
G City Europe

# G City Europe Limited

**INTERIM FINANCIAL STATEMENTS 30 SEPTEMBER 2024**

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**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 | 30 September 2024 | | 31 December 2023 | |
|---|---|---|---|---|---|
| | | €'000 | €'000 | €'000 | €'000 |
| **ASSETS** | | | | | |
| Standing investments | 4 | 1.384.606 | | 1.547.173 | |
| Redevelopments and land | 5 | 232.350 | | 240.960 | |
| Equity-accounted investment in joint ventures | | 1.766 | | 2.400 | |
| Derivatives | 11 | 5.223 | | 8.236 | |
| Other non-current assets | 6 | 378.076 | | 206.064 | |
| **Non-current assets** | | | **2.002.021** | | **2.004.833** |
| Other current assets | 7 | 16.156 | | 24.673 | |
| Assets held for sale | 8 | 266.107 | | 517.139 | |
| Cash and cash equivalents | | 38.929 | | 22.584 | |
| **Current assets** | | | **321.192** | | **564.396** |
| **TOTAL ASSETS** | | | **2.323.213** | | **2.569.229** |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity** | 9 | | **1.417.837** | | **1.334.082** |
| Long term borrowings | 10 | 535.053 | | 845.763 | |
| Derivatives | 11 | 7.203 | | 6.526 | |
| Other non-current liabilities | 12 | 59.609 | | 65.753 | |
| **Non-current liabilities** | | | **601.865** | | **918.042** |
| Short term borrowings | 10 | 130.855 | | 2.733 | |
| Other current liabilities | 13 | 28.460 | | 39.951 | |
| Provisions | | 495 | | 3.054 | |
| Liabilities held for sale | 8 | 143.701 | | 271.367 | |
| **Current liabilities** | | | **303.511** | | **317.105** |
| **Total equity and liabilities** | | | **2.323.213** | | **2.569.229** |

The financial statemements were approved and authorised for issue by the Board of Directors on 1 November 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 30 September 2024 €'000 | €'000 | Nine months ended 30 September 2024 €'000 | €'000 | Three months ended 30 September 2023 €'000 | €'000 | Nine months ended 30 September 2023 €'000 | €'000 |
|---|---|---|---|---|---|---|---|---|---|
| Gross rental income | | 24.150 | | 79.251 | | 27.734 | | 80.055 | |
| Service charge income | | 8.693 | | 25.952 | | 9.738 | | 27.438 | |
| Property expenses | | (10.161) | | (31.864) | | (11.477) | | (34.087) | |
| **Net rental income** | | | **22.682** | | **73.339** | | **25.995** | | **73.406** |
| Revaluation of standing investments, net | | 7.087 | | 53.331 | | 388 | | 18.945 | |
| Revaluation of redevelopments and land, net | | - | | - | | - | | (124) | |
| Depreciation, amortisation and impairments | | (504) | | (1.574) | | (694) | | (1.848) | |
| Administrative expenses[1] | | (2.349) | | (5.221) | | (5.615) | | (12.255) | |
| Share of profit of equity-accounted investment | | (219) | | (634) | | - | | 2.496 | |
| Net result on disposals | 8 | 2.940 | | (18.691) | | 907 | | (12.484) | |
| Costs connected with developments | | (77) | | (241) | | (77) | | (252) | |
| **Net operating profit** | | | **29.560** | | **100.309** | | **20.904** | | **67.884** |
| Interest income | | 5.442 | | 12.568 | | 1.798 | | 4.770 | |
| Interest expense | | (7.855) | | (24.917) | | (9.905) | | (32.694) | |
| Foreign currency differences | | 20 | | (380) | | (2.091) | | (2.972) | |
| Other financial income / (expense), net | 10 | 13 | | 2.691 | | 2.646 | | 24.535 | |
| **Profit before taxation from continuing operations** | | | **27.180** | | **90.271** | | **13.352** | | **61.523** |
| Taxation charge for the period | 14 | (274) | | (5.828) | | (8.923) | | (7.904) | |
| **Profit after taxation from continuing operations** | | | **26.906** | | **84.443** | | **4.429** | | **53.619** |
| Loss after taxation from discontinued operations | 8 | - | | - | | - | | (190.325) | |
| **Net profit/(loss) for the period** | | | **26.906** | | **84.443** | | **4.429** | | **(136.706)** |

[1]Administrative expenses of nine months ended 30 September 2024 include the legal provision reversal in amount of €2.6 million, see Note 17.

# CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

| | Note | Three months ended 30 September 2024 | | Nine months ended 30 September 2024 | | Three months ended 30 September 2023 | | Nine months ended 30 September 2023 | |
|---|---|---|---|---|---|---|---|---|---|
| | | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| **Net profit/(loss) for the period** | | 26.906 | | 84.443 | | 4.429 | | (136.706) | |
| **Items that will not be reclassified to the statement of profit or loss:** | | | | | | | | | |
| Movement in financial assets at FVOCI reserve | | - | | - | | - | | 159 | |
| **Items that may be reclassified to the statement of profit or loss:** | | | | | | | | | |
| Movement in hedging reserves (net of deferred tax) | | (8.330) | | (4.736) | | (446) | | (1.351) | |
| Reclassification of historic currency translation reserve of disposed assets | 8 | - | | - | | - | | 58.638 | |
| 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 | | 700 | | 1.369 | | (3.262) | | 930 | |
| **Total comprehensive income/(loss) for the period** | | | **19.276** | | **83.755** | | **721** | | **(78.330)** |

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

| | Nine months ended 30 September 2024 €'000 | Nine months ended 30 September 2023 €'000 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Profit before taxation from continuing operations | 90.271 | 61.523 |
| **Adjustments for:** | | |
| Revaluation of standing investments, net | (53.331) | (18.945) |
| Revaluation of redevelopments and land, net | - | 124 |
| Depreciation, amortisation and impairments | 1.574 | 1.857 |
| Foreign exchange (profit)/loss, net | 380 | 2.972 |
| Change in legal provisions, net of amounts paid | (2.559) | (628) |
| Share of profit of equity-accounted investments in joint ventures | 634 | (2.496) |
| Net result on disposals | 18.691 | 12.484 |
| Lease interest expense | 2.235 | 2.068 |
| Net profit from bonds buy back | (5.382) | (28.295) |
| Other financial expense, net | 99 | 1.337 |
| Interest income | (12.568) | (4.770) |
| Interest expense | 24.917 | 32.694 |
| **Operating cash flows before working capital changes** | **64.961** | **59.925** |
| Decrease/(increase) in trade and other receivables and prepayments net | 9.192 | (3.745) |
| (Decrease)/increase in trade and other payables and accrued expenditure net | (2.932) | 3.318 |
| **Cash generated from operations** | **71.221** | **59.498** |
| Interest paid | (32.210) | (41.220) |
| Interest received | 10.419 | 4.576 |
| Guarantee fee received | - | 705 |
| Dividends received from Joint Ventures | - | 4.066 |
| Corporate taxes paid | (1.989) | (2.108) |
| Corporate taxes received | 1.070 | 1.407 |
| **Net cash generated from operating activities from continuing operations** | **48.511** | **26.924** |
| **Net cash used in operating activities from discontinued operations** | **-** | **(5.988)** |
| | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Payments related to investment properties | (22.671) | (119.361) |
| Proceeds from the disposal of investment properties | 273.148 | 89.236 |
| Repayment of loans provided | 16.630 | 18.087 |
| Loans provided to related and third parties | (119.903) | (32.379) |
| Proceeds from sale of financial assets at FVOCI | - | 11.303 |
| **Net cash generated from/(used in) investing activities from continuing operations** | **147.204** | **(33.114)** |
| **Net cash generated from investing activities from discontinued operations** | **-** | **114.474** |
| | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Repayment of long term borrowings | (208.703) | (242.026) |
| Receipt of long term borrowings | 28.420 | 186.160 |
| Repayment of a revolving credit facility, net | - | (205.000) |
| Repayments of leases | (66) | (395) |
| **Net cash used in financing activities from continuing operations** | **(180.349)** | **(261.261)** |
| **Net cash used in financing activities from discontinued operations** | **-** | **(58)** |
| **Net increase/(decrease) in cash and cash equivalents** | **15.366** | **(159.023)** |
| **Cash and cash equivalents at beginning of the period** | **22.584** | **201.147** |
| Movement in cash and cash equivalents held for sale | 2.507 | (7.922) |
| Effect of exchange rate fluctuations on cash held | (1.528) | (4.200) |
| **Cash and cash equivalents at end of the period** | **38.929** | **29.932** |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Note | Stated capital €'000 | Hedging 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 2024** | | **1.298.377** | **4.364** | **(308.297)** | **(1.220)** | **993.224** | **340.858** | **1.334.082** |
| Net profit for the period | | - | - | 84.443 | - | 84.443 | - | 84.443 |
| 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] | | - | (4.736) | - | 1.369 | (3.367) | - | (3.367) |
| **Total comprehensive income for the period** | | **-** | **(2.057)** | **84.443** | **1.369** | **83.755** | **-** | **83.755** |
| **Balance at 30 September 2024** | | **1.298.377** | **2.307** | **(223.854)** | **149** | **1.076.979** | **340.858** | **1.417.837** |

[1]Movement in hedging reserves includes €1.9 million net revaluation loss from hedging instrument classified as held for sale as of 30 September 2024, see Note 11.

