G City Europe Limited

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INTERIM FINANCIAL STATEMENTS 30 SEPTEMBER 2023

CONTENTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 September 2023 €'000	30 September 2023 €'000	31 December 2022 €'000	31 December 2022 €'000
ASSETS					
Standing investments	4	1.483.175		1.886.786	
Redevelopments and land	5	269.567		326.654	
Equity-accounted investment in joint ventures	4	-		187.230	
Derivatives	11	13.300		27.338	
Other non-current assets	6	143.715		63.989	
Non-current assets			**1.909.757**		**2.491.997**
Other current assets	7	33.474		58.925	
Financial assets at FVOCI		-		11.143	
Asset held for sale	8	522.719		170.052	
Cash and cash equivalents		29.932		201.147	
Current assets			**586.125**		**441.267**
TOTAL ASSETS			**2.495.882**		**2.933.264**
EQUITY AND LIABILITIES					
Equity	9		**1.318.938**		**1.397.268**
Long term borrowings	10	803.311		1.119.488	
Other non-current liabilities	12	65.856		115.164	
Non-current liabilities			**869.167**		**1.234.652**
Short term borrowings	10	1.700		208.658	
Other current liabilities	13	40.413		79.728	
Provisions		3.019		3.418	
Liability held for sale	8	262.645		9.540	
Current liabilities			**307.777**		**301.344**
Total equity and liabilities			**2.495.882**		**2.933.264**

The financial statemements were approved and authorised for issue by the Board of Directors on 9 November 2023 and were duly signed on the Board's behalf by Chaim Katzman, Chairman of the Board, and Marios Demetriades, Director.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Three months ended 30 September 2023 €'000	€'000	Nine months ended 30 September 2023 €'000	€'000	Three months ended 30 September 2022 €'000	€'000	Nine months ended 30 September 2022 €'000	€'000
Gross rental income		27.734		80.055		24.928		77.828	
Service charge income		9.738		27.438		9.920		30.872	
Property expenses		(11.477)		(34.087)		(11.661)		(37.335)	
Net rental income			**25.995**		**73.406**		**23.187**		**71.365**
Revaluation of standing investments, net		388		18.945		(15.851)		(15.851)	
Revaluation of redevelopments and land, net		-		(124)		-		-	
Depreciation, amortisation and impairments		(694)		(1.848)		(625)		(1.869)	
Administrative expenses		(5.615)		(12.255)		(5.461)		(20.291)	
Share of profit of equity-accounted investment		-		2.496		2.091		6.171	
Net result on disposals		907		(12.484)		(11)		(1.408)	
Costs connected with developments		(77)		(252)		(62)		(205)	
Net operating profit			**20.904**		**67.884**		**3.268**		**37.912**
Interest income		1.798		4.770		926		1.814	
Interest expense		(9.905)		(32.694)		(10.134)		(31.141)	
Foreign currency differences		(2.091)		(2.972)		(339)		(429)	
Other financial income / (expense), net	10	2.646		24.535		(1.308)		(4.264)	
Profit/(loss) before taxation from continuing operations			**13.352**		**61.523**		**(7.587)**		**3.892**
Taxation charge for the period	14	(8.923)		(7.904)		(4.037)		(8.468)	
Profit/(loss) after taxation from continuing operations			**4.429**		**53.619**		**(11.624)**		**(4.576)**
(Loss) / profit after taxation from discontinued operations	8	-		(190.325)		6.046		43.379	
Net profit/(loss) for the period			**4.429**		**(136.706)**		**(5.578)**		**38.803**

Prior year comparatives for the period ended 30 September 2022 are adjusted following the classification of Russia as a discountinued operation, see Note 8.

