



G City Europe Limited

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INTERIM FINANCIAL STATEMENTS 31 MARCH 2024



CONTENTS	PAGE
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS	2
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS	6
REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS	16
DIRECTORS, PROFESSIONAL ADVISORS AND PRINCIPAL LOCATIONS	17

STATEMENT REGARDING FORWARD LOOKING INFORMATION

This report includes statements that are, or may be deemed to be, "forward looking statements". These forward looking statements can be identified by the use of forward looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "may", "will", "should", "could", "assumes", "plans", "seeks" or "approximately" or, in each case their negative or other variations or comparable terminology. These forward looking statements include all matters that are not historical facts. They appear in a number of places throughout these condensed consolidated interim financial statements and include statements regarding the intentions, plans, objectives, beliefs or current expectations of the Group. By their nature, forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward looking statements are not guarantees of future performance.

You should assume that the information appearing in the condensed consolidated interim financial statements is up to date only as of the date of the condensed consolidated interim financial statements. The business, financial conditions, results of operations and prospects of the Group may change. Except as required by law, the Group do not undertake any obligation to update any forward looking statements, even though the situation may change in the future.

All of the information presented in the condensed consolidated interim financial statements, and particularly the forward looking statements, are qualified by these cautionary statements.

The condensed consolidated interim financial statements and the documents available for inspection should be read in their entirety and with the understanding that the actual future results of the Group may be materially different from what the Group expects.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 March 2024		31 December 2023	
		€'000	€'000	€'000	€'000
ASSETS					
Standing investments	4	1,549,381		1,547,173	
Redevelopments and land	5	245,166		240,960	
Equity-accounted investment in joint ventures		2,168		2,400	
Derivatives	11	9,080		8,236	
Other non-current assets	6	265,157		206,064	
Non-current assets			2,070,952		2,004,833
Other current assets	7	28,092		24,673	
Assets held for sale	8	253,300		517,139	
Cash and cash equivalents		43,029		22,584	
Current assets			324,421		564,396
TOTAL ASSETS			2,395,373		2,569,229
EQUITY AND LIABILITIES					
Equity	9		1,335,526		1,334,082
Long term borrowings	10	797,233		845,763	
Derivatives	11	4,864		6,526	
Other non-current liabilities	12	65,708		65,753	
Non-current liabilities			867,805		918,042
Short term borrowings	10	2,733		2,733	
Other current liabilities	13	42,092		39,951	
Provisions		3,060		3,054	
Liabilities held for sale	8	144,157		271,367	
Current liabilities			192,042		317,105
Total equity and liabilities			2,395,373		2,569,229

The financial statements were approved and authorised for issue by the Board of Directors on 17 May 2024 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 31 March 2024		Three months ended 31 March 2023	
		€'000	€'000	€'000	€'000
Gross rental income		28.065		24.536	
Service charge income		8.739		8.497	
Property expenses		(11.233)		(10.980)	
Net rental income			25.571		22.053
Revaluation of standing investments, net		-		(268)	
Revaluation of redevelopments and land, net		-		(124)	
Depreciation, amortisation and impairments		(541)		(546)	
Administrative expenses		(2.892)		(3.182)	
Share of profit of equity-accounted investment		(232)		2.495	
Net result on disposals	8	(21.631)		(577)	
Costs connected with developments		(90)		(7)	
Net operating profit			185		19.844
Interest income		3.530		1.126	
Interest expense		(9.687)		(11.701)	
Foreign currency differences		(312)		271	
Other financial income / (expense), net	10	2.299		(201)	
(Loss)/profit before taxation from continuing operations			(3.985)		9.339
Taxation charge for the period	14	(489)		100	
(Loss)/profit after taxation from continuing operations			(4.474)		9.439
Loss after taxation from discontinued operations	8	-		(107.254)	
Net loss for the period			(4.474)		(97.815)

