



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

INTERIM FINANCIAL STATEMENTS 30 SEPTEMBER 2022



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CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 September 2022		31 December 2021	
		€'000 (Unaudited)	€'000 (Unaudited)	€'000 (Audited)	€'000 (Audited)
ASSETS					
Non-current assets					
Standing investments	4	1,954,133		2,340,068	
Redevelopments and land	5	266,409		244,383	
Equity-accounted investment in joint ventures		190,828		192,773	
Derivatives	11	26,211		-	
Other non-current assets	6	59,445		65,745	
			2,497,026		2,842,969
Current assets					
Cash and cash equivalents		73,285		500,375	
Other current assets	7	68,507		40,351	
Financial assets at FVOCI		9,637		9,103	
Assets held for sale	8	319,766		-	
			471,195		549,829
TOTAL ASSETS			2,968,221		3,392,798
EQUITY AND LIABILITIES					
Equity	9		1,438,045		1,923,048
Non-current liabilities					
Long term borrowings	10	1,119,412		1,073,897	
Derivatives	11	-		11,847	
Other non-current liabilities	12	121,418		145,493	
			1,240,830		1,231,237
Current liabilities					
Short term borrowings	10	208,658		158,492	
Other current liabilities	13	55,093		76,905	
Provisions		3,055		3,116	
Liabilities held for sale	8	22,540		-	
			289,346		238,513
TOTAL EQUITY AND LIABILITIES			2,968,221		3,392,798

The condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 11 November 2022 and were signed on the Board's behalf by Chaim Katzman, Chairman of the Board.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Unaudited)	Note	Three months ended 30 September 2022		Nine months ended 30 September 2022		Three months ended 30 September 2021		Nine months ended 30 September 2021	
		€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Gross rental income		34,523		102,047		35,736		100,814	
Service charge income		14,575		42,867		13,593		34,640	
Net property expenses		(16,596)		(50,301)		(14,587)		(42,067)	
Net rental income			32,502		94,613		34,742		93,387
Net result on disposal		(11)		(1,408)		(184)		(338)	
Costs connected with developments		(196)		(562)		(189)		(524)	
Revaluation of standing investments, net	4	(15,851)		5,219		-		-	
Revaluation of redevelopments and land, net		-		(898)		-		(1,477)	
Depreciation, amortisation and impairments		(722)		(2,171)		(802)		(2,475)	
Administrative expenses		(5,738)		(20,855)		(6,573)		(16,990)	
Share of profit of equity-accounted investment in joint ventures		2,091		6,171		1,995		6,009	
Net operating profit			12,075		80,109		28,989		77,592
Interest expenses, net		(9,208)		(29,327)		(10,256)		(29,044)	
Foreign currency differences		(1,271)		(297)		18		(178)	
Other financial expenses, net		(1,506)		(4,770)		(1,288)		(7,030)	
Profit before taxation			90		45,715		17,463		41,340
Taxation charge for the period	14	(5,668)		(6,912)		(6,726)		(10,301)	
Profit (loss) after taxation for the period			(5,578)		38,803		10,737		31,039

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

(Unaudited)	Three months ended 30 September 2022		Nine months ended 30 September 2022		Three months ended 30 September 2021		Nine months ended 30 September 2021	
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Profit (loss) for the period	(5,578)		38,803		10,737		31,039	
Items that will not be reclassified to the statement of profit or loss:								
Movement in financial assets at FVOCI reserve	167		580		(1,245)		1,467	
Items that are or may be reclassified to the statement of profit or loss:								
Exchange differences arising on translation of foreign operations	(847)		(1,216)		-		-	
Amounts reclassified to profit or loss in respect of exchange differences on translation of foreign operations disposed during the period	-		7,343		-		-	
Movements in hedging reserves (net of deferred tax)	10,496		31,440		1,297		6,084	
Total comprehensive income for the period		4,238		76,950		10,789		38,590