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

		Three months ended 30 September 2023		Nine months ended 30 September 2023		Three months ended 30 September 2022		Nine months ended 30 September 2022	
	Note	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Net (loss)/profit for the period		4.429		(136.706)		(5.578)		38.803	
Items that will not be reclassified to the statement of profit or loss:									
Movement in financial assets at FVOCI reserve		-		159		167		580	
Items that may be reclassified to the statement of profit or loss:									
Movement in hedging reserves (net of deferred tax)		(446)		(1.351)		10.496		31.440	
Reclassification of historic currency translation reserve of disposed assets[1]	8	-		58.638		-		7.343	
Exchange differences arising on translation of foreign operations		(3.262)		930		(847)		(1.216)	
Total comprehensive (loss)/income for the period			**721**		**(78.330)**		**4.238**		**76.950**

[1]Currency translation reserve amount mainly relates to the Russian business disposal.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Nine months ended 30 September 2023 €'000	Nine months ended 30 September 2022 €'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation from continuing operations	61.523	3.892
Adjustments for:		
Revaluation of standing investments, net	(18.945)	15.851
Revaluation of redevelopments and land, net	124	-
Depreciation, amortisation and impairments	1.857	1.876
Dividends from listed equity securities	-	(675)
Foreign exchange (profit)/loss, net	2.972	429
Change in legal provisions, net of amounts paid	(628)	(61)
Share of profit of equity-accounted investments in joint ventures	(2.496)	(6.171)
Net result on disposals	12.484	1.408
Lease interest expense	2.068	1.997
Net (profit)/loss from bonds buy back	(28.295)	-
Other financial expense, net	1.337	2.309
Interest income	(4.770)	(1.814)
Interest expense	32.694	31.141
Operating cash flows before working capital changes	**59.925**	**50.182**
Increase in trade and other receivables and prepayments net	(3.745)	(3.241)
Increase/(decrease) in trade and other payables and accrued expenditure net	3.318	(16.978)
Cash generated from operations	**59.498**	**29.963**
Interest paid	(41.220)	(37.708)
Interest received	4.576	1.690
Guarantee fee received	705	-
Dividends received from Joint Ventures	4.066	8.797
Corporate taxes paid, net	(701)	(1.686)
Net cash generated from operating activities from continuing operations	**26.924**	**1.056**
Net cash (used in)/generated from operating activities from discontinued operations	**(5.988)**	**23.696**
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments related to investment properties including Pankrac acquisition	(119.361)	(56.419)
Proceeds from the disposal of investment properties	89.236	116.880
Repayment of loans provided	18.087	312
Loans provided to a third party	(32.379)	(34.887)
Proceeds from sale of financial assets at FVOCI	11.303	-
Net cash (used in)/generated from investing activities from continuing operations	**(33.114)**	**25.886**
Net cash generated from/(used in) investing activities from discontinued operations	**114.474**	**(1.569)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Reduction of capital	-	(305.378)
Repayment of long term borrowings	(242.026)	(417.522)
Receipt of long term borrowings	186.160	304.678
Utilisation (repayment) of a revolving credit facility, net	(205.000)	205.000
Repayments of leases	(395)	(1.238)
Dividends paid	-	(256.656)
Net cash used in financing activities from continuing operations	**(261.261)**	**(471.116)**
Net cash used in financing activities from discontinued operations	**(58)**	**(103)**
Net decrease in cash and cash equivalents	**(159.023)**	**(422.150)**
Cash and cash equivalents at beginning of the period	**201.147**	**500.375**
Movement in cash and cash equivalents held for sale	(7.922)	(4.135)
Effect of exchange rate fluctuations on cash held	(4.200)	(805)
Cash and cash equivalents at end of the period	**29.932**	**73.285**

Prior year comparatives for the period ended 30 September 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	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[1]		-	-	-	(136.706)	-	(136.706)	-	(136.706)
Transfer of losses on disposal of financial assets at FVOCI to retained earnings		-	-	10.625	(10.625)	-	-	-	-
Other comprehensive income for the period		-	(1.351)	159	-	59.568	58.376	-	58.376
Total comprehensive income for the period		**-**	**(1.351)**	**10.784**	**(147.331)**	**59.568**	**(78.330)**	**-**	**(78.330)**
Balance at 30 September 2023		**1.311.062**	**20.686**	**-**	**(347.400)**	**(6.268)**	**978.080**	**340.858**	**1.318.938**

[1]Net loss for the period includes €190.3 million loss from discontinued operations and from the Russian business disposal.