# 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.

# 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 30 September 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 International Accounting Standards Board ("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.

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

**IFRS 18, "Presentation and Disclosure in Financial Statements"**

In April 2024, the IASB issued IFRS 18, "Presentation and Disclosure in Financial Statements" ("IFRS 18") which replaces IAS 1, "Presentation of Financial Statements".

IFRS 18 is aimed at improving comparability and transparency of communication in financial statements. IFRS 18 retains certain existing requirements of IAS 1 and introduces new requirements on presentation within the statement of profit or loss, including specified totals and subtotals. It also requires disclosure of management-defined performance measures and includes new requirements for aggregation and disaggregation of financial information. IFRS 18 does not modify the recognition and measurement provisions of items in the financial statements. However, since items within the statement of profit or loss must be classified into one of five categories (operating, investing, financing, taxes on income and discontinued operations), it may change the entity's operating profit. Moreover, the publication of IFRS 18 resulted in consequential narrow scope amendments to other accounting standards, including IAS 7, "Statement of Cash Flows", and IAS 34, "Interim Financial Reporting".

IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, and is to be applied retrospectively. Early adoption is permitted but will need to be disclosed.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. The Company is evaluating the effects of IFRS 18, including the effects of the consequential amendments to other accounting standards, on its consolidated financial statements.

## 4. STANDING INVESTMENTS

The current portfolio of standing investments of the Group consists of 10 retail properties and 4 residential assets (31 December 2023: 12 retail properties and 3 residential assets) including 2 properties held for sale (31 December 2023: 2 properties held for sale).

| **Standing investments** | **30 September 2024 €'000** | **31 December 2023 €'000** |
|---|---|---|
| Balance as at 1 January | 1.547.173 | 1.886.786 |
| Additions - technical improvements extensions | 5.780 | 15.464 |
| Transfer from joint venture | - | 241.987 |
| Movement in leases | 44 | 684 |
| Transfers from redevelopments and land | 22.878 | 124.273 |
| Transfers to assets held for sale | (15.964) | (491.508) |
| Revaluation of standing investments, net | 53.331 | 28.261 |
| Disposals | (230.540) | (261.074) |
| Exchange differences arising on translation of residential properties | 1.559 | 2.300 |
| Borrowing costs capitalised | 345 | - |
| **Balance at the end of the period** | **1.384.606** | **1.547.173** |

In July 2024, the Group completed the sale of the Targowek shopping centre in Warsaw, Poland, to G City for a gross consideration of €230.5 million at its fair market value resulting in a net gain from disposal of €4.1 million. The Group continues to provide management and marketing services to the Targowek shopping centre.

Transfers from redevelopments and land include two residential buildings of the Ostrobramska project near Promenada shopping centre in Warsaw in total cost of €22.9 million.

Transfers to assets held for sale include the residential building of Urban Home Kraków Wroclawska in total amount of €15.2 million, see Note 8.

The total value of land leases as of 30 September 2024 was €36.0 million (31 December 2023: €36.1 million).

Revaluation of standing investments in total amount of €53.3 million is based on internal valuation resulted from the sustained improvement in performance of assets and changes in the discount rates.

## 5. REDEVELOPMENTS AND LAND

The current portfolio of redevelopments and land comprises €72.5 million (2023: €81.2 million) redevelopments and €159.8 million (2023: €159.8 million) land.

| **Redevelopments and land** | **30 September 2024 €'000** | **31 December 2023 €'000** |
|---|---|---|
| Balance as at 1 January | 240.960 | 326.654 |
| Additions - retail | 256 | 15.341 |
| Additions - residential | 11.746 | 35.921 |
| Movement in leases | 86 | 1.781 |
| Transfer to/from standing investments | (22.878) | (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 | 916 | 8.063 |
| Borrowing costs capitalised | 1.264 | - |
| **Balance at the end of the period** | **232.350** | **240.960** |

General borrowing costs in total amount of €1.3 million have been capitalised to the Ostrobramska project cost at 3.0% capitalisation rate.

