G City Europe

G City Europe Limited

INTERIM FINANCIAL STATEMENT 31 MARCH 2023

CONTENTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 March 2023		31 December 2022	
	Note	€'000	€'000	€'000	€'000
ASSETS					
Standing investments	4	1.704.246		1.886.786	
Redevelopments and land	5	256.997		326.654	
Equity-accounted investment in joint ventures		189.725		187.230	
Derivatives	11	24.935		27.338	
Other non-current assets	6	86.506		63.989	
Non-current assets			**2.262.409**		**2.491.997**
Other current assets	7	61.117		58.925	
Financial assets at FVOCI		1.547		11.143	
Asset held for sale	8	287.916		170.052	
Cash and cash equivalents		43.285		201.147	
Current assets			**393.865**		**441.267**
TOTAL ASSETS			**2.656.274**		**2.933.264**
EQUITY AND LIABILITIES					
Equity	9		**1.299.189**		**1.397.268**
Long term borrowings	10	1.112.803		1.119.488	
Other non-current liabilities	12	74.706		115.164	
Non-current liabilities			**1.187.509**		**1.234.652**
Short term borrowings	10	68.658		208.658	
Other current liabilities	13	63.473		79.728	
Provisions		3.056		3.418	
Liability held for sale	8	34.389		9.540	
Current liabilities			**169.576**		**301.344**
Total equity and liabilities			**2.656.274**		**2.933.264**

The financial statemements were approved and authorised for issue by the Board of Directors on 10 May 2023 and were duly signed on the Board's behalf by Chaim Katzman, Chairman of the Board, and Ryan Lee, Group Chief Executive Officer.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Three months ended 31 March 2023 €'000	€'000	Three months ended 31 March 2022 €'000	€'000
Gross rental income		24.536		26.284	
Service charge income		8.497		10.785	
Property expenses		(10.980)		(13.145)	
Net rental income			**22.053**		**23.924**
Revaluation of standing investments, net		(268)		-	
Revaluation of redevelopments and land, net		(124)		-	
Depreciation, amortisation and impairments		(546)		(628)	
Administrative expenses		(3.182)		(6.829)	
Share of profit of equity-accounted investment		2.495		2.129	
Net result on disposals		(577)		-	
Costs connected with developments		(7)		(67)	
Net operating profit			**19.844**		**18.529**
Interest income		1.126		309	
Interest expense		(11.701)		(10.307)	
Foreign currency differences		271		(413)	
Other financial expense, net		(201)		(1.379)	
Profit before taxation from continuing operations			**9.339**		6.739
Taxation (charge)/benefit for the year	14	100		(3.365)	
Profit after taxation from continuing operations			**9.439**		3.374
Loss after taxation from discontinued operations	8	(107.254)		(3.971)	
Net loss for the period			**(97.815)**		**(597)**

Prior year comparatives for the quarter ended 31 March 2022 are adjusted following the classification of Russia as a discountinued operation, see Note 8.