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	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 profit for the period		-	-	-	38.803	-	38.803	-	38.803
Other comprehensive income for the period		-	31.440	580	-	6.127	38.147	-	38.147
Total comprehensive income for the period		**-**	**31.440**	**580**	**38.803**	**6.127**	**76.950**	**-**	**76.950**
Transactions with owners									
Issue of shares		75	-	-	-	-	75	-	75
Capital repayment		(305.378)	-	-	-	-	(305.378)	-	(305.378)
Dividends		(256.651)	-	-	-	-	(256.651)	-	(256.651)
Balance at 30 September 2022		**1.323.759**	**21.143**	**(12.291)**	**(168.446)**	**(66.978)**	**1.097.187**	**340.858**	**1.438.045**

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 37 Esplanade, St. Helier, Jersey, Channel Islands and its business address is 79 Spyrou Kyprianou, MGO Protopapas, 3076 Limassol, Cyprus. The Company's tax residency is Cyprus.

The condensed consolidated interim financial statements of G City Europe for the period ended 30 September 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 12 retail properties and 2 residential buildings (31 December 2022: 20 retail properties and 1 residential building) including 2 assets held for sale (31 December 2022: 2 assets held for sale).

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

Standing investments	30 September 2023 €'000	31 December 2022 €'000
Balance as at 1 January	1.886.786	2.340.068
Additions - technical improvements extensions	9.035	21.348
Transfer from joint venture	241.987	-
Movement in leases	591	1.796
Transfers to/from redevelopments and land	79.577	(937)
Transfer to assets held for sale	(493.481)	(166.070)
Revaluation of standing investments, net	18.945	(34.434)
Disposals (see Note 8)	(260.755)	(274.985)
Exchange differences arising on translation of residential properties	490	-
Balance as at 31 December	**1.483.175**	**1.886.786**

Transfers from redevelopments and land include the residential property in Wroclaw in total amount of €13.2 million and redevelopments completed in Atrium Promenada in total amount of €66.3 million.

In April 2023, the Group completed the disposal of all shares and financing in it's Russian portfolio of 7 shopping centres, adjacent land plots and a management company, see Note 8.

In April 2023, the Group completed the acquisition of the remaining 25% interest in the Arkády Pankrác shopping centre in Prague, Czech Republic, for a net consideration of €60.5 million. At initial recognition 100% interest in the standing investment was consolidated at cost of €242.4 million subsequently adjusted by €0.4 million negative net working capital true-up.

The transaction was accounted for as an asset acquisition that does not constitute a business and, as a result, the Group did not recognise deferred taxes on temporary differences arising on initial recognition.

The assets and liabilities recognised as a result of the acquisition are as follows:

	€'000
Non-current assets	
Standing investments	241.987
Other non-current assets	1.109
Current assets	
Receivables from tenants	1.533
Cash and cash equivalents	2.482
Other current assets	1.873
Non-current liabilities	
Other non-current liabilities	1.432
Current liabilities	
Trade payables	912
Other current liabilities	519
Net assets acquired	**246.121**

The fair value of the acquired property in €261.2 million was determined on the basis of independent external valuation using a Discounted Cash Flow model received from Savills. The valuatios was prepared in accordance with the Royal Institution of Chartered Surveyors Valuation Standards published by the Royal Institution of Chartered Surveyors (the "Red Book").

The acquired property contributed a net rental income of €5.6 million to the Group for the period from 21 April 2023 to 30 September 2023.

5. REDEVELOPMENTS AND LAND

The current portfolio of redevelopments and land comprises €112.5 million (2022: €176.8 million) redevelopments and €157.1 million (2022: €149.9 million) land.