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(Unaudited)	Nine months ended 30 September 2022	Nine months ended 30 September 2021
	€'000	€'000
Cash flows from operating activities		
Profit before taxation	45,715	41,340
Adjustments for:		
Other depreciation, amortisation and impairments	2,171	2,475
Dividend from listed equity securities, net	(675)	(264)
Revaluation of standing investments	(5,219)	-
Revaluation of redevelopments and land, net	898	1,477
Other financial expense	2,306	839
Foreign exchange differences	297	178
Change in legal provisions, net of amounts paid	(61)	(553)
Share based payment expenses	-	1,252
Share of profit of equity-accounted investments in joint ventures	(6,171)	(6,009)
Net result on disposal	1,408	338
Net loss from bonds buy back	-	3,401
Finance lease interest expense	2,461	2,441
Interest expense	31,141	29,699
Interest income	(1,814)	(700)
Operating cash flows before working capital changes	72,457	75,914
(Increase) / Decrease in trade, other receivables and prepayments	(1,745)	(3,205)
Increase (Decrease) in trade, other payables and accrued expenditure, net	(15,851)	2,005
Net cash generated from operations	54,861	74,714
Interest paid	(37,864)	(30,450)
Interest received	1,690	700
Dividends received	8,797	264
Corporation taxes paid, net	(2,733)	(5,669)
Net cash generated from operating activities	24,751	39,559
Cash flows from investing activities		
Payments related to investment properties, capex and acquisitions	(57,988)	(21,098)
Proceeds from the disposal of investment properties	116,880	4,616
Loans provided	(34,887)	-
Repayment of loans provided	312	270
Net cash generated used in investing activities	24,317	(16,212)
Net cash flow before financing activities	49,068	23,347
Cash flows from financing activities		
Reduction of capital	(305,378)	-
Repayment of long term borrowings	(417,522)	(84,482)
Receipt of long term borrowings	304,678	292,416
Proceeds from Hybrid issuance	-	340,858
(Repayment)/Utilisation of a revolving credit facility	205,000	(86,695)
Repayments of lease liabilities	(1,341)	(829)
Dividends paid	(256,656)	(53,998)
Net cash (used in)/generated from financing activities	(471,220)	407,270
Net increase/(decrease) in cash and cash equivalents	(422,152)	430,617
Cash and cash equivalents at the beginning of period	500,375	55,221
Cash and cash equivalents on disposal of Standing Investments	(4,135)	-
Effect of exchange rate fluctuations on cash held	(803)	(850)
Cash and cash equivalents at the end of period	73,285	484,988

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 SEPTEMBER 2022

		Stated capital	Hedging reserve	Financial assets at FVOCI reserve	Retained deficit	Currency translation reserve	Equity attributable to the owners of the Company	Hybrid Reserve	Total Shareholders Equity
(Unaudited)	Note	€'000	€'000	€'000	€'000	€'000	€'000	€'000	
Balance as at 1 January 2022		1,885,713	(10,297)	(12,871)	(207,249)	(73,105)	1,582,191	340,858	1,923,049
Profit for the period		-	-	-	38,803	-	38,803	-	38,803
Other comprehensive income		-	31,440	580	-	6,127	38,147	-	38,147
Total comprehensive income		-	31,440	580	38,803	6,127	76,950	-	76,950
Transaction with owners of the Company									
Issue of shares		75	-	-	-	-	75	-	75
Capital repayment	9	(305,378)	-	-	-	-	(305,378)	-	(305,378)
Dividends	9	(256,651)	-	-	-	-	(256,651)	-	(256,651)
Balance as at 30 September 2022		1,323,759	21,143	(12,291)	(168,446)	(66,978)	1,097,187	340,858	1,438,045