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Note	Three months ended 31 March 2023 €'000	€'000	Three months ended 31 March 2022 €'000	€'000
Net loss for the period		**(97.815)**		**(597)**	
Items that will not be reclassified to the statement of profit or loss:					
Movement in financial assets at FVOCI reserve		164		700	
Items that may be reclassified to the statement of profit or loss:					
Movement in hedging reserves (net of deferred tax)		(1.929)		12.357	
Amounts reclassified to profit or loss in respect of exchange differences on translation of foreign operations disposed during the year		1.315		-	
Exchange differences arising on translation of foreign operations		186	-	(260)	-
Total comprehensive (loss)/income for the period			**(98.079)**		**12.200**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Three months ended 31 March 2023 €'000	Three months ended 31 March 2022 €'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation from continuing operations	9.339	6.739
Adjustments for:		
Revaluation of standing investments, net	268	-
Revaluation of redevelopments and land, net	124	-
Depreciation, amortisation and impairments	5.033	628
Foreign exchange (profit)/loss, net	(271)	413
Change in legal provisions, net of amounts paid	(591)	-
Share of profit of equity-accounted investments in joint ventures	(2.495)	(2.129)
Net result on disposals	577	3
Lease interest expense	685	680
Net (profit)/loss from bonds buy back	(1.338)	-
Other financial expense	610	-
Interest income	(1.126)	(303)
Interest expense	11.701	10.301
Operating cash flows before working capital changes	**22.516**	**16.332**
Decrease in trade and other receivables and prepayments net	3.714	2.035
Decrease in trade and other payables and accrued expenditure net	(17.820)	(9.928)
Cash generated from operations	**8.410**	**8.439**
Interest paid	(5.971)	(4.716)
Interest received	1.126	243
Corporate taxes paid, net	(2.256)	(337)
Net cash generated from operating activities from continuing operations	**1.309**	**3.629**
Net cash generated from operating activities from discontinued operations	**3.789**	**4.265**
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments related to investment properties and other assets	(32.438)	(15.869)
Proceeds from the disposal of investment properties	47.975	-
Repayment of loans provided	387	104
Loans provided to a third party	(32.378)	-
Proceeds from sale of financial assets at FVOCI	9.761	-
Net cash used in investing activities from continuing operations	**(6.693)**	**(15.765)**
Net cash used in investing activities from discontinued operations	**(1.060)**	**(365)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Reduction of capital	-	(305.378)
Repayment of long term borrowings	(51.372)	(935)
Receipt of long term borrowings	45.000	305.378
Utilisation (repayment) of a revolving credit facility, net	(140.000)	-
Repayments of leases	(575)	(163)
Dividends paid	-	(256.651)
Net cash used in financing activities from continuing operations	**(146.947)**	**(257.749)**
Net cash used in financing activities from discontinued operations	**(56)**	**(58)**
Net decrease in cash and cash equivalents	**(149.658)**	**(266.043)**
Cash and cash equivalents at beginning of the period	**201.147**	**500.375**
Cash and cash equivalents held for sale	(7.419)	(1.350)
Effect of exchange rate fluctuations on cash held	(785)	(1.295)
Cash and cash equivalents at end of the period	**43.285**	**231.687**

Prior year comparatives for the quarter ended 31 March 2022 are adjusted following the classification of Russia as a discountinued operation, see Note 8.

CONDENSED 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	Currency translation reserve for disposal group held for sale €'000	Equity attributable to the owners of the Company €'000	Hybrid bonds reserve €'000	Total Shareholders Equity €'000
Balance at 1 January 2023		**1.311.062**	**22.037**	**(10.784)**	**(200.069)**	**(65.836)**	**-**	**1.056.410**	**340.858**	**1.397.268**
Net loss for the period		-	-	-	(97.815)	-	-	(97.815)	-	(97.815)
Transfer of losses on disposal of financial assets at FVOCI to retained earnings		-	-	8.918	(8.918)	-	-	-	-	-
Other comprehensive income for the period		-	(1.929)	164	-	1.501	-	(264)	-	(264)
Total comprehensive income for the period		**-**	**(1.929)**	**9.082**	**(106.733)**	**1.501**	**-**	**(98.079)**	**-**	**(98.079)**
Disposal group held for sale		-	-	-	-	57.311	(57.311)	-	-	-
Balance at 31 March 2023		**1.311.062**	**20.108**	**(1.702)**	**(306.802)**	**(7.024)**	**(57.311)**	**958.331**	**340.858**	**1.299.189**

CONDENSED 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	Currency translation reserve for disposal group held for sale €'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)**	**-**	**1.582.191**	**340.858**	**1.923.049**
Net loss for the period		-	-	-	(597)	-	-	(597)	-	(597)
Other comprehensive income for the period		-	12.357	700	-	(260)	-	12.797	-	12.797
Total comprehensive income for the period		**-**	**12.357**	**700**	**(597)**	**(260)**	**-**	**12.200**	**-**	**12.200**
Transactions with owners										
Issue of shares		75	-	-	-	-	-	75	-	75
Capital repayment		(305.378)	-	-	-	-	-	(305.378)	-	(305.378)
Disposal group held for sale		-	-	-	-	7.343	(7.343)	-	-	-
Dividends		(256.651)	-	-	-	-	-	(256.651)	-	(256.651)
Balance at 31 March 2022		**1.323.759**	**2.060**	**(12.171)**	**(207.846)**	**(66.022)**	**(7.343)**	**1.032.437**	**340.858**	**1.373.295**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

UNAUDITED

1. REPORTING ENTITY

G City Europe Limited (the "Company", formerly "Atrium European Real Estate Limited") is a company incorporated in Jersey. Its 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 condensed consolidated interim financial statements of G City Europe for the period ended 31 March 2023 comprise the Company 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.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group have been prepared in accordance with IAS 34, Interim Financial Reporting as endorsed by the European Union (“EU”).