The total value of land leases was €8.6 million as of 30 September 2024 (31 December 2023: €8.5 million).

## 6. OTHER NON-CURRENT ASSETS

| Other assets | 30 September 2024 €'000 | 31 December 2023 €'000 |
|---|---|---|
| Financial assets at amortised cost | 367.603 | 194.087 |
| Long term restricted cash | 5.145 | 4.191 |
| Intangible assets | 2.484 | 3.655 |
| Straight line of lease incentives to tenants | 1.239 | 2.842 |
| Property and equipment | 640 | 762 |
| Other | 965 | 527 |
| **Balance at the end of the period** | **378.076** | **206.064** |

Long-term financial assets at amortised cost include secured vendor loans in the amount of €30.4 million (31 December 2023: €30.5 million) granted to the purchasers of Optima and Mosty shopping centres located in Slovakia and Poland. The maturity of the loans is in December 2025 and June 2027. The principal bears weighted average interest rate of 4.6% per annum.

A secured vendor loan in the amount of €60.8 million (31 December 2023: €61.7 million) was granted 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 loan is matured in May 2028 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. As of 30 September 2024, the outstanding amount of the loans was €30.7 million (31 December 2023: €29.5 million).

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 30 September 2024, the utilised amount provided to the related party was €150.9 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.

In July 2024, the secured vendor loan was granted to G City in the amount of 299.4 million polish zloty (approx. €70.0 million). The issuance of the loan was a non-cash transaction included in the purchase price of the Targowek shopping centre, see Note 4. The maturity of the loan is within 5 years and the principal bears a fixed interest rate of 6.5% 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. As of 30 September 2024, the long term oustanding amount of the loan was €25.7 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 | 30 September 2024 €'000 | 31 December 2023 €'000 |
|---|---|---|
| Receivables from tenants[1] | 5.348 | 7.410 |
| Alternative minimum tax | 2.363 | 3.683 |
| Financial assets at amortised cost | 1.865 | 1.865 |
| Short term restricted cash | 1.287 | 671 |
| VAT receivables | 1.082 | 6.756 |
| Prepayments | 890 | 729 |
| Income tax receivable | 126 | 215 |
| Other receivables | 3.195 | 3.344 |
| **Balance at the end of the period** | **16.156** | **24.673** |

[1]Includes Straight-line asset of lease incentives €1.5 million (31 December 2023: €2.5 million).

## 8. ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS

| | 30 September 2024 €'000 | 31 December 2023 €'000 |
|---|---|---|
| **Non-current assets** | | |
| Standing investments | 249.553 | 491.508 |
| Redevelopments and land | 7.000 | 7.000 |
| Other non-current assets | 5.256 | 8.306 |
| **Current assets** | | |
| Receivables from tenants | 919 | 1.859 |
| Cash and cash equivalents | 2.631 | 5.138 |
| Other current assets | 748 | 3.328 |
| **Assets held for sale** | **266.107** | **517.139** |
| **Non-current liabilities** | | |
| Deferred tax liabilities | 13.352 | 21.637 |
| Long term borrowings | 120.213 | 231.020 |
| Other non-current liabilities | 2.131 | 7.040 |
| **Current liabilities** | | |
| Accrued expenditures | 564 | 2.120 |
| Advance payments | 2.583 | 2.412 |
| Short term borrowings | 3.318 | 4.558 |
| Other current liabilities | 1.540 | 2.580 |
| **Liabilities held for sale** | **143.701** | **271.367** |
| **Total, net** | **122.406** | **245.772** |

As of 30 September 2024, following IFRS 5 requirements the Atrium Flora shopping centre in Czech Republic, Constanta land plot in Romania and Urban Home Kraków Wroclawska in Poland 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 30 September 2024, borrowings held for sale included secured loan from Berlin-Hannoversche Hypothekenbank AG in total amount of €123.5 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 it's 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 9 months ended 30 September 2023.

| | Three months ended 30 September 2024 €'000 | Nine months ended 30 September 2024 €'000 | Three months ended 30 September 2023 €'000 | Nine months ended 30 September 2023 €'000 |
|---|---|---|---|---|
| Gross rental income | - | - | - | 10.103 |
| Service charge income | - | - | - | 4.430 |
| Property expenses | - | - | - | (4.787) |
| **Net rental income** | **-** | **-** | **-** | **9.746** |
| Loss resulted from onerous agreement | - | - | - | (136.325) |
| Depreciation, amortisation and impairments | - | - | - | (57) |
| Administrative expenses | - | - | - | (365) |
| Net result on disposals | - | - | - | (82.927) |
| Costs connected with developments | - | - | - | (57) |
| **Net operating profit/(loss)** | **-** | **-** | **-** | **(209.985)** |
| Foreign currency differences | - | - | - | (1.549) |
| Other financial expense, net | - | - | - | (193) |
| **Loss before taxation** | **-** | **-** | **-** | **(211.727)** |
| (Charge)/benefit for the year | - | - | - | 21.402 |
| **Net loss for the period** | **-** | **-** | **-** | **(190.325)** |