FOR THE PERIOD ENDED 30 SEPTEMBER 2021

		Stated capital	Share based payment reserve	Hedging reserve	Financial assets at FVOCI reserve	Retained earnings/ (deficit)	Currency translation reserve	Equity attributable to the owners of the Company	Hybrid Reserve	Total Shareholders Equity
(Unaudited)	Note	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	
Balance as at 1 January 2021		1,944,947	1,564	(19,721)	(13,421)	(294,364)	(73,105)	1,545,900	-	1,545,900
Profit for the period		-	-	-	-	31,039	-	31,039	-	31,039
Other comprehensive income (expense)		-	-	6,084	1,467	-	-	7,551	-	7,551
Total comprehensive income (expense)		-	-	6,084	1,467	31,039	-	38,590	-	38,590
Transaction with owners of the Company										
Share based payment		-	1,355	-	-	-	-	1,355	-	1,355
Issue of no par value shares		1,123	(722)	-	-	-	-	401	-	401
Net proceeds from issuance of Hybrid instrument		-	-	-	-	-	-	-	340,858	340,858
Dividends	9	(80,132)	-	-	-	-	-	(80,132)	-	(80,132)
Scrip dividend	9	26,134	-	-	-	-	-	26,134	-	26,134
Balance as at 30 September 2021		1,892,072	2,197	(13,637)	(11,954)	(263,325)	(73,105)	1,532,248	340,858	1,873,106

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, and whose shares were publicly traded until 18 February 2022 on both the Vienna Stock Exchange and the Euronext Amsterdam Stock Exchange under the ticker ATRS. On 18 February 2022 the shares of the Company were de-listed, see Note 4 of the consolidated annual financial statements of the Group as at and for the year ended 31 December 2021. G City Europe Limited registered office is 11-15 Seaton Place, St. Helier, Jersey, Channel Islands and its business address is 79 Spyrou Kyprianou, MGO Protopapas, 3076 Limassol, Cyprus.

The condensed consolidated interim financial statements of G City Europe Limited for the period ended 30 September 2022 comprise the Company and its subsidiaries, collectively the "Group".

G City Europe Limited 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 have been prepared in accordance with IAS 34, *Interim Financial Reporting* as endorsed by the EU.

The unaudited condensed consolidated interim financial statements do not include all of the information required for full set of 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 2021.

The annual consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU.

The Merger with Gazit Hercules 2020 Limited ("Newco") did not meet the definition of IFRS 3 and was accounted for as a capital reorganisation and not a business combination, see note 9 and 10.

Except for share and per share amounts, the financial statements are presented in thousands of Euros ("€'000"), rounded off to the nearest thousand, unless stated otherwise.

The preparation of 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 2022

Amendments to IFRS Standards

New standards, interpretations and amendments effective, and endorsed by the EU, as of 1 January 2022, did not have a material impact on the Group's condensed consolidated interim 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 2021 Annual report.

4 STANDING INVESTMENTS

The current portfolio of standing investments of the Group consists of 23 retail properties and 1 residential building (31 December 2021: 25 retail properties and nil residential building) including 5 retail assets held for sale (31 December 2021: nil).

Revaluation of standing investments includes a gain from properties located in Russia revalued externally as of 30 June 2022 in total amount of €21.1 million offset by a fair value adjustment of €15.9 million on non-core assets held for sale in Poland and Czech Republic based on pricing indicators from potential buyers under letters of intent (see Note 8).

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

Standing investments	30 September 2022	31 December 2021
	€'000	€'000
Balance as at 1 January	2,340,068	2,270,685
Additions - technical improvements, extensions	11,336	13,109
Movement in leases	1,787	1,388
Transfers to/from redevelopments and land	13,309	9,746
Transfers to assets held for sale	(288,139)	-
Disposals	(129,447)	-
Revaluation of standing investments	5,219	45,140
Balance at the end of the period	1,954,133	2,340,068

Transfers from redevelopments and land include the residential property in Krakow.

