Fair values have been determined with reference to market inputs, the most significant of which are:

- Quoted EUR yield curve;
- Volatility of EUR swap rates
- Fair values of effected market transactions.

Fair value measurements used for bonds and loans are categorised within Level 2 of the fair value hierarchy.

1.32. CATEGORIES OF FINANCIAL INSTRUMENTS

The Group distinguishes the following categories of financial instruments:

2022	Carrying amount €'000	Financial assets at amortised cost €'000	Financial assets at FVOCI €'000	Financial liabilities at amortised cost €'000	Financial liabilities at FVOCI €'000
Financial assets					
Other assets	8.709	8.709	-	-	-
Receivables from tenants	10.897	10.897	-	-	-
Other receivables	3.050	3.050	-	-	-
Cash and cash equivalents	201.147	201.147	-	-	-
Financial assets at amortised cost	58.306	58.306	-	-	-
Financial assets at FVOCI	11.143	-	11.143	-	-
Derivatives	27.338	-	27.338	-	-
Total financial assets	**320.590**	**282.109**	**38.481**	**-**	**-**
Financial liabilities					
Long term borrowings	1.119.488	-	-	1.119.488	-
Long term lease liabilities	40.042	-	-	40.042	-
Other long term liabilities	9.132	-	-	9.132	-
Trade and other payables	23.667	-	-	23.667	-
Accrued expenditure	45.732	-	-	45.732	-
Short term borrowings	208.658	-	-	208.658	-
Total financial liabilities	**1.446.719**	**-**	**-**	**1.446.719**	**-**

2021	Carrying amount €'000	Financial assets at amortised cost €'000	Financial assets at FVOCI €'000	Financial liabilities at amortised cost €'000	Financial liabilities at FVOCI €'000
Financial assets					
Other assets	18.832	18.832	-	-	-
Receivables from tenants	19.472	19.472	-	-	-
Other receivables	1.777	1.777	-	-	-
Cash and cash equivalents	500.375	500.375	-	-	-
Financial assets at amortised cost	20.318	20.318	-	-	-
Financial assets at FVOCI	9.103	-	9.103	-	-
Total financial assets	**569.877**	**560.774**	**9.103**	**-**	**-**
Financial liabilities					
Long term borrowings	1.073.897	-	-	1.073.897	-
Derivatives	11.847	-	-	-	11.847
Long term lease liabilities	41.820	-	-	41.820	-
Other long term liabilities	13.339	-	-	13.339	-
Trade and other payables	21.175	-	-	21.175	-
Accrued expenditure	39.837	-	-	39.837	-
Short term borrowings	158.492	-	-	158.492	-
Total financial liabilities	**1.360.407**	**-**	**-**	**1.348.560**	**11.847**

The fair values of bonds and loans presented under long term financial liabilities are disclosed in note 1.15. The remaining financial liabilities are stated at amortised cost which is deemed not to be significantly different from fair value. The fair values of the financial assets are deemed to equal their book values.

1.33. CAPITAL MANAGEMENT

The capital structure of the Group consists of borrowings (as detailed in note 1.15), cash and cash equivalents and equity.

The capital structure of the Group is reviewed regularly. Based on the Board of Directors decision, the Group manages its capital structure mainly by dividend distributions, debt raising and debt repayments.

G City Europe's corporate credit rating by Fitch and by Moody's was downgraded to below Investment Grade in 2022. The downgrading reflects the financial profile of the Company following G City's acquisition of the remaining 25% shareholding in the Company and anticipated leverage (see note 1.4).

For information about loans and bond covenants see note 1.15. For information about the capital structure of the Group see note 1.14.

No dividends have been distributed after February 2022.

1.34. RISK MANAGEMENT

The objective of the Group is to manage, invest and operate commercial real estate and residential for rent in Central Europe and Russia in order to increase their intrinsic value.

The risk exposures of the Group are periodically assessed and reported to the Board of Directors.

CREDIT RISK

Credit risk is defined as unforeseen losses on financial assets if counterparties should default.

