

AFI Europe N.V.

Consolidated Financial Statements

As at December 31, 2024

Annual report for the year ended December 31, 2024

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AUDITORS' REPORT

To the Shareholders of

AFI Europe N.V

We have audited the accompanying consolidated statements of financial position of AFI Europe N.V. ("the Company") as of December 31, 2024 and 2023, and the related consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2024. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Israel, including standards prescribed by the Auditor's Regulations (Auditor's Mode of Performance), 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the board of directors and management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations, changes in equity and their cash flows for each of the three years in the period ended December 31, 2024, in conformity with IFRS Accounting Standards.

Key audit matters

The key Audit Matters described below are those matters that were communicated, or should have been communicated, to the Company's board of directors and that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters include, among others, any matter: (1) which relates, or may relate, to significant accounts or disclosures in the financial statements and (2) that involved our professional judgment that was challenging, subjective or especially complex. The Key Audit Matter described below was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon. The communication of this matter below does not change our opinion on the consolidated financial statements as a whole nor do we provide through such communication a separate opinion on this matter or on the accounts or disclosures to which they relate.

Fair value measurement of investment property and investment property under development

As described in Notes 3(G), 5 and 6 in the consolidated financial statements, the Company measures the investment properties initially at cost and in subsequent periods the investment properties are measured at fair value. Investment properties under development are also measured at fair value starting from the date when their fair value can be reliably measured. Changes in fair value are recorded in profit and loss. The balance of investment property and investment property under development as of December 31, 2024, is Euro 3,343 million, which represents 87% of the total assets.

The fair value of investment property and investment property under development is determined based on valuations performed by independent external appraisers with professional qualifications suitable for the location and type of investment property being evaluated.

The fair value of the investment property is based on recent transactions in the market for similar properties and in a similar location as the properties owned by the Company, if such transactions exist, and also based on discounted cash flow projections expected to be generated by the properties.

In performing the valuation, the Company uses key assumptions, which include estimated rental income, and discount rates which are appropriate for the nature of the property and market conditions.

The fair value of the investment property under development is determined mainly according to the residual value method, and in some cases the comparison method.

The following, among others, are taken into consideration in determining the fair value: the duration of the construction of the project, the estimate of the property's rights, the rental income it will generate, the additional development costs required until the property becomes operational, the interest rate, the project's risk premium, and the capitalization rate. A change in any or all of these components could have an adverse effect on the fair value of the property as measured by the Company's management.

The valuation of investment property and investment property under development ("investment property") involves the judgment of those charged with governance and of management in making estimates and assumptions.

We identified the estimates and assumptions used in measuring the fair value of investment property as a key audit matter.

An appropriate audit of the fair value measurement of investment property requires subjective judgment by the auditor and requires knowledge and experience to assess the reasonableness of the assumptions used by management in determining the fair value of the investment properties.


How our audit addressed the key audit matter

In response to the uncertainties involved in determining the fair value of investment property, we performed mainly the following procedures:

- Obtaining an understanding of the internal control environment regarding the determination of the fair value of investment property and auditing the effectiveness of the internal control relevant to the determination of the fair value.
- Evaluation of key assumptions and considerations that include a wide range of perspectives and understanding the approaches used by the appraisers in determining fair value.
- Review of the methodology chosen for determining fair value and examination of its appropriateness with the characteristics of the asset.
- Assessment of the reasonableness of the underlying assumptions applied in the valuations, based on a sample of assumptions that were selected, using quantitative and qualitative considerations. Those assumptions include, among others, market rental value per square meter, capitalization rates, etc.
- Testing the completeness and accuracy of the information and data and the proper application of the assumptions used in the model to determine the fair value.
- Assessing the reasonableness of the estimates used in comparison with practice and market data while considering recent transactions in the market.
- Review of valuations, on a sample basis, by our internal valuation specialists.
- Maintaining direct communication with the management and the Company's appraisers as needed.

In addition, we evaluated the appropriateness of the disclosures related to the valuation methodology and assumptions used by the appraisers.