The unaudited condensed consolidated interim financial statements do not include all of the information required for full set of International Financial Reporting Standards (“IFRS”) annual consolidated financial statements and should be read in conjunction with the consolidated annual financial statements of the Group as at and for the year ended 31 December 2022. The annual consolidated financial statements of the Group are prepared in accordance with IFRS as endorsed by the EU.

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.

The preparation of condensed consolidated interim financial statements requires the Company to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses.

3. CHANGES IN ACCOUNTING POLICIES

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS EFFECTIVE, AND ENDORSED BY THE EU, AS OF 1 JANUARY 2023

Amendment to IAS 1 - Disclosure of Accounting Policies

In February 2021, the IASB issued an amendment to IAS 1, "Presentation of Financial Statements" ("the IAS 1 Amendment"), which replaces the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. One of the main reasons for the IAS 1 Amendment is the absence of a definition of the term 'significant' in IFRS whereas the term 'material' is defined in several standards and particularly in IAS 1.

The IAS 1 Amendment is applicable for annual periods beginning on or after January 1, 2023. Early application is permitted. The Group is evaluating the effects of the IAS 1 Amendment on its financial statements.

Amendment to IAS 8 - Accounting Policies, Changes to Accounting Estimates and Errors

In February 2021, the IASB issued an amendment to IAS 8, "Accounting Policies, Changes to Accounting Estimates and Errors" ("the IAS 8 Amendment"), in which it introduces a new definition of "accounting estimates". Accounting estimates are defined as "monetary amounts in financial statements that are subject to measurement uncertainty". The IAS 8 Amendment clarifies the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The IAS 8 Amendment is to be applied prospectively for annual reporting periods beginning on or after January 1, 2023 and is applicable to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Early application is permitted.

The IAS 8 Amendment is to be applied prospectively for annual reporting periods beginning on or after January 1, 2023 and is applicable to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Early application is permitted.

Amendment to IAS 12 - Income Taxes

In May 2021, the IASB issued an amendment to IAS 12, "Income Taxes" ("IAS 12"), which narrows the scope of the initial recognition exception under IAS 12.15 and IAS 12.24 ("the IAS 12 Amendment").

According to the recognition guidelines of deferred tax assets and liabilities, IAS 12 excludes recognition of deferred tax assets and liabilities in respect of certain temporary differences arising from the initial recognition of certain transactions. This exception is referred to as the "initial recognition exception". The IAS 12 Amendment narrows the scope of the initial recognition exception and clarifies that it does not apply to the recognition of deferred tax assets and liabilities arising from transactions that are not a business combination and that give rise to equal taxable and deductible temporary differences, even if they meet the other criteria of the initial recognition exception.

The IAS 12 Amendment applies for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. In relation to leases and decommissioning obligations, the IAS 12 Amendment is to be applied commencing from the earliest reporting period presented in the financial statements in which the IAS 12 Amendment is initially applied. The cumulative effect of the initial application of the IAS 12 Amendment should be recognized as an adjustment to the opening balance of retained earnings (or another component of equity, as appropriate) at that date.

The Group estimates that the initial application of the Amendment is not expected to have a material impact on its financial statements.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. For more information refer to note 2.2 in the 2022 Annual report.

4. STANDING INVESTMENTS

The current portfolio of standing investments of the Group consists of 19 retail properties and 2 residential building (31 December 2022: 20 retail properties and 1 residential building) including 8 retail assets held for sale (31 December 2022: 2).

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

Standing investments	31 March 2023 €'000	31 December 2022 €'000
Balance as at 1 January	1.886.786	2.340.068
Additions - technical improvements extensions	3.337	21.348
Movement in leases	562	1.796
Transfers to/from redevelopments and land	74.398	(937)
Transfer to assets held for sale	(260.569)	(166.070)
Revaluation of standing investments, net	(268)	(34.434)
Disposals	-	(274.985)
Balance as at 31 December	**1.704.246**	**1.886.786**

Transfers from redevelopments and land include the residential property in Wroclaw in total amount of €13.1 million and redevelopments completed in Atrium Promenada in total amount of €61.3 million.

5. REDEVELOPMENTS AND LAND

The current portfolio of redevelopments and land comprises €131,5 million (2022: €176,8 million) redevelopments and €125,5 million (2022: €149,9 million) land.