The creditworthiness of tenants is closely monitored by a regular review of accounts receivable.

G City Europe attempts to minimise the concentration of credit risk by spreading the exposure over a large number of counterparties.

The creditworthiness of a tenant can decline over the short or medium term, for example as a result of change in the economic environment, leading to a risk that the tenant will become insolvent or be otherwise unable to meet its obligations under the lease. Any significant credit losses could have a material adverse effect on the Group's business, financial condition, cash flows, prospects and results of operations.

Furthermore, the Group holds collateral from tenants which would reduce the financial impact on the Group in the event of default. The collateral is represented by deposits from tenants and covers rents of one to three months. In 2022, the Group had secured long term deposits from tenants amounting to €8.4 million (2021: €11.4 million) and short term deposits amounting to €5.8 million (2021: €5.2 million) and secured bank guarantees.

The table in note 1.10 provides an ageing analysis of receivables from tenants and an overview of the allowances made for doubtful balances.

The credit exposure of the Group arising from the financial assets, as disclosed in note 1.32, represents the maximum credit exposure due to financial assets.

To spread the risk connected to the potential insolvency of financial institutions, the Group deposits cash balances at various international banking institutions. Before a deposit is made, a review of the credit ratings of the banking institutions is undertaken and only banks with credit ratings of an investment grade or better are selected by the Board of Directors.

LIQUIDITY RISK

Liquidity within the Group is managed by appropriate liquidity planning and through an adequate financing structure, which is linked to our capital management objectives.

The Group's liquidity requirements arise primarily from the need to fund its residential strategy, redevelopment projects, other property acquisitions and other capital expenditures, debt servicing and debt service costs, property management services and operating expenses. To date, these have been funded through bonds, proceeds from disposal of assets and bank borrowings, and, to a lesser extent, from cash flow from operations (including rental income and service charges). In addition, the Group has an available financing in total amount €304.6 million unutilised related party credit facility.

Liquid funds, comprising cash and cash equivalents amounted to €228.8 million as at 31 December 2022 (2021: €500.9 million). The short term borrowings amounted to €208.7 million (2021: €158.5 million) which mainly represent the revolving credit facility repayment due on 29 March 2023 with a prolongation option up to May 2023. There are no bond repayments due until September 2025.

The Group performs solvency statements on an "as needed" basis, where it assesses its cash flows and liquidity needs. The Group required to file the relevant solvency statements with the Registrar of Companies (Registrar) in Jersey as part of the Merger and the Reduction of Capital EGM (see note 1.4).

The following tables analyse the Group's financial liabilities, including interest payments, based on maturity:

2022	Carrying amount €'000	Total contractual cash flows €'000	One year or less €'000	One to two years €'000	Two to five years €'000	More than five years €'000
Borrowings and derivatives[1]	1.337.364	1.482.045	247.826	41.136	1.193.083	-
Other liabilities[2]	109.354	277.650	62.743	5.643	13.250	196.015
Total	**1.446.718**	**1.759.695**	**310.569**	**46.779**	**1.206.333**	**196.015**

1 Borrowings include accrued interest.
2 Other liabilities comprise long term liabilities from finance leases, other long term liabilities, trade and other payables and accrued expenditure.

2021	Carrying amount €'000	Total contractual cash flows €'000	One year or less €'000	One to two years €'000	Two to five years €'000	More than five years €'000
Borrowings and derivatives[1]	1.252.530	1.396.045	193.356	32.940	743.670	426.079
Other liabilities[2]	107.876	272.955	55.687	6.578	15.538	195.152
Total	**1.360.406**	**1.669.000**	**249.043**	**39.518**	**759.208**	**621.231**

1 Borrowings include accrued interest.
2 Other liabilities comprise long term liabilities from finance leases, other long term liabilities, trade and other payables and accrued expenditure.

The amounts disclosed in the table are the contractual undiscounted cash flows.