Tel-Aviv, Israel
March 3, 2025


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

Consolidated statement of financial position as at December 31,*In thousands of Euros*

	Note	2024	2023
Assets			
Investment in (and loans to) companies accounted for at equity	4	142,185	122,779
Investment property	5	3,014,224	2,635,837
Investment property under development	6	328,649	292,097
Inventory	7	113,522	113,341
Property, plant and equipment		12,183	8,038
Deferred tax assets	20	2,517	6,500
Trade and other receivables	9B	45,514	119,156
Total non-current assets		3,658,794	3,297,748
Inventory	7	23,997	20,575
Short term investments	8	19,950	17,184
Trade and other receivables	9A	57,277	92,391
Cash and cash equivalents	10	104,068	82,818
Total current assets		205,292	212,968
Total assets		3,864,086	3,510,716
Equity			
	11		
Issued capital		930	930
Share premium		411,797	411,797
Translation reserve		21,955	17,881
Hedging reserve, net		2,223	13,941
Retained earnings		620,551	513,943
Equity attributable to owners of the Company		1,057,456	958,492
Non-controlling interest		7,788	6,133
Total equity		1,065,244	964,625
Liabilities			
Loans and borrowings	12	1,003,846	1,167,125
Loans and borrowings from related parties	12,23	1,157,503	949,181
Deferred tax liabilities	20	186,198	168,895
Other non-current liabilities	13	26,037	28,891
Total non-current liabilities		2,373,584	2,314,092
Loans and borrowings	12	313,640	80,303
Loans and borrowings from related parties	12,23	5,230	5,230
Trade and other payables	14	103,299	142,577
Tax payables	20B(2)	3,089	3,889
Total current liabilities		425,258	231,999
Total liabilities		2,798,842	2,546,091
Total equity and liabilities		3,864,086	3,510,716

The accompanying notes are an integral part of these consolidated financial statements.

Amsterdam, March 3, 2025

Place and date of approval of the
financial statements

A. Barzilay
Director

A. Dafna
Director

Consolidated income statement for the year ended December 31,*In thousands of Euros*

	<u>Note</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Gross rental income	15	200,552	170,142	143,554
Service charge income		69,273	58,950	65,002
Service charge expenses	16	<u>(74,601)</u>	<u>(63,410)</u>	<u>(70,891)</u>
Net rental and related income		<u>195,224</u>	<u>165,682</u>	<u>137,665</u>
Proceeds from sale of trading property		8,115	11,901	20,308
Carrying value of trading properties sold	7	(5,338)	(8,338)	(16,998)
Write-down of inventory to net realizable value	7	-	(6,912)	(9,017)
Profit (loss) from disposal of trading property		<u>2,777</u>	<u>(3,349)</u>	<u>(5,707)</u>
Gross profit		<u>198,001</u>	<u>162,333</u>	<u>131,958</u>
Change in fair value of investment property	5	56,182	(25,539)	24,343
Change in fair value of investment property under development	6	6,246	6,297	6,678
Administrative expenses	17	(24,553)	(18,108)	(23,102)
Selling and marketing expenses		(4,485)	(4,979)	(3,503)
Other income	18	5,390	2,924	3,609
Other expenses	18	(2,569)	(2,821)	(4,222)
Share of earnings (losses) of companies accounted for at equity, net		<u>23,938</u>	<u>(20)</u>	<u>(1,200)</u>
Operating profit		<u>258,150</u>	<u>120,087</u>	<u>134,561</u>
Financial income		2,462	8,086	12,611
Financial expenses		<u>(117,845)</u>	<u>(104,752)</u>	<u>(44,487)</u>
Net financing costs	19	<u>(115,383)</u>	<u>(96,666)</u>	<u>(31,876)</u>
Profit before tax		142,767	23,421	102,685
Taxes on income	20	<u>(34,513)</u>	<u>(11,586)</u>	<u>(24,665)</u>
Profit for the year		<u>108,254</u>	<u>11,835</u>	<u>78,020</u>
Attributable to:				
Equity holders of the parent		106,608	11,362	77,398
Non-controlling interest		<u>1,646</u>	<u>473</u>	<u>622</u>
Profit for the year		<u>108,254</u>	<u>11,835</u>	<u>78,020</u>