	31 March 2023 €'000	31 December 2022 €'000
Balance as at 1 January	326.654	244.383
Additions - retail	8.902	35.529
Additions - residential	18.713	51.353
Movement in leases	1.799	642
Transfer to/from standing investments	(74.398)	937
Disposals	(2.131)	(4.926)
Revaluation of redevelopments and land	(124)	(1.264)
Transfers to assets held for sale	(22.418)	-
Balance as at 31 December	**256.997**	**326.654**

In February 2023, the Group completed the sale of a land plot in Kalisz, Poland for €1.7 million at approximately its fair value.

In February 2023, the Group completed the acquisition of the third residential building within Rubikon project located in Warsaw, Poland for €11.2 million. The residential property is subject of transfer to standing investments upon completion of fit out works.

6. OTHER NON-CURRENT ASSETS

Other assets	31 March 2023 €'000	31 December 2022 €'000
Financial assets at amortised cost	57.496	30.682
Long term advances	17.857	17.857
Straight line of lease incentives to tenants	4.813	7.976
Intangible assets	4.970	5.380
Property and equipment	821	1.361
Other	549	733
Balance at the end of the period	**86.506**	**63.989**

Long-term financial assets at amortised cost include secured vendor loans in the amount of €30.7 million granted to the purchasers of Optima and Mosty shopping centres located in Slovakia and Poland. The initial maturity of the loans is from 3 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.

In February 2023, the Group granted the secured vendor loan in the amount of €32.4 million to the purchaser of Molo shopping centre located in Poland. The maturity of the loan is within 5 years. The arrangement constitutes a financing component and initial measurement was adjusted to the present value in €27.8 million of future payments discounted at a market rate of interest for a similar debt instrument.

7. OTHER CURRENT ASSETS

Other assets	31 March 2023 €'000	31 December 2022 €'000
Financial assets at amortised cost	28.315	27.624
Receivables from tenants	10.260	10.897
Prepayments	2.707	7.163
VAT receivables	8.736	6.791
Income tax receivable	2.297	509
Alternative minimum tax	2.783	1.952
Other receivables	6.019	3.989
Balance at the end of the period	**61.117**	**58.925**

Includes Straight-line asset of lease incentives €4.6 million (31 December 2022: €6.0 million).

Short-term financial assets at amortised cost include secured vendor loans in the amount of €27.1 million granted to the purchasers of the portfolio of 5 assets and Plock shopping centre located in Poland. The maturity of the loans is in July 2023 and the principal bears weighted average interest rate of 4.8% per annum.

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

8. ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS

	31 March 2023 €'000	31 December 2022 €'000
Non-current assets		
Standing investments	255.346	166.070
Redevelopments and land	15.515	-
Other non-current assets	2.295	280
Current assets		
Receivables from tenants	3.560	1.348
Cash and cash equivalents	9.365	1.946
Other current assets	1.835	408
Assets held for sale	**287.916**	**170.052**
Non-current liabilities		
Deferred tax liabilities	15.070	3.658
Lease liabilities	3.627	-
Other non-current liabilities	4.021	950
Current liabilities		
Accrued expenditures	3.384	1.089
Advance payments	6.060	1.022
Other current liabilities	2.227	2.821
Liabilities held for sale	**34.389**	**9.540**
Total	**253.527**	**160.512**

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

As of 31 March 2023, the standing investments held for sale in total amount of €124.2 million pertain to Atrium Palac Pardubice located in Czech Republic, the Group completed the sale in May 2023, see Note 18.

The Group signed a binding agreement for the disposal of all shares and financing in Russian portfolio of 7 shopping centres, adjacent land plots and a management company. The sale was completed in April 2023, see Note 18. As of 31 March 2023, the Group classified the Russian portfolio as held for sale and discontinued operations.

As part of the transaction, the Russian Business was valued at fair value by external valuer as of 31 March 2023. The valuation was accepted by the Russian authorities and in order to approve the transaction a mandatory discount of 50% was imposed on the value, as a result the selling price of the Russian portfolio was set at RUB 11.7 billion (€130 million). As per the accounting standards the contract was considered onerous and a loss of €136.3 million including the transaction cost related to brokers, advisors and lawyers has been recorded.

As of 31 March 2023, net assets of the Russian portfolio include €57.3 million of cummulative currency translation reserve to be recycled through the cost of disposal upon completion of the sale.

The results for Russia have been presented separately in the condensed consolidated statement of profit or loss and the consolidated cash flow statement for three months ended 31 March 2023 and 31 March 2022.