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Note	Three months ended 31 March 2024		Three months ended 31 March 2023	
		€'000	€'000	€'000	€'000
Net loss for the period			(4.474)		(97.815)
Items that will not be reclassified to the statement of profit or loss:					
Movement in financial assets at FVOCI reserve			-		164
Items that may be reclassified to the statement of profit or loss:					
Movement in hedging reserves (net of deferred tax)			2.671		(1.929)
Reclassification of historic currency translation reserve of disposed assets			-		1.315
Hedging reserve reclassified to profit or loss in respect of interest rate swap disposed during the period	8		2.679		-
Exchange differences arising on translation of foreign operations			568		186
Total comprehensive income/(loss) for the period			1.444		(98.079)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Three months ended 31 March 2024 €'000	Three months ended 31 March 2023 €'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before taxation from continuing operations	(3.985)	9.339
Adjustments for:		
Revaluation of standing investments, net	-	268
Revaluation of redevelopments and land, net	-	124
Depreciation, amortisation and impairments	541	5.033
Foreign exchange (profit)/loss, net	312	(271)
Change in legal provisions, net of amounts paid	7	(591)
Share of profit of equity-accounted investments in joint ventures	232	(2.495)
Net result on disposals	21.631	577
Lease interest expense	760	685
Net profit from bonds buy back	(2.969)	(1.338)
Other financial (income)/expense, net	-	610
Interest income	(3.530)	(1.126)
Interest expense	9.687	11.701
Operating cash flows before working capital changes	22.686	22.516
(Increase)/decrease in trade and other receivables and prepayments net	(1.325)	3.714
Decrease in trade and other payables and accrued expenditure net	(1.577)	(17.820)
Cash generated from operations	19.784	8.410
Interest paid	(6.938)	(5.971)
Interest received	1.971	1.126
Corporate taxes paid	(773)	(2.299)
Corporate taxes received	963	43
Net cash generated from operating activities from continuing operations	15.007	1.309
Net cash generated from operating activities from discontinued operations	-	3.789
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments related to investment properties	(8.936)	(32.438)
Proceeds from the disposal of investment properties	119.534	47.975
Repayment of loans provided	235	387
Loans provided to related and third parties	(59.800)	(32.378)
Proceeds from sale of financial assets at FVOCI	-	9.761
Net cash generated from/(used in) investing activities from continuing operations	51.033	(6.693)
Net cash used in investing activities from discontinued operations	-	(1.060)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term borrowings	(46.775)	(51.372)
Receipt of long term borrowings	-	45.000
Utilisation (repayment) of a revolving credit facility, net	-	(140.000)
Repayments of leases	(27)	(575)
Net cash used in financing activities from continuing operations	(46.802)	(146.947)
Net cash used in financing activities from discontinued operations	-	(56)
Net increase/(decrease) in cash and cash equivalents	19.238	(149.658)
Cash and cash equivalents at beginning of the period	22.584	201.147
Movement in cash and cash equivalents held for sale	2.577	(7.419)
Effect of exchange rate fluctuations on cash held	(1.370)	(785)
Cash and cash equivalents at end of the period	43.029	43.285

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Stated capital	Hedging reserve	Retained earnings	Currency translation reserve	Equity attributable to the owners of the Company	Hybrid bonds reserve	Total Shareholders Equity
Note	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Balance at 1 January 2024	1.298.377	4.364	(308.297)	(1.220)	993.224	340.858	1.334.082
Net loss for the period	-	-	(4.474)	-	(4.474)	-	(4.474)
Hedging reserve reclassified to profit or loss in respect of interest rate swap disposed during the period	-	2.679	-	-	2.679	-	2.679
Other comprehensive income for the period ¹	-	2.671	-	568	3.239	-	3.239
Total comprehensive income for the period	-	5.350	(4.474)	568	1.444	-	1.444
Balance at 31 March 2024	1.298.377	9.714	(312.771)	(652)	994.668	340.858	1.335.526

¹Movement in hedging reserves includes €0.7 million net revaluation gain from hedging instrument classified as held for sale as of 31 March 2024, see Note 11.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Stated capital	Hedging reserve	Financial assets at FVOCI reserve	Retained earnings	Currency translation reserve	Equity attributable to the owners of the Company	Hybrid bonds reserve	Total Shareholders Equity
Note	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'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)	164	(97.815)	1.501	(98.079)	-	(98.079)
Balance at 31 March 2023	1.311.062	20.108	(1.702)	(306.802)	(64.335)	958.331	340.858	1.299.189

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 as at and for the period ended 31 March 2024 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 2023. 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 2024

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7, Statement of Cash Flows, and IFRS 7, Financial Instruments: Disclosures, to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on liabilities, cash flows and exposure to liquidity risk.