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of other comprehensive income for the year ended December 31,*In thousands of Euros*

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Profit for the year	108,254	11,835	78,020
Other comprehensive income items that after initial recognition in comprehensive income were or will be transferred to profit or loss			
Foreign exchange translation differences from foreign operations	4,074	20,894	151
Net realization of translation reserves transferred to profit or loss	-	-	744
Reserves from hedge accounting, net	(11,709)	(15,515)	28,804
Other comprehensive income for the year, net of tax	<u>(7,635)</u>	<u>5,379</u>	<u>29,699</u>
Total comprehensive income for the year	<u>100,619</u>	<u>17,214</u>	<u>107,719</u>
Attributed to:			
Equity holders of the parent	98,964	16,806	107,097
Non-controlling interest	1,655	408	622
Total comprehensive income for the year	<u>100,619</u>	<u>17,214</u>	<u>107,719</u>

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity for the year ended December 31,*In thousands of Euros*

	Issued capital	Share premium	Translation reserve	Hedging reserve	Capital reserve from transactions with non-controlling interest	Retained earnings	Equity attributable to owners of the Company	Non-controlling interest	Total equity
Balance at January 1, 2022	930	411,797	(3,908)	587	(6,696)	427,874	830,584	5,285	835,869
Profit for the year	-	-	-	-	-	77,398	77,398	622	78,020
Share based payments	-	-	-	-	-	4,005	4,005	-	4,005
Realization of translation reserve from liquidation of subsidiary	-	-	744	-	-	-	744	-	744
Adjustments for translation	-	-	151	-	-	-	151	-	151
Reserve from hedge accounting	-	-	-	28,804	-	-	28,804	-	28,804
Dividend to non-controlling interests	-	-	-	-	-	-	-	(182)	(182)
Balance at December 31, 2022	930	411,797	(3,013)	29,391	(6,696)	509,277	941,686	5,725	947,411
Balance at January 1, 2023	930	411,797	(3,013)	29,391	(6,696)	509,277	941,686	5,725	947,411
Profit for the year	-	-	-	-	-	11,362	11,362	473	11,835
Adjustments for translation	-	-	20,894	-	-	-	20,894	-	20,894
Reserve from hedge accounting	-	-	-	(15,450)	-	-	(15,450)	(65)	(15,515)
Balance at December 31, 2023	930	411,797	17,881	13,941	(6,696)	520,639	958,492	6,133	964,625
Balance at January 1, 2024	930	411,797	17,881	13,941	(6,696)	520,639	958,492	6,133	964,625
Profit for the year	-	-	-	-	-	106,608	106,608	1,646	108,254
Adjustments for translation	-	-	4,074	-	-	-	4,074	-	4,074
Reserve from hedge accounting	-	-	-	(11,718)	-	-	(11,718)	9	(11,709)
Balance at December 31, 2024	930	411,797	21,955	2,223	(6,696)	627,247	1,057,456	7,788	1,065,244

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of cash flows for the year ended December 31,*In thousands of Euros*