	Three months ended 31 March 2023 €'000	Three months ended 31 March 2022 €'000
Gross rental income	9.171	6.435
Service charge income	3.924	3.181
Property expenses	(4.229)	(3.374)
Net rental income	**8.866**	**6.242**
Revaluation of standing investments, net	-	(9.621)
Loss resulted from onerous agreement	(136.325)	-
Depreciation, amortisation and impairments	(50)	(104)
Administrative expenses	(284)	(98)
Net result on disposals	(410)	-
Costs connected with developments	(50)	(88)
Net operating profit/(loss)	**(128.253)**	**(3.669)**
Foreign currency differences	(305)	256
Other financial expense, net	(170)	(130)
Loss before taxation	**(128.728)**	**(3.543)**
(Charge)/benefit for the year	21.474	(428)
Net loss for the period	**(107.254)**	**(3.971)**

9. EQUITY

As of 31 March 2023, the total number of ordinary shares authorised and issued was 299.743.870 (31 December 2022: 299.743.870), 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.

10. BORROWINGS

Borrowings	31 March 2023 €'000	31 December 2022 €'000
Bonds	781.392	786.804
Bank loans	286.411	287.306
Related party credit facility	45.000	45.378
Long-term liabilities	**1.112.803**	**1.119.488**
Bank loans	3.658	3.658
Utilised revolving credit facility	65.000	205.000
Short-term liabilities	**68.658**	**208.658**
Total	**1.181.461**	**1.328.146**

The borrowings are repayable as follows:

Borrowings total	31 March 2023 €'000	31 December 2022 €'000
Due within one year	68.658	208.658
Due in second year	4.345	4.010
Due within third to fifth year inclusive	1.108.458	1.115.478
Total	**1.181.461**	**1.328.146**

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 March 2023, the Group bought back €3.5 million and €3.0 million of the outstanding 2025 Notes and 2027 Notes respectively with a gain in €1.3 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 March 2023.

RELATED PARTY CREDIT FACILITY

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 March 2023, the utilised amount of the related party credit facility is €45.0 million. The Company has an available financing in total amount €305.0 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 March 2023.

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 March 2023.

The bank loans interest rates are hedged, see Note 11.

REVOLVING CREDIT FACILITY

The total amount of the revolving credit facility is €300 million with an expiry date on 12 May 2023. As at 31 March 2023, €65.0 million of the revolving credit facility was utilised (31 December 2021: €205.0 million utilised).

BORROWINGS FAIR VALUE

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; and
- Fair values of effected market transactions.

Fair value measurements used for bonds and loans are categorised within Level 2 of the fair value hierarchy as defined in IFRS 13.

11. DERIVATIVES

The Group entered into two interest rate swap contracts (“IRSs”) in connection with secured bank loans (see note 10). 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.

Interest rate swaps	**31 March 2023 €'000**	**31 December 2022 €'000**
Carrying amount (asset)	24.935	27.338
Notional amount	290.870	291.805
Change in fair value of outstanding hedging instruments since 1 January	(2.403)	39.185

12. OTHER NON-CURRENT LIABILITIES

Currency translation reserve	**31 March 2023 €'000**	**31 December 2022 €'000**
Deferred tax liabilities	32.564	65.990
Long term lease liabilities	36.518	40.042
Other long term liabilities	5.624	9.132
Total	**74.706**	**115.164**

The liabilities from leases predominantly consisted of liabilites related to long term land leases in Poland.

13. OTHER CURRENT LIABILITIES

Currency translation reserve	**31 March 2023 €'000**	**31 December 2022 €'000**
Trade payables	13.367	28.873
Accrued expenditure	44.749	45.732
Short term liabilities from leasing	3.073	3.329
VAT payable	2.284	1.794
Total	**63.473**	**79.728**

Accrued expenditure includes bonds interest of €16.1 million (31 December 2022: €9.0 million).

14. TAXATION CHARGE FOR THE PERIOD

Taxation charge for the year	**31 March 2023 €'000**	**31 March 2022 €'000**
Corporate income tax current year	530	(688)
Deferred tax credit/(charge)	(430)	(2.677)
Total	**100**	**(3.365)**