The amendments to IAS 7 and IFRS 7 are effective for annual periods beginning on or after January 1, 2024. Early application is permitted.

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendment to IFRS 16 is effective for annual periods beginning on or after January 1, 2024. Early application is permitted.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current.

The amendments clarify a right to defer settlement that should exist at the end of the reporting period. Classification is unaffected by the likelihood of deferral right's exercise. A requirement has been introduced for an entity to disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendment to IAS 1 is effective for annual periods beginning on or after January 1, 2024. Early application is permitted.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. The Group estimates that the initial application of the amendments is not expected to have a material impact on its financial statements.

4. STANDING INVESTMENTS

The current portfolio of standing investments of the Group consists of 11 retail properties and 3 residential buildings (31 December 2023: 12 retail properties and 3 residential buildings) including one asset held for sale (31 December 2023: 2 assets held for sale).

Standing investments	31 March 2024 €'000	31 December 2023 €'000
Balance as at 1 January	1.547.173	1.886.786
Additions - technical improvements extensions	1.915	15.464
Transfer from joint venture	-	241.987
Movement in leases	44	684
Transfers to/from redevelopments and land	-	124.273
Transfer to assets held for sale	(271)	(491.508)
Revaluation of standing investments, net	-	28.261
Disposals (see Note 1.12)	-	(261.074)
Exchange differences arising on translation of residential properties	520	2.300
Balance as at 31 December	1.549.381	1.547.173

The total value of land leases as of 31 March 2024 was €36.1 million (31 December 2023: €36.1 million).

5. REDEVELOPMENTS AND LAND

The current portfolio of redevelopments and land comprises €85.4 million (2023: €81.2 million) redevelopments and €159.8 million (2023: €159.8 million) land.

Redevelopments and land	31 March 2024 €'000	31 December 2023 €'000
Balance as at 1 January	240.960	326.654
Additions - retail	41	15.341
Additions - residential	3.637	35.921
Movement in leases	64	1.781
Transfer to/from standing investments	-	(124.273)
Disposals	-	(25.391)
Revaluation of redevelopments and land	-	9.864
Transfer to assets held for sale	-	(7.000)
Exchange differences arising on translation of residential properties	464	8.063
Balance as at 31 December	245.166	240.960

The total value of land leases was €8.6 million as of 31 March 2024 (31 December 2023: €8.5 million).

6. OTHER NON-CURRENT ASSETS

Other assets	31 March 2024 €'000	31 December 2023 €'000
Financial assets at amortised cost	254.001	194.087
Long term restricted cash	4.144	4.191
Intangible assets	3.249	3.655
Straight line of lease incentives to tenants	2.372	2.842
Property and equipment	720	762
Other	671	527
Balance at the end of the period	265.157	206.064

Long-term financial assets at amortised cost include secured vendor loans in the amount of €30.6 million (31 December 2023: €30.7 million) granted to the purchasers of Optima and Mosty shopping centres located in Slovakia and Poland. The maturity of the loans is in 2025 and 2027. The principal bears weighted average interest rate of 4.6% per annum.

A secured vendor loan in the amount of €61.7 million was granted to the purchaser of Atrium Palac Pardubice shopping centre in May 2023. 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 6.5% per annum. The short term portion in total amount of €0.9 million is disclosed as Other current assets, see Note 7.

In November 2023, as a result of the restructuring of the investment in the joint ventures, the Group provided €8.8 million additional loan to related parties at 5% interest rate and maturity in 5 years. The Group signed a novation agreement with Fedelmia Limited and substantially modified the initial terms of the historic loan in total amount of €17.9 million. Effective from 17 November 2023, the non-convertible loan in the amount of €20.6 million bears 5% interest rate per annum and matured in 5 years. Following IFRS requirements, the gain on extinguishment in €2.7 million was recognised as finance income of 2023. Both loans represent a long term interest in the joint ventures.