In June 2022, the Group completed the sale of Optima shopping centre in Kosice, Slovakia for €118.0 million at book value.

In July 2022, the Group completed the sale of Plock shopping centre in Poland for €11.5 million at book value.

5 REDEVELOPMENTS AND LAND

The current portfolio of redevelopments and land of the Group comprises €138.5 million (31 December 2021: €93.9 million) redevelopments and €149.5 million land (31 December 2021: €150.5 million).

For interim reporting purposes, no valuations of redevelopments and land performed in line with the Group's accounting policies. The last valuation date was 30 June 2022, where land located in Essentuki, Russia was revalued externally.

Redevelopments and land	30 September 2022	31 December 2021
	€'000	€'000
Balance as at 1 January	244,383	248,252
Additions - retail	27,020	17,000
Additions - residential	33,100	-
Movements - financial leases	624	-
Transfer from/to standing investments	(13,309)	(9,746)
Disposals	-	(13,856)
Revaluation of redevelopments and land	(898)	2,733
Transfers to assets held for sale	(24,511)	-
Balance at the end of the period	266,409	244,383

In August 2022, the Group completed an acquisition of two residential buildings located in Warsaw and Wroclaw for €19.8 million. The properties are subject of transfer to standing investments upon completion of fit out works.

6 OTHER NON-CURRENT ASSETS

Other non-current assets	30 September 2022	31 December 2021
	€'000	€'000
Financial assets at amortised cost	24,600	19,760
Long term advances	17,857	17,857
Straight line of lease incentives to tenants	9,342	17,413
Intangible assets	5,816	7,135
Deferred tax assets	-	1,482
Other	1,830	2,098
Balance at the end of the period	59,445	65,745

Financial assets at amortised cost as at 30 September 2022 pertain to a vendor loan amount of €24.6 million. The maturity of the loan is within 5 years and the principal bears interest at 5.0% per annum.

The loan is measured at amortised cost which is not significantly different from its fair value.

7 OTHER CURRENT ASSETS

Other current assets	30 September 2022	31 December 2021
	€'000	€'000
Financial assets at amortised cost	29,901	-
Receivables from tenants ¹	12,382	19,472
Prepayments	8,550	12,494
VAT receivables	11,739	4,596
Income tax receivable	952	302
Other receivables	4,983	3,487
Balance at the end of the period	68,507	40,351

¹ Includes Straight-line asset of lease incentives €6.7 million (31 December 2021: €10.7 million)

The increase in financial assets at amortised cost pertains to a transfer from other non-current assets of a secured vendor loan

amount of €19.5 million granted to the purchaser of the portfolio of 5 assets in Poland following its maturity in July 2023.

Financial assets at amortised cost include a vendor loan amount of €7.5 million granted to the purchaser of retail property in Plock, Poland. The maturity of the loan is in July 2023. The loan principal bears interest at 4.8% per annum.

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

8 ASSETS AND LIABILITIES HELD FOR SALE

	30 September 2022	31 December 2021
	€'000	€'000
Non-current assets		
Standing investments	288,139	-
Redevelopments and land	24,511	-
Other non-current assets	1,422	-
Current assets		
Receivables from tenants	2,381	-
Other current assets	3,312	-
Assets held for sale	319,766	-
Non-current liabilities		
Deferred tax liabilities	9,201	-
Lease liabilities	3,852	-
Other non-current liabilities	2,357	-
Current liabilities		
Accrued expenditures	2,988	-
Other current liabilities	4,142	-
Liabilities held for sale	22,540	-
Net assets directly associated with disposal groups	297,226	-

As of 30 September 2022, the assets and liabilities held for sale included Atrium Copernicus, Atrium Mosty, Atrium Molo and Atrium Agromex Development located in Poland and Atrium Palac Pardubice located in Czech Republic. The sale of properties is in different stages and the Company believes that the sale will be completed in the following 12 months.