MARKET RISK

Market risk embodies the potential for both losses and gains and includes price risk, currency risk and interest rate risk.

The Group operates in emerging and developing markets in CE and Russia. The Group's operations in those markets are exposed to higher risks compared with operations in more developed markets; including legal, economic and political risks to which the operations in these countries are exposed. Our markets are vulnerable to geopolitical risks arising from conflicts between or within states with significant potential consequences for the political, economic and social status quo of the Group's markets. Changes in economic and political situations in one emerging or developing market country may have a negative related or unrelated consequential impact on the economic and political and situation in other emerging or developing market countries. Conflict between Russia and Ukraine could lead to further sanctions and FX volatility.

The Group's strategy for managing market risk is driven by the Group's investment objective which is managing and administering the existing property portfolio and identifying potentially attractive new investments in the market, conducting due diligence for acquisitions and managing all the stages of the acquisition process. The Group's market risk is managed on a daily basis in accordance with the policies and procedures in place.

The Group's overall market performance is monitored on a monthly basis.

Information about the key unobservable inputs used in fair value measurement is disclosed in note 1.31.

Price risk

The Group's investment properties are valued at fair value. These fair values are influenced by the turbulence in the global markets as well as the limited amount of publicly available and up to date data relating to the real estate markets in the countries in which the Group operates. The Group is therefore exposed to price risks resulting from movements in the Group's asset values that could change significantly during subsequent periods, see also notes 1.5 and 1.31.

At present, it is not possible to assess with accuracy the extent of such changes.

Currency risk

The Group is exposed to a currency risk on cash balances that are denominated in foreign currencies.

To eliminate the risk of transactions in foreign currencies, the Group attempts to match its income with its expense in the same currency, thus reducing the currency risk.

The Group is mainly financed in Euro. The rents payable to the Group under the various lease agreements with tenants are mainly denominated in Euro. However, the income of most tenants is denominated in the local currency of the relevant country in which they are based. The occupancy cost ratio, which reflects the tenants' rental cost as a proportion of turnover, can be affected by fluctuations in the Euro, the currency in which rent is based or payable, against the relevant local currency in which the tenant generates turnover. Accordingly, a weakening of the local currency against the Euro could result in the Group's properties becoming less attractive, or over-rented. Such fluctuations could also result in these rents becoming unsustainable for the tenants concerned, leading to the respective tenants demanding discounts or even defaulting. This could consequently lead to a decrease in current and estimated rental income and a devaluation of the relevant properties.

The following tables set out the exposure to foreign currency risk and net exposure to foreign currencies of the Group’s financial assets and liabilities:

2022	Financial assets €'000	Financial liabilities €'000	Net exposure €'000
CZK	2.794	(5.983)	(3.189)
PLN	32.117	(55.716)	(23.599)
RUB	10.132	(13.941)	(3.809)
Other	74	(3)	71

2021	Financial assets €'000	Financial liabilities €'000	Net exposure €'000
CZK	3.534	(3.742)	(208)
PLN	59.578	(54.531)	5.047
RUB	6.466	(11.256)	(4.790)
Other	300	(86)	214

Sensitivity Analysis

The table below indicates how a 10 percentage point strengthening of the currencies stated below against the Euro as at 31 December 2022 and 31 December 2021 would have increased/(decreased) the profit in the statement of profit or loss. This analysis assumes that all other variables, including base rent and lease incentives, remain constant. The recording and measurement of foreign currency results is undertaken in accordance with the principles outlined in standard IAS 21.

The table below does not take into account potential gains and losses on investment properties measured at fair value which are sensitive to foreign exchange fluctuations nor does it take into account the impact on any other non-financial assets or liabilities.