15. SEGMENT REPORTING

Reportable segments for the three months ended 31 March 2023	Standing Investment segment €'000	Redevelopments and land segment €'000	Reconciling item €'000	Total €'000
Gross rental income	27.286	-	(2.750)	24.536
Service charge income	9.268	-	(771)	8.497
Net property expenses	(11.978)	-	998	(10.980)
Net rental income	**24.576**	**-**	**(2.523)**	**22.053**
Net result on disposals	864	(1.441)	-	(577)
Costs connected with developments	-	(7)	-	(7)
Revaluation of investment properties	(268)	(124)	-	(392)
Depreciation, amortisation and impairments	(314)	-	(232)	(546)
Administrative expenses	(1.848)	(20)	(1.314)	(3.182)
Share of profit of equity-accounted investment in joint ventures	-	-	2.495	2.495
Net operating (loss)/profit	**23.010**	**(1.592)**	**(1.574)**	**19.844**
Interest expense, net	-	-	-	(10.575)
Foreign currency differences	-	-	-	271
Other financial expenses	-	-	-	(201)
Profit before taxation for the year	**23.010**	**(1.592)**	**(1.574)**	**9.339**
Taxation charge for the year	-	-	-	100
Profit after taxation for the year	**23.010**	**(1.592)**	**(1.574)**	**9.439**
Investment properties	1.887.607	256.997	(183.361)[1]	1.961.243
Additions to investment properties	3.398	27.615	(61)	30.952

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

Reportable segments for the three months ended 31 March 2022	Standing Investment segment €'000	Redevelopments and land segment €'000	Reconciling item €'000	Total €'000
Gross rental income	28.628	-	(2.344)	26.284
Service charge income	11.399	-	(614)	10.785
Net property expense	(13.962)	-	817	(13.145)
Net rental income	**26.065**	**-**	**(2.141)**	**23.924**
Costs connected with developments	-	(67)	-	(67)
Depreciation, amortisation and impairments	(343)	-	(285)	(628)
Administrative expenses	(1.988)	(443)	(4.398)	(6.829)
Share of profit of equity-accounted investment in joint ventures	-	-	2.129	2.129
Net operating (loss)/profit	**23.734**	**(510)**	**(4.695)**	**18.529**
Interest expense, net	-	-	-	(9.998)
Foreign currency differences	-	-	-	(413)
Other financial expenses	-	-	-	(1.379)
Profit before taxation for the year	**23.734**	**(510)**	**(4.695)**	**6.739**
Taxation charge for the year	-	-	-	(3.365)
Profit after taxation for the year	**23.734**	**(510)**	**(4.695)**	**3.374**
Investment properties	2.387.385	263.081	(183.393)[1]	2.467.073
Additions to investment properties	2.497	18.698	(25)	21.170

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

Prior year comparatives for the quarter ended 31 March 2022 are adjusted following the classification of Russia as a discountinued operation, see Note 8.

16. TRANSACTIONS WITH RELATED PARTIES

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.

As of 10 May 2023, 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 €9.2 million, respectively.

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.

17. CONTINGENCIES

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 €5.2 million as of 31 March 2023 (31 December 2022: €2.1 million).

18. SUBSEQUENT EVENTS

In April 2023, the Group bought back additional €4.0 million and €2.0 million of the outstanding 2025 Notes and 2027 Notes respectively with a gain in €1.0 million.

In April 2023, the Group completed the sale of it's Russian portfolio for a gross consideration of 11.7 billion roubles. In compliance with local regulatory and legal requirements the purchase price was subject of deductions, resulting in a sales price lower by 52% from the net asset value. Net consideration received by the Group amounted to €115.6 million including the deduction of taxes withheld by the buyer from the gross consideration. Proceeds from disposal will be used to redeem the Group's fully owned rouble bond listed in Luxembourg stock exchange.

In April 2023, the Group completed the purchase of a remaining 25% stake in the Arkady Pankrac shopping centre in Prague, Czech Republic for a consideration of €60.5 million. The Group financed the transaction by raising €112.0 million secured loan with UniCredit Bank Czech Republic and Slovakia. The loan matures in 5 years and the principal bears interest rate of 5.14% per annum. As of 10 May 2023, the Group received the funds and repaid the revolving credit facility.

In May 2023, the Group completed the sale of Atrium Palac Pardubice located in Czech Republic for €123.8 million. This amount represents a lower value of 0.3% from its book value.

In May 2023, the Group granted a secured vendor loan in the amount of €62.5 million to the purchaser of Atrium Palac Pardubice shopping centre. The maturity of the loan is within 5 years and the principal bears a variable average interest rate of 7.4% per annum.

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Auditors' review report

To the Shareholder of G City Europe Ltd

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of G City Europe Ltd. and subsidiaries ("the Company"), which comprises the condensed consolidated statement of financial position as of March 31, 2023 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not present fairly, in all material respects the financial position of the entity as at March 31, 2023, and of its financial performance and its cash flows for the threemonth period then ended in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

Tel-Aviv, Israel
March 10, 2023

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