9 EQUITY

As of 30 September 2022, the total number of shares issued was 299,743,870 (31 December 2021: 400,528,650 shares).

MERGER WITH GAZIT HERCULES 2020 LIMITED (NEWCO)

On 1 February 2022, the Company held an extraordinary general meeting (the "Reduction of Capital EGM") and approved certain ancillary resolutions in connection with the Merger, including the proposed reduction of the issued share capital of the Company for the ordinary shares of no par value by €305,377,886.

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

On 8 February 2022 a Q4 AFFO dividend of €0.036 per share which amounted to €14.4 million was paid and on 23 February 2022 a Pro Rata AFFO Dividend of €0.019 per share which amounted to €1.9 million was paid.

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

10 BORROWINGS

Borrowings	30 September 2022		31 December 2021	
	Net book value	Fair value	Net book value	Fair value
	€'000	€'000	€'000	€'000
Bonds	785,882	648,090	937,929	966,510
Bank loans	291,811	292,968	294,460	295,139
Utilized revolving credit facility	205,000	205,000	-	-
Related party credit facility	45,378	45,378	-	-
Total	1,328,070	1,191,436	1,232,389	1,261,649
Of which:				
Long term borrowings	1,119,412		1,073,897	
Utilised revolving credit facility and current maturities of bank loans and bonds	208,658		158,492	
Total	1,328,070		1,232,389	

The borrowings are repayable as follows:

Borrowings total	30 September 2022	31 December 2021
	Net book value	Net book value
	€'000	€'000
Due within one year	208,658	158,492
Due in second year	3,664	3,663
Due within third to fifth year inclusive	1,002,200	661,014
Due after five years	113,548	409,220
Total	1,328,070	1,232,389

BONDS

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

In July 2022 the Group early repaid its 2022 Notes due in October 2022 for €154.7 million.

RELATED PARTY CREDIT FACILITY

On 18 February 2022 the completion and the effectiveness of the Merger and reduction of capital was registered. Following the Merger with Newco, the Borrowings of the Group increased by €305.4 million due to a related party credit facility of Newco from G-City Limited (G-City), former Gazit-Globe Limited.

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 2022, the utilised amount of the related party credit facility is €45.4 million. As of 30 September 2022, the Company has an available financing in total amount of €304.6 million unutilised related party credit facility. The related party credit facility is subordinated to the Group's senior debt.

BORROWINGS FAIR VALUE

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

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

- Quoted EUR yield curve;
- Volatility of EUR swap rates; 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.

REVOLVING CREDIT FACILITY

The total amount of the revolving credit facilities is €300 million with an expiry date in May 2023. As at 30 September 2022, €205.0 million of the revolving credit facility was utilised (31 December 2021: €nil million utilised).

11 DERIVATIVES

The Group entered into two interest rate swap contracts ("IRSs") in connection with secured bank loans (see note 10). These swaps replaced floating interest rates with fixed interest rates. The floating rate on the IRSs is the three month Euribor and the fixed rate is 0.826% on the loan obtained in November 2017 and 0.701% on the loan obtained in November 2018. The swaps have similar critical 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 offsets 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	31 December
	2022	2021
	€'000	€'000
Carrying amount (liability)	-	11,847
Carrying amount (asset)	26,211	-
Notional amount	292,740	295,545
Gain (loss) in fair value of outstanding hedging instruments since 1 January	38,058	(10,875)

The fair value gain during the period is mainly due to an increase in spot and forward interest rates of the Euribor.

12 OTHER NON-CURRENT LIABILITIES

	30 September	31 December
	2022	2021
	€'000	€'000
Deferred tax liabilities	73,184	90,334
Long term lease liabilities	39,584	41,820
Other long term liabilities	8,650	13,339
Total	121,418	145,493

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

13 OTHER CURRENT LIABILITIES

	30 September	31 December
	2022	2021
	€'000	€'000
Trade and other payables	16,683	20,989
Accrued expenditure	33,744	39,837
Short term lease liabilities	3,189	3,765
VAT payables	1,477	3,993
Income tax payable	-	1,486
Share based payments	-	6,835
Total	55,093	76,905

Accrued expenditure includes interest of €1.8 million (31 December 2021: €8.3 million).