	2022 Gain/(Loss) €'000	2021 Gain/(Loss) €'000
CZK	(319)	(21)
PLN	(2.360)	505
RUB	(381)	(479)
Other	7	21

Interest rate risk

The majority of financial instruments bear interest on a fixed interest basis. The interest rate risks associated with the Group's financial instruments bearing variable interest rates are mainly hedged by making use of financial derivatives (interest rate swaps), see also note 1.16. As all the financial instruments, other than the derivatives, were measured at amortised cost in 2022, there were no fair value movements due to interest rate risk fluctuations in 2022. The interest rate risk was, therefore, reduced to the impact on the statement of profit or loss of the interest paid on borrowings bearing variable interest rates. The carrying amount of the borrowings bearing variable interest rates not hedged was €250.4 million as at 31 December 2022 (31 December 2021: €nil).

Interest rate exposure arising from long term borrowings is analysed on a regular basis. As at 31 December 2022, all of the Group's borrowings with the exception of the revolving credit facilities and related party credit facility were effectively at a fixed interest rate. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing through bonds.

Numerous general economic factors cause interest rates to fluctuate. In addition, interest rates are highly sensitive to a government's monetary policy, domestic and international economic and political conditions, the situation in the financial markets and inflation rates. Interest rates on real estate loans are also affected by other factors specific to real estate finance and equity markets, such as changes in real estate values and overall liquidity in the real estate debt and equity markets.

Increases in interest rates could adversely affect the Group's ability to finance or refinance additional borrowings, as the availability of financing and refinancing proceeds may be reduced to the extent that income from properties fails to increase sufficiently to maintain debt service coverage.

Sensitivity Analysis

The Group seeks to safeguard its results and cash flow against interest rate fluctuations by using financial derivatives (interest rate swaps) to hedge long term financial instruments bearing variable interest rates.

UNCERTAINTY AS REGARDS TO TAX BURDEN

The Group has been exposed to possible changes in the tax burden including the passing of new tax laws, changes in existing laws, inconsistent application of existing laws and regulations and uncertainty as to the application and effect of laws and regulations. In some cases, laws were enacted with retrospective effects and the application of international legal frameworks and treaties reinterpreted. In addition, the taxation and fiscal systems in emerging and developing markets are less well-established, compared to those in more developed economies. The lack of established jurisprudence and case law may result in unclear, inconsistent regulations, decrees and explanations of the taxation laws and/or views on interpretation.

There is a global move towards reassessing existing tax systems and tax payers obligations with the aim of curbing tax base erosion and securing a suitable distribution of tax burden for multinational organizations. Initiatives have been taken in this respect by multi-jurisdictional institutions like the OECD, the UN and the EU, as well as by individual countries. Various supranational initiatives which impact national tax systems intend to counter certain tax structures such as Base Erosion and Profit Shifting projects (**"BEPS"** and **BEPS 2.0**). EU Directive on mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements **("BEPS")** and European Union legislation aimed at counteracting aggressive tax planning such as Anti-Tax Avoidance Directive I and Anti-Tax Avoidance Directive II, followed by the proposals for the EU directives addressing global minimum tax and so called "shelf entities". On the top of supranational tax landmark reforms, local legislations are enacted in the countries, e.g. imposing economic substance requirements and tests to assess the purpose and motives behind taxpayers actions or aimed at taxation of certain cross-border payments which are assumed to erode the local tax base.

Any of the above matters, alone or in combination, could have a material and adverse effect on the Group's financial position and results from operations.

For instance, the Group's future effective tax rates may be adversely affected by a number of factors, including unilateral changes to double taxation treaties or changes in the value of G City Europe's deferred tax assets and liabilities, increases in expenses not deductible for tax purposes, the outcome of any potential discussions with the relevant tax authorities, changes in relation to taxation laws or tax rates or the interpretation of such taxation laws and changes in generally accepted accounting principles.

The Company monitors the implications of these initiatives on the various jurisdictions in which it operates and anticipates potential adverse consequences. The Company cannot preclude that this may further change going forward.

The Group aims to mitigate the above risks by having experienced central and local management teams in the different countries in which the Group operates that are making use of external local experts and specialists.