## 9. EQUITY

As of 30 September 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 30 September 2024, EPRA Net Reinstatement Value was €3.76 per share (31 December 2023: €3.53 per share).

## 10. BORROWINGS

| Borrowings | 30 September 2024 €'000 | 31 December 2023 €'000 |
|---|---|---|
| Bonds | 225.582 | 562.362 |
| Bank loans | 309.471 | 283.401 |
| **Long-term liabilities** | **535.053** | **845.763** |
| Bonds | 127.744 | - |
| Bank loans | 3.111 | 2.733 |
| **Short-term liabilities** | **130.855** | **2.733** |
| **Total** | **665.908** | **848.496** |

The borrowings are repayable as follows:

| Borrowings total | 30 September 2024 €'000 | 31 December 2023 €'000 |
|---|---|---|
| Due within one year | 130.855 | 2.733 |
| Due in second year | 3.252 | 329.358 |
| Due within third to fifth year inclusive | 531.801 | 516.405 |
| **Total** | **665.908** | **848.496** |

BONDS

During nine months ended 30 September 2024 the Group bought back and cancelled €201.4 million and €11.0 million of the outstanding 2025 Notes and 2027 Notes respectively with a gain in €5.4 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 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 30 September 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

In August 2024, the Group raised a loan of 80.0 million polish zloty ("Tranche A") and €10.0 million ("Tranche B") from Santander Bank Polska S.A. secured by residential properties of Urban Home Warszawa Rubikon and Urban Home Wroclaw Traugutta. The loan matures in 5 years. Tranche A bears interest rate of 6.95% per annum. Tranche B bears interest rate of 5.055% per annum. The loan is subject to the following financial covenants: Loan to Value, Occupancy and Debt Service Coverage Ratio. All conditions were met as of 30 September 2024.

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 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 30 September 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 30 September 2024.

During nine months ended 30 September 2024 the Group repaid €3.8m 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 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 with Berlin-Hannoversche Hypothekenbank AG from November 2017, Landesbank Hessen-Thuringen Girozentrale from November 2018, Bank Polska Kasa Opieki S.A. and Berlin-Hannoversche Hypothekenbank AG from October 2023 is the three month Euribor and the fixed rates are 0.826%, 0.640% and 3.51% respectively. The floating rates on the IRSs with Santander Bank Polska S.A. from August 2024 are the one month Wibor for Tranche A and the one month Euribor for Tranche B and the fixed rates are 4.65% and 2.455% respectively.

As of 30 September 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 Euribor and Wibor 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 2024 €'000** | **31 December 2023 €'000** |
|---|---|---|
| Carrying amount (liability) | (7.203) | (6.526) |
| Carrying amount (asset) | 5.223 | 8.236 |
| Notional amount | 314.009 | 287.561 |
| Change in fair value of outstanding hedging instruments since 1 January[1] | (5.909) | (21.996) |
| Transfer to assets/liabilities held for sale | 2.219 | (3.633) |

Change in fair value for the period includes €2.2 million gross revaluation loss (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** | **30 September 2024 €'000** | **31 December 2023 €'000** |
|---|---|---|
| Long term lease liabilities | 41.132 | 40.888 |
| Deferred tax liabilities | 14.434 | 20.802 |
| Other long term liabilities | 4.043 | 4.063 |
| **Total** | **59.609** | **65.753** |

## 13. OTHER CURRENT LIABILITIES

| **Other current liabilities** | **30 September 2024 €'000** | **31 December 2023 €'000** |
|---|---|---|
| Accrued expenditure | 15.423 | 25.283 |
| Trade and other payables | 8.428 | 9.821 |
| Short term liabilities from leasing | 3.331 | 3.441 |
| VAT payable | 1.278 | 1.406 |
| **Total** | **28.460** | **39.951** |

Accrued expenditure includes bonds interest of €0.7 million (31 December 2023: €6.3 million).