Redevelopments and land	30 September 2023 €'000	31 December 2022 €'000
Balance as at 1 January	326.654	244.383
Additions - retail	15.515	35.529
Additions - residential	29.981	51.353
Movement in leases	1.780	642
Transfer to/from standing investments	(79.577)	937
Disposals (see Note 8)	(25.562)	(4.926)
Revaluation of redevelopments and land	(124)	(1.264)
Exchange differences arising on translation of residential properties	900	-
Balance as at 31 December	**269.567**	**326.654**

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 to transfer to standing investments upon completion of fit out works.

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 April 2023, the land plots in Russia in total amount of €22.5 million were disposed of, see Note 8.

6. OTHER NON-CURRENT ASSETS

Other assets	30 September 2023 €'000	31 December 2022 €'000
Financial assets at amortised cost	117.819	30.682
Long term advances	17.857	17.857
Intangible assets	4.181	5.380
Straight line of lease incentives to tenants	2.691	7.976
Property and equipment	632	1.361
Other	535	733
Balance at the end of the period	**143.715**	**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.

In May 2023, the Group granted a secured vendor loan in the amount of €61.7 million to the purchaser of Atrium Palac Pardubice shopping centre. The issuance of the loan was a non-cash transaction included in the purchase price. The maturity of the loan is within 5 years and the principal bears a variable average interest rate of 7.4% per annum. The short term portion in total amount of €0.9 million is disclosed as Other current assets, see Note 7.

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	30 September 2023 €'000	31 December 2022 €'000
Financial assets at amortised cost	12.014	27.624
Receivables from tenants[1]	7.238	10.897
VAT receivables	5.978	6.791
Alternative minimum tax	2.825	1.952
Prepayments	942	7.163
Income tax receivable	325	509
Other receivables	4.152	3.989
Balance at the end of the period	**33.474**	**58.925**

[1]Includes Straight-line asset of lease incentives €3.8 million (31 December 2022: €6.0 million).

Short-term financial assets at amortised cost include secured vendor loans in the amount of €9.8 million granted to the purchasers of the portfolio of 5 assets located in Poland. The principal bears average interest rate of 4.8% per annum. The Group signed a prolongation agreement for the remaining outstanding loans and updated their maturity from July 2023 to October 2023, see Note 18.

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

	30 September 2023 €'000	31 December 2022 €'000
Non-current assets		
Standing investments	493.481	166.070
Other non-current assets	13.654	280
Current assets		
Receivables from tenants	1.978	1.348
Cash and cash equivalents	9.938	1.946
Other current assets	3.668	408
Assets held for sale	**522.719**	**170.052**
Non-current liabilities		
Deferred tax liabilities	15.198	3.658
Other non-current liabilities	236.126	950
Current liabilities		
Accrued expenditures	1.391	1.089
Advance payments	2.688	1.022
Other current liabilities	7.242	2.821
Liabilities held for sale	**262.645**	**9.540**
Total	**260.074**	**160.512**

As of 30 September 2023, following IFRS 5 requirements the Arkády Pankrác and Atrium Flora shopping centres were classified as held for sale. The disposal of properties is at different stages and the Company believes that the sale will be completed in the following 12 months. The disposal of properties is part of the Group's strategy to reposition non-core assets portfolio and focus on prime properties located in Poland.

Other non-current liabilities and other current liabilities include secured loans from Berlin-Hannoversche Hypothekenbank AG and UniCredit Bank Czech Republic and Slovakia in total amount of €125.5 million and €111.2 million, respectively, see Note 10.

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.

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

In May 2023, the Group completed the sale of Atrium Palac Pardubice located in Czech Republic for a gross consideration in €123.8 million approximately at its fair value.

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 were used to redeem the Group's fully owned rouble bond listed in Luxembourg stock exchange.

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 (approximately €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 from discontinued operations.