1.35. TRANSACTIONS WITH RELATED PARTIES

MERGER WITH GAZIT HERCULES 2020 LIMITED (NEWCO)

On 18 February 2022, the completion and the effectiveness of the Merger with Newco and reduction of capital was registered. The company's delisting from the Amsterdam Stock Exchange and the Vienna Stock Exchange took place on the same date. Following the Merger with Newco, the borrowings of the Group increased by €305.4 million due to a withdrawal of related party loan facility of Newco from G City.

As of 31 December 2022, the Group repaid €260.0 million and €45.4 million of the related party credit facility is utilised.

THE BOARD OF DIRECTORS AND THE GROUP EXECUTIVE TEAM

The Board of Directors of the Company upon completion of the Merger as of 18 February 2022 was Mr Chaim Katzman, Mrs Lucy Lilley and Mr Andrew Wignall. Mr Oren Hod and Mr Zvi Hefietz were re-appointed as from 23 February 2022.

Effective from 31 May 2022 Mr Liad Barzilai retired as Chief Executive Officer. On 1 June 2022 Mr Ryan Lee was appointed as Chief Executive Officer and Mrs Anna Dafna as Chief Financial Officer of the Group.

Effective from 22 June 2022 Mrs Lucy Lilley retired from the Board of Directors. On 23 June 2022 Mr Andrew Wignall retired from the Board of Directors.

Effective from 28 June 2022 Mr Ryan Lee was nominated to the Board of Directors, as an executive director.

Mr Zvi Gordon was nominated to the Board of Directors with effect from 28 June 2022, as a G City nominee non-executive director.

Mr Adi Armoni was nominated to the Board of Directors with effect from 29 June 2022, as an independent non-executive director.

Mr Marios Demetriades was nominated to the Board of Directors with effect from 4 August 2022, as a G City nominee non-executive director.

On 31 August 2022 Mr Oren Hod retired from the Board of Directors.

OTHER RELATED PARTY TRANSACTIONS

G City Limited is the parent company of G City Europe Limited and to the best of the management's knowledge Norstar Holdings Inc. is the ultimate parent company. The ultimate controlling is Mr. Chaim Katzman, Chairman of the Board of Directors, who is controlling shareholder of Norstar Holding Inc.

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

During and after the reporting period, G City bought in the open market the Group's 2025, 2027 and Hybrid Notes in the nominal amounts of €91.1 million, €0.9 million and €8.2 million, respectively. The Group's 2022 Notes were bought back by G City in the nominal amount of €3.3 million before their repayment in July 2022.

G City reimbursed G City Europe for I-SOX and reporting expenses of €0.1 million which were paid by G City Europe (2021: €0.3 million).

Based on a consultancy agreement with the Group, Mr. Katzman is entitled to €0.7 million annual consultancy fee as from 1 April 2017, payable in four equal quarterly instalments and subject to an annual review.

1.36. CONTINGENCIES

The circumstances of the acquisition of 88,815,500 Austrian Depositary Certificate ("ADCs") representing shares of G City Europe announced in August 2007 (the "ADC Purchases"), security issuances and associated events have been subject to regulatory investigations and other proceedings that continue in Austria.

With regard to these investigations and proceedings, G City Europe continues to be subject to certain claims submitted by ADC holders alleging losses derived from price fluctuations in 2007 and associated potential claims, although as at 31 December 2022, G City Europe was not a party in any material proceedings.

Based on current knowledge and management assessment in conjunction with its advisors in respect of the actual outcome of claims to date in the Austrian proceedings, the terms of and methodologies adopted in previous compensation arrangements, the expected cost and implications of implementing those arrangements, a total provision of €2.6 million has been estimated by the Company. Certain further information ordinarily required by IAS 37, 'Provisions, contingent liabilities and contingent assets', has not been disclosed on the grounds that to do so could be expected to seriously prejudice the resolution of these issues, in particular certain details of the calculation of the total provision and the related assumptions. The criminal investigations pending against Mr. Julius Meinl and others relating to events that occurred in 2007 and earlier remain ongoing. The public prosecutor directed G City Europe to reply to the allegations and started criminal investigation proceedings against G City Europe based on the Austrian Corporate Criminal Liability Act. It is uncertain whether this legislation, which came into force in 2006, is applicable to G City Europe. In any event, G City Europe believes a finding of liability on its part would be inappropriate and, accordingly, intends to actively defend itself.