## 14. TAXATION CHARGE FOR THE PERIOD

| **Taxation charge for the period** | **Period ended 30 September 2024 €'000** | **Period ended 30 September 2023 €'000** |
|---|---|---|
| Corporate income tax (expense)/refund | (1.316) | (838) |
| Deferred tax (charge)/credit | (4.512) | (7.066) |
| **Total** | **(5.828)** | **(7.904)** |

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 reportable 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 30 September 2024 | Standing Investment segment €'000 | Redevelopments and land segment €'000 | Reconciling item €'000 | Total €'000 |
|---|---|---|---|---|
| Gross rental income | 79.251 | - | - | 79.251 |
| Service charge income | 25.952 | - | - | 25.952 |
| Net property expenses | (31.864) | - | - | (31.864) |
| **Net rental income** | **73.339** | **-** | **-** | **73.339** |
| Net result on disposals | (18.691) | - | - | (18.691) |
| Costs connected with developments | - | (241) | - | (241) |
| Revaluation of investment properties | 53.331 | - | - | 53.331 |
| Depreciation, amortisation and impairments | (947) | - | (627) | (1.574) |
| Administrative expenses | (3.743) | (103) | (1.375) | (5.221) |
| Share of profit of equity-accounted investment in joint ventures | - | - | (634) | (634) |
| **Net operating (loss)/profit** | **103.289** | **(344)** | **(2.636)** | **100.309** |
| Interest income | - | - | - | 12.568 |
| Interest expense | - | - | - | (24.917) |
| Foreign currency differences | - | - | - | (380) |
| Other financial income/expenses, net | - | - | - | 2.691 |
| **Profit / (loss) before taxation** | **103.289** | **(344)** | **(2.636)** | **90.271** |
| Taxation charge for the period | - | - | - | (5.828) |
| **Profit / (loss) after taxation** | **103.289** | **(344)** | **(2.636)** | **84.443** |
| Investment properties | 1.384.606 | 263.350 | (31.000)[1] | 1.616.956 |
| Additions to investment properties | 5.780 | 12.002 | - | 17.782 |

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

| Reportable segments for the period 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 expense | (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 income/expenses, net | - | - | - | 24.535 |
| **Profit / (loss) before taxation** | **77.247** | **(1.893)** | **(7.470)** | **61.523** |
| Taxation charge for the period | - | - | - | (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 |

## 16. TRANSACTIONS WITH RELATED PARTIES

**THE BOARD OF DIRECTORS AND THE GROUP EXECUTIVE TEAM**

On 31 July 2024 Mr Zvi Gordon retired from the Board of Directors.

**OTHER RELATED PARTY TRANSACTIONS**

G City Limited is the parent company of G City Europe Limited and to the best of the management's knowledge Norstar Holdings Inc. is the 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 30 September 2024, G City bought in the open market the Group's 2025, 2027 and Hybrid Notes in the nominal amounts of €104.8 million, €12.5 million and €101.7 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 30 September 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 30 September 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. €134.0 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.

## 17. CONTINGENCIES

The circumstances of the acquisition of 88,815,500 Austrian Depositary Certificate ("ADCs") representing shares of G City Europe announced in August 2007 (the "ADC Purchases"), security issuances and associated events have been subject to regulatory investigations and other proceedings in Austria. The criminal investigation against G City Europe and others relating to events that occurred in 2007 and earlier have been closed. None of the parties have exercised their right to request continuation of the investigation within the prescribed timeframe. The risk of criminal proceedings and the associated potential exposure is averted. A total provision of €2.6 million has been reversed by the Company in June 2024.

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 plots in Turkey, has been a plaintiff in a case related to land registration annulment correction and the illegal change in MEL 1 shares ownership registration. In July 2024 the court decision in favour of the Group has been finalised annulling the unlawful registration of shares and confirming the Group's onwership of the entire shares of MEL 1. In October 2024 the lawsuit pertaining to unlawful title registration of some land plots owned by MEL 1 has been resolved in favour of the Group. The court decision may be appealed.

The Hybrid Note has an off-balance sheet accrued interest of €11.6 million as of 30 September 2024 (31 December 2023: €2.1 million).

## 18. SUBSEQUENT EVENTS

In October 2024, the Group bought back and cancelled €4.0 million and €2.5 million of the outstanding 2025 Notes and 2027 Notes respectively with a gain in €0.3 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 September 30, 2024 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the three-month and nine-month 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 at September 30, 2024, and of its financial performance and its cash flows for the three and nine month periods then ended in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

Tel-Aviv, Israel
November 1 , 2024

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

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