In December 2023, the Group granted a related party credit facility to Gazit Midas Limited in the available amount of €200.0 million bearing variable interest rate at 6.4% with maturity on 31 August 2025 and prolongation option until 31 December 2026. As of 31 March 2024, the utilised amount provided to the related party was €106.8 million (31 December 2023: €47.0 million). The related party credit facility is guaranteed by G City under the framework agreement signed, see Note 16.

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. As of 31 March 2024, the long term outstanding amount of the loan was €26.1 million (31 December 2023: €26.3 million). The short term portion in total amount of €0.8 million is disclosed as Other current assets, see Note 7.

7. OTHER CURRENT ASSETS

Other assets	31 March 2024 €'000	31 December 2023 €'000
Receivables from tenants ¹	8.756	7.410
VAT receivables	7.096	6.756
Alternative minimum tax	4.662	3.683
Financial assets at amortised cost	1.865	1.865
Short term restricted cash	1.073	671
Prepayments	777	729
Income tax receivable	219	215
Other receivables	3.644	3.344
Balance at the end of the period	28.092	24.673

¹Includes Straight-line asset of lease incentives €2.3 million (31 December 2023: €2.5 million).

8. ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS

	31 March 2024 €'000	31 December 2023 €'000
Non-current assets		
Standing investments	233.859	491.508
Redevelopments and land	7.000	7.000
Other non-current assets	8.295	8.306
Current assets		
Receivables from tenants	918	1.859
Cash and cash equivalents	2.561	5.138
Other current assets	667	3.328
Assets held for sale	253.300	517.139
Non-current liabilities		
Deferred tax liabilities	13.277	21.637
Long term borrowings	121.875	231.020
Other non-current liabilities	1.994	7.040
Current liabilities		
Accrued expenditures	690	2.120
Advance payments	2.309	2.412
Short term borrowings	2.638	4.558
Other current liabilities	1.374	2.580
Liabilities held for sale	144.157	271.367
Total, net	109.143	245.772

As of 31 March 2024, following IFRS 5 requirements the Atrium Flora shopping centre in Czech Republic and Constanta land plot in Romania were classified as held for sale. As of 31 December 2023, the assets and liabilities held for sale included the Arkády Pankrác, Atrium Flora shopping centres in Czech Republic and Constanta land plot in Romania. 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.

As of 31 March 2024, borrowings held for sale included secured loans from Berlin-Hannoversche Hypothekbank AG in total amount of €124.5 million.

In January 2024, the Group completed the sale of the Arkády Pankrác shopping centre in Prague, Czech Republic, for a gross consideration of €259.0 million approximately at its book value. The gross purchase price was subject to deductions, mainly related to latent capital gain tax discount, resulting in a net loss from disposal of €21.4 million.

In April 2023, the Group completed the sale of its Russian portfolio. 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. The results for Russia have been presented separately in the consolidated statement of profit or loss and the consolidated cash flow statement for 3 months ended 31 March 2023.

	Three months ended 31 March 2024 €'000	Three months ended 31 March 2023 €'000
Gross rental income	-	9.171
Service charge income	-	3.924
Property expenses	-	(4.229)
Net rental income	-	8.866
Loss resulted from onerous agreement	-	(136.325)
Depreciation, amortisation and impairments	-	(50)
Administrative expenses	-	(284)
Net result on disposals	-	(410)
Costs connected with developments	-	(50)
Net operating profit/(loss)	-	(128.253)
Foreign currency differences	-	(305)
Other financial expense, net	-	(170)
Loss before taxation	-	(128.728)
(Charge)/benefit for the year	-	21.474
Net loss for the period	-	(107.254)

9. EQUITY

As of 31 March 2024, the total number of ordinary shares authorised and issued was 299.743.870 (31 December 2023: 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 31 March 2024, EPRA Net Reinstatement Value was €3.48 per share (31 December 2023: €3.53 per share).