There is continuing uncertainty in the various economies and jurisdictions in which the Group has its operations and assets. These uncertainties relate to the general economic and geopolitical environment in such regions and to changes or potential changes in the legal, regulatory and fiscal frameworks and the approach taken to enforcement which may include actions affecting title to the Group's property or land and changes to the previously accepted interpretation of fiscal rules and regulations applied by the authorities to the Group's fiscal assets and liabilities.

Certain subsidiaries within the Group are, or have been, like other companies operating in the retail market, involved in legal and/or administrative proceedings involving the tax authorities. These past and present proceedings create uncertainty around tax policies in matters previously regarded as established but which are now subject to revised interpretation by the tax authorities. The Company can currently not reliably estimate the potential amount of any additional taxation and associated costs, but the impact may be significant.

The Hybrid Note has an off-balance sheet accrued interest of €2.1 million as of 31 December 2022 (31 December 2021: €2.0 million).

RUSSIA AND UKRAINE CONFLICT

Due to the Russia-Ukraine conflict and impact of sanctions, a high degree of judgment has been applied in determining the estimated cash flows used in the assessment of the fair value of investment properties in Russia. Consequently, a higher level of uncertainty exists in the valuations than would normally be the case. The fair values as determined by external, independent real estate valuation expert have used all available information from reliable sources in developing appropriate assumptions to determine the fair value of investment properties. The Group has performed a full external valuation of its income producing assets in Russia on 31 December 2022, which resulted in a net devaluation of €2.2 million. The valuations are therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty and a higher degree of caution were attached to the valuation of the Russian portfolio.

Russia's occuppancy as of 31 December 2022 and the collections for twelve months ended 31 December 2022 are not significantly impacted by the conflict. Approximately 24.7% of the Group's 2022 NRI derives from Russia. There is a risk of declining GDP, increased interest rates, devaluation of local currency and departure of international tenants that could adversely affect the Group performance in the country, the ability of tenants to remain open and pay rent, inability to trade or utilise cash, potential devaluation of the portfolio and seizing of assets.

1.37. SUBSEQUENT EVENTS

In January 2023, the Group repaid the total amount of €45.4 million of the related party credit facility.

In February 2023, the Group completed the sale of Atrium Molo shopping centre in Poland for €41.9 million at its book value.

In February and March 2023, the Group repaid the total amount of €95.0 million of the revolving credit facility.

In March 2023, the Group utilised the total amount of €45.0 million of the related party credit facility.

As of 22 March 2023, the total amounts of utilised revolving credit facility and related party credit facility were €110.0 million and €45.0 million respectively.

Independent Auditor's Report

To the Shareholders and Board of Directors of G City Europe Limited

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of G City Europe Limited (the "Company") and its subsidiaries (collectively – the "Group") as at 31 December 2022, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flow for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

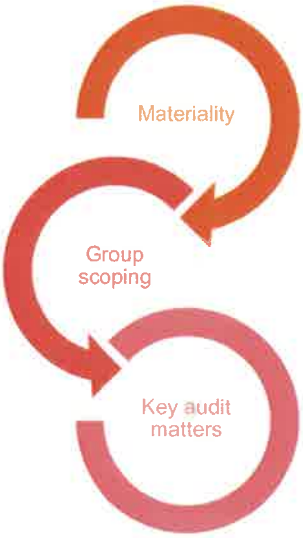
We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements of the Group, as required by the Crown Dependencies' Audit Rules and Guidance. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter

We draw attention to Note 1.36 in the consolidated financial statements, which indicates that there is significant estimation uncertainty in relation to the valuation of Russian standing investments of €256 million included in the consolidated statement of financial position as at 31 December 2022, resulting from the Russian military invasion of Ukraine and subsequent impact of sanctions on the Russian economy. Third party valuers engaged by management have included a material valuation uncertainty clause in their report. This clause highlights that less certainty, and consequently a higher degree of caution, should be attached to the valuation of the Russian properties. Our opinion is not modified in respect of this matter.