	2024	2023	2022
Cash flows from operating activities			
Profit for the year	108,254	11,835	78,020
<u>Adjustment for:</u>			
Depreciation	1,213	840	803
Gain from disposal of subsidiary, net	-	-	(299)
Share of losses (earnings) of companies accounted for at equity, net	(23,938)	20	1,200
Change in fair value of investment property under development	(6,246)	(6,297)	(6,678)
Change in fair value of investment property	(56,182)	25,539	(24,343)
Write-down of inventory to net realizable value	-	6,912	9,017
Share-based payment transactions	-	-	4,005
Net finance costs	115,383	96,666	31,876
Taxes on income	34,513	11,586	24,665
	<u>172,997</u>	<u>147,101</u>	<u>118,266</u>
Change in inventories	(3,574)	(7,286)	(15,831)
Change in trade and other receivables	11,534	(13,323)	120
Change in trade and other payables	2,067	4,779	24,643
	<u>183,024</u>	<u>131,271</u>	<u>127,198</u>
Income taxes paid	(12,623)	(10,935)	(9,608)
Cash flows from operating activities	<u>170,401</u>	<u>120,336</u>	<u>117,590</u>
Cash flows from investing activities			
Investment in and grant of loan to companies accounted for at equity, net	(41,992)	(3,407)	(1,968)
Acquisition of subsidiaries, net of cash acquired (B)	-	-	(57,180)
Proceeds from sale of Subsidiaries, including advances	-	-	1,902
Investments in short term investments, net	(2,029)	(7,681)	(13,412)
Acquisition of property, plant and equipment	(5,339)	(2,120)	(886)
Investment in investment property	(47,579)	(46,292)	(46,737)
Investment in investment property under development (**)	(205,265)	(196,788)	(184,920)
Cash flows used in investing activities	<u>(302,204)</u>	<u>(256,288)</u>	<u>(303,201)</u>
Cash flows from financing activities			
Repayment of non-current loans and borrowings (*)	(157,222)	(233,995)	(521,239)
Proceeds from non-current loans and borrowings (*)	373,924	382,192	769,319
Change in current loans and borrowings, net	(2,970)	8,064	(3,707)
Payment of finance lease liabilities	(1,775)	(1,808)	(1,363)
Interest paid	(59,003)	(41,989)	(31,466)
Cash flows from financing activities	<u>152,954</u>	<u>112,464</u>	<u>211,544</u>

(*) including loans from related parties

(**) including advances for investment properties under development

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of cash flows for the year ended December 31,*In thousands of Euros*

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Change in cash and cash equivalents	21,151	(23,488)	25,933
Cash and cash equivalents at the beginning of the year	82,818	106,003	82,286
Effect of exchange rate fluctuations on cash held	99	303	(2,216)
Cash and cash equivalents at the end of the year	<u>104,068</u>	<u>82,818</u>	<u>106,003</u>
(A) Significant non-cash transactions:			
Current liability for acquisition of subsidiary	-	-	(53,852)
(B) Acquisition of subsidiaries:			
Assets and liabilities at date of acquisition:			
Working capital (excluding cash and cash equivalents)	-	-	6
Deposit for short term	-	-	-
Investment in associate	-	-	106,049
Loan to associate company	-	-	4,977
Investment property	-	-	-
Income tax receivables	-	-	-
Loans and borrowings	-	-	-
Non-current liabilities	-	-	-
Current liability for acquisition of subsidiary	-	-	(53,852)
	<u>-</u>	<u>-</u>	<u>57,180</u>

The accompanying notes are an integral part of these consolidated financial statements.

Notes to consolidated financial statements

Note 1 - General

AFI Europe N.V. (the "**Company**") was incorporated in the Netherlands in 2006 and is domiciled in Amsterdam.

Through its subsidiaries, the Company is an owner, manager and developer of landmark real estate assets in Central and Eastern Europe (CEE), with properties and projects in Czech Republic, Poland, Romania, Serbia, Bulgaria and Latvia, including business parks and office complexes, shopping malls and retail properties, as well as residential and mixed-use developments. In addition, the Company owns an inventory of land for future development.

The consolidated financial statements of the Company as at and for the year ended December 31, 2024 comprise the Company, its subsidiaries (together the "**Group**"), and the Group's interest in associates and jointly controlled entities.

Since its incorporation in 2006, the Company was a wholly-owned subsidiary of AFI Properties Holdings Ltd., an Israeli company wholly owned by AFI Properties Ltd. ("**AFI Properties**"), an Israeli company listed on the Tel Aviv Stock Exchange, which is approximately 89% owned by Big Shopping Centers Ltd..

AFI Properties has provided to the Company and its subsidiaries intercompany loans, the aggregate outstanding balance of which, effective as at December 31, 2024, is approx. EUR 1,162.7 million (December 31, 2023: EUR 954.4 million).