	€'000
Consideration received	115.566
Carrying amount of net assets	(129.700)
Reclassification of historic foreign currency translation reserve	(57.312)
Transaction cost	(11.500)
Loss resulted from onerous agreement	(136.325)
Deferred tax benefit on the onerous agreement loss	25.800
Net result from disposal for the period	**(193.471)**

The results for Russia have been presented separately in the condensed consolidated statement of profit or loss and the consolidated cash flow statement for nine months ended 30 September 2023 and 30 September 2022.

	Three months ended 30 September 2023 €'000	Nine months ended 30 September 2023 €'000	Three months ended 30 September 2022 €'000	Nine months ended 30 September 2022 €'000
Gross rental income	-	10.103	9.595	24.219
Service charge income	-	4.430	4.655	11.995
Property expenses	-	(4.787)	(4.935)	(12.966)
Net rental income	**-**	**9.746**	**9.315**	**23.248**
Revaluation of standing investments, net	-	-	-	21.070
Revaluation of redevelopments and land, net	-	-	-	(898)
Loss resulted from onerous agreement	-	(136.325)	-	-
Depreciation, amortisation and impairments	-	(57)	(97)	(302)
Administrative expenses	-	(365)	(277)	(564)
Net result on disposals	-	(82.927)	-	-
Costs connected with developments	-	(57)	(134)	(357)
Net operating profit/(loss)	**-**	**(209.985)**	**8.807**	**42.197**
Foreign currency differences	-	(1.549)	(932)	132
Other financial expense, net	-	(193)	(198)	(506)
(Loss)/profit before taxation	**-**	**(211.727)**	**7.677**	**41.823**
(Charge)/benefit for the year	-	21.402	(1.631)	1.556
Net (loss)/profit for the period	**-**	**(190.325)**	**6.046**	**43.379**

9. EQUITY

As of 30 September 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. As of 30 September 2023, EPRA Net Reinstatement Value was €3.38 per share (31 December 2022: €3.73 per share).

10. BORROWINGS

Borrowings	30 September 2023 €'000	31 December 2022 €'000
Bonds	627.230	786.804
Bank loans	161.081	287.306
Related party credit facility	15.000	45.378
Long-term liabilities	**803.311**	**1.119.488**
Bank loans	1.700	3.658
Utilised revolving credit facility	-	205.000
Short-term liabilities	**1.700**	**208.658**
Total	**805.011**	**1.328.146**

The borrowings are repayable as follows:

Borrowings total	30 September 2023 €'000	31 December 2022 €'000
Due within one year	1.700	208.658
Due in second year	378.319	4.010
Due within third to fifth year inclusive	424.992	1.115.478
Total	**805.011**	**1.328.146**

BONDS

As of 30 September 2023, the Group bought back and cancelled €119.2 million and €45.4 million of the outstanding 2025 Notes and 2027 Notes respectively with a gain in €28.3 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 of 30 September 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 30 September 2023, the utilised amount of the related party credit facility is €15.0 million. The Company has an available financing in total amount €335.0 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 30 September 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 30 September 2023. Following classification of the Atrium Flora shopping centre as held for sale, the loan was presented under liabilities held for sale, see Note 8.

In May 2023, the Group raised a secured loan of €112.0 million from UniCredit Bank Czech Republic and Slovakia. The loan matures in 5 years and the principal bears interest rate of 5.14% per annum. The Group used the funds to repay the revolving credit facility and finance the acquisition of the remaining 25% interest in the Arkády Pankrác shopping centre. The loan is subject to the following financial covenants: Loan to Value and Debt Service Coverage Ratio. Both conditions were met as of 30 September 2023. Following classification of the Arkády Pankrác shopping centre as held for sale, the loan was presented under liabilities held for sale, see Note 8.