Our audit approach

Overview



- Overall Group materiality: €20.5 million (2021: €16.9 million), based on 0.7% of total assets

- The Company is incorporated in Jersey, Channel Islands and the consolidated financial statements are a consolidation of the Company and a number of subsidiaries located primarily in Central Europe.
- Material components and operations were identified primarily on the basis of contribution to total assets of the Group and secondly on the basis of other significant balances. Our scoping resulted in a coverage of 99% of total assets.
  We conducted the majority of our work in Jersey, Cyprus, Poland, the Czech Republic, Slovakia and Russia. These locations were selected based on their profile, significant balances and pro rata share of the total assets of the Group.

- Valuation of investment properties

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group materiality	€20.5 million (2021: €16.9 million)
How we determined it	0.7% of total assets
Rationale for the materiality benchmark applied	In arriving at this judgement, we have had regard to the carrying value of the Group's assets acknowledging that the primary measurement attribute of the Group is the carrying value of investment property. We have also had regard to the Group's parent company and the materiality set by their auditors, which approximates to 0.7% of total assets. We believe this to be an acceptable threshold for performing the audit of the Group.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties *Refer to Note 1.2 (Key sources of estimation uncertainty), Note 1.3 (Significant accounting policies), Note 1.5 (Standing investments), Note 1.6 (Redevelopments and land), and Note 1.31 (Fair value) to the financial statements.* The Group's investment property portfolio is split between standing investments, redevelopments and land. The valuation of the Group's investment property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and future income and returns expected by investors from the property. For redevelopments and land, factors include projected future	We engaged PwC valuation experts in relevant jurisdictions to review all internal and external valuation reports for all standing investments, redevelopments and land. We assessed whether the valuation approach used was in accordance with RICS standards and was suitable for use in determining the fair value for the purpose of the consolidated financial statements. For external valuations we assessed the valuers' qualifications and expertise and read their terms of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work. We also considered other engagements which might exist between the Group and the external valuers.

investment to completion as well as costs and timing of completion.

The valuations for all standing investments and the majority of the redevelopments and land portfolio were carried out by external third party valuers, Savills, Commonwealth Partnership (CWP) and CBRE (the "external valuers"). The external valuers were engaged by the directors and performed their work in accordance with the Royal Institution of Chartered Surveyors Valuation – Global Standards ("RICS Standards") which incorporate the International Valuation Standards. The directors consider that external valuers used by the Group have relevant experience of the markets in which the Group operates.

Approximately 5% of investment properties were valued by the Group's internal valuation team. The results of the external and internal valuations were reviewed and approved by the directors.

In determining standing investments valuations the external valuers take into account property specific information such as the current tenancy agreements and rental income. They apply estimated market rent to vacant space and for periods after lease expiries. To arrive at the final value of the property they apply relevant assumptions for exit capitalisation rates and discount rates resulting from comparable market transactions, investor sentiment and forecasted capital expenditure. For redevelopments and land, the residual appraisal and comparable transaction methods are used. The residual appraisal method is an estimation of the fair value of the completed project using a capitalisation method less estimated costs to completion and a risk premium. The comparable transaction method estimates fair value on the basis of recent transactions for comparable assets in the market, adjusted to reflect the characteristics of the valued property.

The significance of the estimates and judgements involved, coupled with the fact that only a small percentage difference in individual property valuations, when

We attended meetings with management, our internal PwC valuation experts and the external valuers, at which the valuations and the key assumptions therein were discussed. Our work covered the valuation of every property in the Group, but the discussions with management and the external valuers focused on the largest properties in the portfolio, properties under development or where the valuation basis had changed in the year, and those where the exit capitalisation rates and discount rates used and/or year on year capital value movement suggested a possible outlier versus externally published market data for the relevant sector.