As of December 31, 2024, the Group carrying negative working capital of approx. EUR 220 million, primarily due to several bank loans related to investment properties in Romania (EUR 213,072 thousand), Poland (EUR 55,075 thousand), and Serbia (EUR 12,884 thousand), all classified as current liabilities due to their maturity of less than 12 months. The Group is actively pursuing refinancing options to secure new loans with extended maturity dates, and management expects to finalize these agreements before the current loans mature.

Note 2 - Basis of Preparation**A. Statement of compliance**

The consolidated financial statements have been prepared for the purpose of inclusion in the consolidated financial statements of AFI Properties, in accordance with IFRS Accounting Standards ("**IFRS**").

The consolidated financial statements were authorized for issue by the company's Board of Directors on March 3, 2025.

These IFRS consolidated financial statements are not the statutory financials of the Company. The Company has to file financial statements under Dutch Law for the fiscal year ended December 31, 2024 with the Chamber of Commerce of Amsterdam.

B. Functional and presentation currency

The consolidated financial statements are presented in Euros, which is the Company's functional currency, and have been rounded to the nearest thousands, except when otherwise indicated. The Euro is the currency that represents the principal economic environment in which the Company operates. Each entity of the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Note 2 - Basis of Preparation (cont'd)**C. Basis of measurement**

The consolidated financial statements have been prepared on a cost basis except for:

- Investment property and investment property under development measured at fair value;
- Deferred tax assets and liabilities;
- Financial instruments and derivatives measured at fair value through profit or loss;
- Investments in associates and joint ventures; and
- Non-current assets.

The Company has elected to present the profit or loss items using the function of expense method.

For further information regarding the measurement of these assets and liabilities see Note 3 regarding significant accounting policies.

D. Operating cycle

The Group has two operating cycles. With regards for the entrepreneurial residential sector, the operating cycle of the Group is longer than one year and lasts up to three years. With regards for the Group's other operations, the operating cycle is one year. As a result, current assets and current liabilities relating to the entrepreneurial residential sector, include also items the realization of which is intended and anticipated to take place within the operating cycle of up to three years.

E. Use of significant estimates and judgments*Use of estimates*

The preparation of the financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of accounting estimates used in the preparation of the Group's financial statements requires management of the Company to make assumptions regarding circumstances and events that involve considerable uncertainty. Management of the Company prepares the estimates on the basis of past experience, various facts, external circumstances, and reasonable assumptions according to the pertinent circumstances of each estimate.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about assumptions made by the Group with respect to the future and other reasons for uncertainty with respect to estimates that have a significant risk of resulting in a material adjustment to carrying amounts of assets and liabilities in the next financial year are included in the following notes:

Notes to consolidated financial statements

Note 2 - Basis of Preparation (cont'd)

Estimate	Principal assumptions	Possible effects	Reference
Recognition of deferred tax asset in respect of tax losses	The probability that in the future there will be taxable profits against which carried forward losses can be utilized	Recognition or reversal of deferred tax asset in profit or loss	For information on losses for which a deferred tax asset was recognized, see Note 20 regarding taxes on income.
Assessment of probability of contingent liabilities	Whether it is more likely than not that an outflow of economic resources will be required in respect of legal claims pending against the Company and its investees	Reversal or creation of a provision for a claim	For information on the Company's exposure to claims see Note 22 regarding contingent liabilities
Fair value measurement of investment property and investment property under development	The expected yield on the investment property and investment property under development asset	Profit or loss from a change in the fair value of investment property and investment property under development	For information on the effect of changes in the expected yields on the fair value of investment property see Note 5 and 6 regarding investment property and investment property under development
Fair value measurement of non-trading derivatives	Unobservable inputs used in the valuation model such as discount rates	Profit or loss from a change in the fair value of derivative financial instruments	For information on a sensitivity analysis of level 3 financial instruments carried at fair value see Note 21 regarding financial instruments
Impairment testing of balances of inventory of land and inventory of residential apartments	The estimated net realizable value of balances of non-current inventory of land and inventory of residential apartments. The net realizable value of residential apartments is based on the project's estimated revenues and expected costs. The net realizable value of land is based on a valuation prepared using the comparison technique	Recognition or reversal of an impairment loss.	For information on impairment that was recognized see Note 7 regarding inventory of land and residential apartments.
Uncertain tax positions	The extent of the certainty that the Group's tax positions will be accepted (uncertain tax positions) and the risk of it incurring any additional tax and interest expenses. This is based on an analysis of a number of matters including interpretations of tax laws and the Group's past experience	Recognition of additional income tax expenses	For information on tax assessments that were received see Note 20 regarding taxes on income
Determining how performance obligations are satisfied in residential projects	When determining that control over residential units is transferred to the customer over time and therefore revenue should be recognized over time, the Group relies on legal opinions, provisions of the contract and relevant local laws (the countries examined are Serbia, Romania, Czech Republic, Latvia, Poland and Bulgaria) excluding Bulgaria, indicating that the Group does not have an enforceable right to payment for performance completed to date.	A change in the timing of recognizing revenue.	See Note 15 regarding revenue from contracts with customers.