10. BORROWINGS

Borrowings	31 March 2024 €'000	31 December 2023 €'000
Bonds	514.485	562.362
Bank loans	282.748	283.401
Long-term liabilities	797.233	845.763
Bank loans	2.733	2.733
Short-term liabilities	2.733	2.733
Total	799.966	848.496

The borrowings are repayable as follows:

Borrowings total	31 March 2024 €'000	31 December 2023 €'000
Due within one year	2.733	2.733
Due in second year	288.356	329.358
Due within third to fifth year inclusive	508.877	516.405
Total	799.966	848.496

BONDS

During three months ended 31 March 2024 the Group bought back and cancelled €41.8 million and €7.2 million of the outstanding 2025 Notes and 2027 Notes respectively with a gain in €3.0 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 31 March 2024.

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 2024, the Group has not utilised the related party credit facility (31 December 2023: €nil). The Company has an available financing in total amount €350.0 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-Thüringen Girozentrale is subject to the following financial covenants: Loan to Value and Interest Service Cover Ratio. Both conditions were met as of 31 March 2024.

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 2024. Following classification of the Atrium Flora shopping centre as held for sale, the loan was presented under liabilities held for sale, see Note 8.

The loan with Berlin-Hannoversche Hypothekenbank AG and Bank Polska Kasa Opieki S.A. is subject to the following financial covenants: Loan to Value and Debt Service Coverage Ratio. Both conditions were met as of 31 March 2024.

During three months ended 31 March 2024 the Group repaid €1.3m of the principal amount of bank loans.

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, 0.640% on the loan obtained in November 2018 and 3.51% on the loan obtained in October 2023.

As of 31 March 2024, the interest rate swap contract in connection with the secured loan from Berlin-Hannoversche Hypothekenbank AG was classified as asset 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	31 March 2024 €'000	31 December 2023 €'000
Carrying amount (liability)	(4.864)	(6.526)
Carrying amount (asset)	9.080	8.236
Notional amount	286.824	287.561
Change in fair value of outstanding hedging instruments since 1 January ¹	3.306	(21.996)
Transfer to assets/liabilities held for sale	(800)	(3.633)

Change in fair value for the period includes €0.8 million gross revaluation gain (2023: €8.9 million gross revaluation loss) from hedging instruments classified as held for sale, see Note 8.

12. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities	31 March 2024 €'000	31 December 2023 €'000
Long term lease liabilities	39.656	40.888
Deferred tax liabilities	21.448	20.802
Other long term liabilities	4.604	4.063
Total	65.708	65.753

The liabilities from leases consisted of long term land leases in Poland.

13. OTHER CURRENT LIABILITIES

Other current liabilities	31 March 2024 €'000	31 December 2023 €'000
Accrued expenditure	26.535	25.283
Trade and other payables	10.198	9.821
Short term liabilities from leasing	3.161	3.441
VAT payable	2.198	1.406
Total	42.092	39.951

Accrued expenditure includes bonds interest of €10.3 million (31 December 2023: €6.3 million).

14. TAXATION CHARGE FOR THE PERIOD

Taxation charge for the period	Period ended 31 March 2024 €'000	Period ended 31 March 2023 €'000
Corporate income tax (expense)/refund	(10)	530
Deferred tax (charge)/credit	(479)	(430)
Total	(489)	100

The subsidiary companies are subject to taxes for their respective businesses in the countries of their registration at the rates prevailing in those jurisdictions.

In Poland, reduced rate of 9% may be applied to small taxpayers with revenue not exceeding €2.0 million on an annual basis.

15. SEGMENT REPORTING

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 residential operations are not qualified as a separate segment due to the size.

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 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.

Reportable segments for the period ended 31 March 2024	Standing Investment segment €'000	Redevelopments and land segment €'000	Reconciling item €'000	Total €'000
Gross rental income	28.065	-	-	28.065
Service charge income	8.739	-	-	8.739
Net property expenses	(11.233)	-	-	(11.233)
Net rental income	25.571	-	-	25.571
Net result on disposals	(21.631)	-	-	(21.631)
Costs connected with developments	-	(90)	-	(90)
Revaluation of investment properties	-	-	-	-
Depreciation, amortisation and impairments	(329)	-	(212)	(541)
Administrative expenses	(1.277)	(7)	(1.608)	(2.892)
Share of profit of equity-accounted investment in joint ventures	-	-	(232)	(232)
Net operating (loss)/profit	2.334	(97)	(2.052)	185
Interest income	-	-	-	3.530
Interest expense	-	-	-	(9.687)
Foreign currency differences	-	-	-	(312)
Other financial income/expenses, net	-	-	-	2.299
Profit / (loss) before taxation	2.334	(97)	(2.052)	(3.985)
Taxation benefit for the year	-	-	-	(489)
Profit / (loss) after taxation	2.334	(97)	(2.052)	(4.474)
Investment properties	1.549.381	276.166	(31.000) ¹	1.794.547
Additions to investment properties	1.915	3.678	-	5.593

¹Our 50% share of land plot held in a joint venture in Poland.