We performed testing on the standing data in the Group's information systems concerning the valuation process and carried out procedures, on a sample basis, to satisfy ourselves of the accuracy of the property information used by management in the internal valuation process and supplied to the external valuers. For developments during the year, capitalised expenditure was tested on a sample basis to invoices. For redevelopments and land held at the year end, we also assessed budgeted costs to redevelop for reasonableness, taking into account the type and scale of the planned redevelopment.

We compared the investment exit capitalisation rates and discount rates used by management and the external valuers with the range of expected rates and the year on year capital movement to our expected range. We also considered the reasonableness of other assumptions that are not so readily comparable with published benchmarks, such as Estimated Rental Value, based on our internal sources.

Where assumptions were outside the expected range or otherwise appeared unusual, and/or valuations showed unexpected movements, we undertook further investigations and, when necessary, held further discussions with management and the external valuers and obtained evidence to support explanations received. The valuation commentaries provided by management and the external valuers and the supporting evidence received, enabled us to consider the property specific factors that may have had an impact on value, including recent comparable transactions where appropriate.

aggregated, could result in a material misstatement, warrants specific audit focus in this area.

We received evidence that alternative assumptions had been considered and evaluated by management and the external valuers, before determining the final valuations. We considered whether the assumptions used in the valuations were supportable in light of available and comparable market evidence.

Additionally, we verified relevant disclosures in the consolidated financial statements in accordance with applicable accounting standards.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Material components and operations were identified primarily on the basis of contribution to total assets of the Group and secondly on the basis of other significant balances. Our scoping resulted in a coverage of 99% of total assets. We conducted the majority of our work in Jersey, Cyprus, Poland, the Czech Republic, Slovakia and Russia. These locations were selected based on their profile, significant balances and pro rata share of the total assets of the Group. We have also scoped in all material adjustments done at the Group consolidation level. This approach allowed us to gain sufficient coverage over each material line of the consolidated financial statements.

Other information

The directors are responsible for the other information. The other information comprises the Directors' report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

As explained more fully in the directors' responsibilities section of the directors' report, the directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, the requirements of Jersey law and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. 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 consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.
- Obtain 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of directors' 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 Group'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 consolidated 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 the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. 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, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Company Law exception reporting

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit;
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

James Klein

For and on behalf of PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k.

Warsaw, Poland

22 March 2023

DIRECTORS, PROFESSIONAL ADVISORS AND PRINCIPAL LOCATIONS

DIRECTORS

Chaim Katzman

Ryan Lee

Adi Armoni

Zvi Gordon

Zvi Heifetz

Marios Demetriades

ADMINISTRATOR AND REGISTRAR

Aztec Financial Services (Jersey) Limited
11-15 Seaton Place
St Helier
Jersey
JE4 0QH

INDEPENDENT AUDITORS

PricewaterhouseCoopers Polska spolka z
ograniczona odpowiedzialnoscia Audyt Sp.k.
Polna 11 Str.
00-633 Warszawa
Poland

REGISTERED OFFICE

11-15 Seaton Place
St Helier
Jersey
JE4 0QH

BUSINESS ADDRESS

3rd Floor, MGO Protopapas,
79 Spyrou Kyprianou
Limassol
Cyprus
3076

PRINCIPAL LOCATIONS
Poland

Atrium Poland Real Estate Management Sp. z o.o.

Ostrobramska 75C, Staircase no 2, 4th floor, 04-175

Warsaw

Czech Republic

Atrium Czech Real Estate Management s.r.o.

Vinohradska 2828/151, 130 00

Praha 3- Zizkov

Prague

Russia

OOO Manhatan Real Estate Management

JAVAD Business Centre, The Triumph Palace

Chapaevskiy pereulok, Building 3, RU-125057

Moscow

Investor relations: IRGG@g-city.com