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

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 three 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, 0.701% on the loan obtained in November 2018 and 3.137% on the loan obtained in May 2023. Effective from 1 January 2023 the fixed rate on the loan obtained in November 2018 from Landesbank Hessen-Thuringen Girozentrale was amended to 0.640%. As of 30 September 2023, the interest rate swap contracts in connection with the secured loans from UniCredit Bank Czech Republic and Slovakia and from Berlin-Hannoversche Hypothekenbank AG were classified as assets held for sale, see Note 8. 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	**30 September 2023 €'000**	**31 December 2022 €'000**
Carrying amount (asset)	13.300	27.338
Notional amount	163.200	291.805
Change in fair value of outstanding hedging instruments since 1 January	(14.038)	39.185

12. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities	**30 September 2023 €'000**	**31 December 2022 €'000**
Deferred tax liabilities	24.209	65.990
Long term lease liabilities	38.010	40.042
Other long term liabilities	3.637	9.132
Total	**65.856**	**115.164**

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

13. OTHER CURRENT LIABILITIES

Other current liabilities	**30 September 2023 €'000**	**31 December 2022 €'000**
Trade and other payables	9.721	28.873
Accrued expenditure	26.173	45.732
Short term liabilities from leasing	3.199	3.329
VAT payable	1.320	1.794
Total	**40.413**	**79.728**

Accrued expenditure includes bonds interest of €1.3 million (31 December 2022: €9.0 million).

14. TAXATION CHARGE FOR THE PERIOD (CONTINUING OPERATIONS)

Taxation charge for the period	30 September 2023 €'000	30 September 2022 €'000
Corporate income tax current year	(838)	236
Deferred tax credit/(charge)	(7.066)	(8.704)
Total	**(7.904)**	**(8.468)**

15. SEGMENT REPORTING (CONTINUING OPERATIONS)

Reportable segments for the nine months ended 30 September 2023	Standing Investment segment €'000	Redevelopments and land segment €'000	Reconciling item €'000	Total €'000
Gross rental income	83.458	-	(3.403)	80.055
Service charge income	28.324	-	(886)	27.438
Net property expenses	(35.317)	-	1.230	(34.087)
Net rental income	**76.465**	**-**	**(3.059)**	**73.406**
Net result on disposals	(11.036)	(1.448)	-	(12.484)
Costs connected with developments	-	(252)	-	(252)
Revaluation of investment properties	18.945	(124)	-	18.821
Depreciation, amortisation and impairments	(1.165)	-	(683)	(1.848)
Administrative expenses	(5.962)	(69)	(6.224)	(12.255)
Share of profit of equity-accounted investment in joint ventures	-	-	2.496	2.496
Net operating (loss)/profit	**77.247**	**(1.893)**	**(7.470)**	**67.884**
Interest income	-	-	-	4.770
Interest expense	-	-	-	(32.694)
Foreign currency differences	-	-	-	(2.972)
Other financial expenses	-	-	-	24.535
Profit / (loss) before taxation	**77.247**	**(1.893)**	**(7.470)**	**61.523**
Taxation benefit for the year	-	-	-	(7.904)
Profit / (loss) after taxation	**77.247**	**(1.893)**	**(7.470)**	**53.619**
Investment properties	1.483.175	268.567	-	1.751.742
Additions to investment properties	67.722	45.496	-	113.218

Reportable segments for the nine months ended 30 September 2022	Standing Investment segment €'000	Redevelopments and land segment €'000	Reconciling item €'000	Total €'000
Gross rental income	84.965	-	(7.137)	77.828
Service charge income	32.940	-	(2.068)	30.872
Net property expense	(40.127)	-	2.792	(37.335)
Net rental income	**77.778**	**-**	**(6.413)**	**71.365**
Net result on disposals	(1.408)	-	-	(1.408)
Costs connected with developments	-	(205)	-	(205)
Revaluation of investment properties	(15.851)	-	-	(15.851)
Depreciation, amortisation and impairments	(1.041)	-	(828)	(1.869)
Administrative expenses	(7.139)	(219)	(12.933)	(20.291)
Share of profit of equity-accounted investment in joint ventures	-	-	6.171	6.171
Net operating (loss)/profit	**52.339**	**(424)**	**(14.003)**	**37.912**
Interest income	-	-	-	1.814
Interest expense	-	-	-	(31.141)
Foreign currency differences	-	-	-	(429)
Other financial expenses	-	-	-	(4.264)
Profit / (loss) before taxation	**52.339**	**(424)**	**(14.003)**	**3.892**
Taxation charge for the year	-	-	-	(8.468)
Profit / (loss) after taxation	**52.339**	**(424)**	**(14.003)**	**(4.576)**
Investment properties	2.137.634	266.409	(183.501)[1]	2.220.542
Additions to investment properties	11.462	60.120	(126)	71.456