Reportable segments for the period 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 expense	(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 income	-	-	-	1.126
Interest expense	-	-	-	(11.701)
Foreign currency differences	-	-	-	271
Other financial income/expenses, net	-	-	-	(201)
Profit / (loss) before taxation	23.010	(1.592)	(1.574)	9.339
Taxation charge for the year	-	-	-	100
Profit / (loss) after taxation	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

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

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 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.

As of 17 May 2024, G City bought in the open market the Group's 2025, 2027 and Hybrid Notes in the nominal amounts of €104.8 million, €9.9 million and €52.4 million, respectively.

Additional Hybrid Notes in the nominal amount of €45.9 million were received in 2023 by G City in an exchange transaction for its own shares. As of 31 March 2024, G City Europe bought back €104.8 million of the 2025 Notes and €7.9 million of the 2027 Notes from G City.

Based on a consultancy agreement with the Group, Mr. Katzman was entitled to €0.7 million annual consultancy fee as from April 2017, payable in four equal quarterly instalments and subject to an annual review. The consultancy fee was temporarily waived for a period from 1 February 2024 until 31 March 2024 upon a mutual agreement between the parties.

In May 2023, the Group signed a guarantee agreement for the registered and financial pledge of all shares in Galeria Dominikanska Sp. z.o.o. securing the amount of \$150.0 million (approx. €138.7 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.

Effective since December 2023, the Group signed a framework agreement with G City and Gazit Midas, related to obligations of Gazit Midas under related party credit facility provided in December 2023 (see Note 6), where G City took an obligation in case the Group receives an irrevocable undertaking from any financing party, G City shall provide a release of the Galeria Dominikanska Sp. z.o.o. pledge and any other encumbrance made in favor of Mizrahi Tefahot Bank Ltd under the credit facility with G City.

G City Europe is continuing to evaluate different financing alternatives and monitor market conditions in accordance with our financial strategy, including with respect to potential refinancings or extensions of its upcoming debt maturities. Targowek shopping centre, with its fair value of €230.5 million, as of 31 March 2024, may be considered as collateral under a secured credit facility or for sale to G City for a consideration of approximately its fair market value subject to the parent company's additional financing considerations.

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 2018-2020 including international exchange of tax information as part of their regular audit procedures.

In 2019 the Group initiated a liquidation of prior legacy structure in Denmark and received a binding 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.

Since end of January 2024, a wholly owned subsidiary, MEL 1, the owner of land plot in Turkey, is a plaintiff in a case related to land registration annulment correction and the illegal change in Mel 1 shares ownership registration. In our opinion, after consultation with legal counsel, the outcome of such matter is highly expected to be ruled in favor of MEL 1. Therefore, as of the reporting date, the outcome of such matter is not expected to have a material effect on our financial position, results of operations or cash flows. It is confirmed by the legal counsel that Atrium Group Services B.V. is still the legal and sole shareholder of MEL 1 as of the reporting date.

The Hybrid Note has an off-balance sheet accrued interest of €5.2 million as of 31 March 2024 (31 December 2023: €2.1 million).

18. SUBSEQUENT EVENTS

In April 2024, the Group bought back additional €12.7 million of the outstanding 2025 Notes with a gain in €0.5 million. As of 17 May 2024, the nominal outstanding amount of the 2025 Notes is €275.2 million.

In April 2024, the Group granted additional amount of €10.0 million within a related party credit facility to Gazit Midas Limited. As of 17 May 2024, the utilised amount provided to the related party is €116.8 million.



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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 March 31, 2024, 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 of March 31, 2024, and of its financial performance and its cash flows for the three month period then ended in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

Tel-Aviv, Israel
May 17, 2024

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