The share base payments were settled following the completion of the Merger in Q1 2022.

14 TAXATION CHARGE FOR THE PERIOD

Taxation charge for the period	Nine months ended 30 September	
	2022 €'000	2021 €'000
Current period corporate income tax expense	(968)	(3,489)
Deferred tax charge	(5,944)	(6,812)
Total	(6,912)	(10,301)

15 SEGMENT REPORTING

Reportable segments For the period ended 30 September 2022	Standing investment segment €'000	Redevelopments and land segment €'000	Reconciling item €'000	Total €'000
Gross rental income	109,184	-	(7,137)	102,047
Service charge income	44,935	-	(2,068)	42,867
Net property expenses	(53,093)	-	2,792	(50,301)
Net rental income	101,026	-	(6,413)	94,613
Net result on disposals	(1,408)	-	-	(1,408)
Costs connected with developments	-	(562)	-	(562)
Revaluation of investment properties	5,219	(898)	-	4,321
Depreciation, amortisation and impairments	(1,343)	-	(828)	(2,171)
Administrative expenses	(7,702)	(220)	(12,933)	(20,855)
Share of profit of equity-accounted investment in joint ventures	-	-	6,171	6,171
Net operating (loss)/profit	95,792	(1,680)	(14,003)	80,109
Interest expense, net	-	-	-	(29,327)
Foreign currency differences	-	-	-	(297)
Other financial expenses	-	-	-	(4,770)
Profit before taxation for the period	-	-	-	45,715
Taxation charge for the period	-	-	-	(6,912)
Profit after taxation for the period	-	-	-	38,803
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

Reportable segments For the period ended 30 September 2021	Standing investment segment €'000	Redevelopments and land segment €'000	Reconciling item €'000	Total €'000
Gross rental income	107,546	-	(6,732)	100,814
Service charge income	36,067	-	(1,427)	34,640
Net property expenses	(44,112)	-	2,045	(42,067)
Net rental income	99,501	-	(6,114)	93,387
Net result on disposals	-	(338)	-	(338)
Costs connected with developments	-	(524)	-	(524)
Revaluation of investment properties	-	(1,477)	-	(1,477)
Depreciation, amortisation and impairments	(2,469)	-	(6)	(2,475)
Administrative expenses	(9,595)	(79)	(7,316)	(16,990)
Share of profit of equity-accounted investment in joint ventures	-	-	6,009	6,009
Net operating profit/(loss)	87,437	(2,418)	(7,427)	77,592
Interest expense, net	-	-	-	(29,044)
Foreign currency differences	-	-	-	(178)
Other financial expenses	-	-	-	(7,030)
Profit/(loss) before taxation for the period	-	-	-	41,340
Taxation credit/(charge) for the period	-	-	-	(10,301)
Profit/(loss) after taxation for the period	-	-	-	31,039
Investment properties	2,459,742	254,408	(180,162)¹	2,533,988
Additions to investment properties	7,960	11,311	(186)	19,085

¹ Our 75% share of investment property held in a joint venture

16 TRANSACTIONS WITH RELATED PARTIES

MERGER WITH GAZIT HERCULES 2020 LIMITED (NEWCO)

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

As of 30 September 2022, the Group repaid €260.0 million and €45.4 million of the related party credit facility is utilised.

THE BOARD OF DIRECTORS AND THE GROUP EXECUTIVE TEAM

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

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

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

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

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

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

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

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

OTHER RELATED PARTY TRANSACTIONS

During and after the reporting period, G-City bought back in the open market the Group's 2025, 2027 and Hybrid Notes in the nominal amounts of €91.1 million, €0.5 million and €8.2 million, respectively.