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

Prior year comparatives for the nine months ended 30 September 2022 are adjusted following the classification of Russia as a discountinued operation, see Note 8.

16. TRANSACTIONS WITH RELATED PARTIES

THE BOARD OF DIRECTORS AND THE GROUP EXECUTIVE TEAM

On 31 July 2023 Mrs Anna Dafna retired as Chief Financial Officer of the Group.

On 17 August 2023 Mr Ryan Lee retired from the Board of Directors and as Chief Executive Officer of the Group.

Effective from 18 August 2023 Mr Eshel Pesti was appointed as Chief Executive Officer and Mr Or Ackerman as Chief Financial Officer of the Group.

Mr George Christofides was nominated to the Board of Directors with effect from 18 August 2023, as a G City nominee non-executive director.

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 controlling owner and its controlling shareholder is Mr. Chaim Katzman, Chairman of the Board of Directors.

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

G City bought in the open market the Group's 2025, 2027 and Hybrid Notes in the nominal amounts of €104.8 million, €7.9 million and €22.3 million, respectively. In June 2023, the Group bought back €90.0 million of the 2025 Notes from G City.

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.

In May 2023, the Group signed a guarantee agreement for the registered and financial pledge of all shares in Atrium Dominikanska Sp. z.o.o. securing the amount of $150.0 million (approx. €141.6 million) to the benefit of Mizrahi Tefahot Bank Ltd under the credit facility with G City. The maturity of the pledge is in December 2026. The Group is entitled to a net consideration of $0.7 million (approx. €0.6 million) per year.

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.

Tax authorities in Poland are currently reviewing a withholding tax treatment for 2018 and 2020 as part of their regular audit procedures.

In 2019 the Group initiated a liquidation of prior legacy structure in Denmark and received a withholding tax ruling application which is currently under Danish tax authorities review. The risk of a potential claim is currently considered as low.

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 €11.5 million as of 30 September 2023 (31 December 2022: €2.1 million).

18. SUBSEQUENT EVENTS

In October 2023, the Group bought back additional €1.2 million of the outstanding 2025 Notes with a gain in €0.1 million. As of 9 November, the outstanding amount of the 2025 Notes is €379.6 million.

In October 2023, the Group signed a prolongation agreement for secured vendor loans in the amount of €9.8 million granted to the purchasers of the portfolio of 5 assets located in Poland and updated their maturity to November 2023. As of 9 November, the loans in the amount of €9.8 million are fully repaid.

In October 2023, the Group repaid the related party credit facility to G City in a total amount of €15.0 million. As of 9 November, the available financing of unutilised related party credit facility is €350.0 million.

In October 2023, the Group raised a loan in the amount of €125.0 million from Berlin-Hannoversche Hypothekenbank AG and Bank Polska Kasa Opieki S.A. secured by Centrum Handlowe Promenada Shopping Centre. The loan matures in 5 years and the principal bears hedged interest rate of 6.51% per annum.

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Auditors' review report

To the Shareholder of G City Europe

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 September 30, 2023 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the nine and three-months periods 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 of September 30, 2023, and of its financial performance and its cash flows for the nine and three- months periods then ended in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

Tel-Aviv, Israel
November 9, 2023

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