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.

The current conflict between Russia and Ukraine impacts the Group's business as approximately 22% of the Group's 2021 NRI derives from Russia. Further sanctions and deterioration of the Russian economy could directly impact the performance of the Group's centres in Russia, the ability of tenants to remain open and pay rent, inability to trade or utilise cash, potential devaluation of the portfolio and seizing of assets.

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

The Hybrid Note has an off-balance sheet accrued interest of €11.5 million as of 30 September 2022 (31 December 2021: €2.0 million).

18 EVENTS DURING AND AFTER THE PERIOD

RUSSIA AND UKRAINE CONFLICT

In January 2022, Russia's GDP was forecasted to grow at 2.9%, while the latest GDP projections point to a steep decline close to 10.0%. At the same time, inflation is expected to surpass 12.9% in 2022, a sharp increase from the 3.4% posted in 2021. During nine months ended 30 September 2022, our operations in Russia were marginally impacted by departure of some foreign tenants that ceased operations in the country. Russia's occupancy as of 30 September 2022 was 91.8% (31 December 2021: 94.4%) and the collections for nine months ended 30 September 2022 are at 95%.

The Group has performed a full external valuation of its income producing assets in Russia on 31 March 2022 and 30 June 2022, which resulted in a net revaluation of €21.1 million.

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

OTHER

In July 2022 the Company transferred its tax residency from Jersey to Cyprus.

On 8 August 2022 the Jersey Financial Services Commission Registry recorded the change of the Company's name from Atrium European Real Estate Limited to G City Europe Limited.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the Shareholders and Board of Directors of G City Europe Limited (formerly: "Atrium European Real Estate Ltd")

INTRODUCTION

We have reviewed the accompanying condensed consolidated statement of financial position of G City Europe Limited and its subsidiaries (collectively the 'Group') as at 30 September 2022 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the nine-month period then ended, and the related explanatory Notes (hereinafter the 'condensed consolidated interim financial statements'). Management is responsible for the preparation and presentation of this condensed consolidated interim financial statements in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as adopted by the European Union. Our responsibility is to express a conclusion on this condensed consolidated interim financial statements 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 condensed consolidated interim financial statements 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 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as adopted by the European Union.

Emphasis of Matter - significant estimation uncertainty in relation to the valuation of standing investments located in Russia

We draw your attention to Note 18 to the condensed consolidated interim financial statements which explains that there is significant estimation uncertainty in relation to the valuation of Russian standing investments of €282 million included in the condensed consolidated statement of financial position as at 30 September 2022, resulting from the Russian military invasion of Ukraine and subsequent impact of sanctions on the Russian economy. Less certainty, and consequently a higher degree of caution, should be attached to the valuation of Russian properties. Our conclusion is not modified in respect of this matter.

PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt Sp.k.
Warsaw, Poland
11 November 2022

DIRECTORS, PROFESSIONAL ADVISORS AND PRINCIPAL LOCATIONS

DIRECTORS

Chaim Katzman

Ryan Lee

Adi Armoni

Zvi Gordon

Zvi Heifetz

Marios Demetriades

ADMINISTRATOR AND REGISTRAR

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

INDEPENDENT AUDITORS

PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt Sp.k.
Polna 11 Str.
00-633 Warszawa
Poland

REGISTERED OFFICE

11-15 Seaton Place
St Helier
Jersey
JE4 0QH

BUSINESS ADDRESS

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

PRINCIPAL LOCATIONS

Poland

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

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

Warsaw

Czech Republic

Atrium Czech Real Estate Management s.r.o.

Vinohradská 2828/151, 130 00

Praha 3- Žižkov

Prague

Russia

OOO Manhattan Real Estate Management

JAVAD Business Centre, The Triumph Palace

Chapaevskiy pereulok, Building 3, RU-125057

Moscow