Note 2 - Basis of Preparation (cont'd)**E. Use of significant estimates and judgments (cont'd)****Determination of fair value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement is based on the assumption that the transaction will take place in the asset's or the liability's principal market, or in the absence of a principal market, in the most advantageous market.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities measured at fair value or for which fair value is disclosed are categorized into levels within the fair value hierarchy based on the lowest level input that is significant to the entire fair value measurement:

When determining the fair value of an asset or liability, the Group uses observable market data as much as possible. There are three levels of fair value measurements in the fair value hierarchy that are based on the data used in the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly
- Level 3: inputs that are not based on observable market data (unobservable inputs).

Further information about the assumptions that were used to determine fair value is included in the following notes:

- Note 5 on investment property;
- Note 6 on investment property under development;
- Note 21 on financial instruments; and
- Note 4 and 7 on non-current assets.

Notes to consolidated financial statements

Note 2 - Basis of Preparation (cont'd)

F. Changes in accounting policies

1. Initial application of amendments to standards

As from January 1, 2024 the Group applies the amendments to the standards described below:

Standard/amendment/ Interpretation	The requirements of the publication	Effective date and transitional provisions	Effects
Amendment to IAS 1, <i>Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current and subsequent amendment: Non- Current Liabilities with Covenants</i>	<p>The Amendment replaces certain requirements for classifying liabilities as current or non-current.</p> <p>According to the Amendment, a liability will be classified as non-current when the entity has the right to defer settlement for at least 12 months after the reporting period, and it "has substance" and is in existence at the end of the reporting period.</p> <p>According to the Amendment, as published in October 2022, covenants with which the entity must comply after the reporting date, do not affect classification of the liability as current or non-current. Additionally, the Amendment adds disclosure requirements for liabilities subject to covenants within 12 months after the reporting date, such as disclosure regarding the nature of the covenants, the date they need to be complied with and facts and circumstances that indicate the entity may have difficulty complying with the covenants.</p> <p>Furthermore, the Amendment clarifies that the conversion option of a liability will affect its classification as current or non-current, other than when the conversion option is recognized as equity.</p>	<p>The Amendment is effective for reporting periods beginning on or after January 1, 2024. The Amendment is applicable retrospectively, including an amendment to comparative data.</p>	<p>Application of the Amendment did not have a material effect on the financial statements.</p>

Note 3 – Significant Accounting Policies

A. Consolidated financial statements

The consolidated financial statements comprise the financial statements of companies that are controlled by the Company (subsidiaries). Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Potential voting rights are considered when assessing whether an entity has control. The consolidation of the financial statements commences on the date on which control is obtained and ends when such control ceases.

The financial statements of the Company and of the subsidiaries are prepared as of the same dates and periods. The consolidated financial statements are prepared using uniform accounting policies by all companies in the Group. Significant intragroup balances and transactions and gains or losses resulting from intragroup transactions are eliminated in full in the consolidated financial statements.

Non-controlling interests in subsidiaries represent the equity in subsidiaries not attributable, directly or indirectly, to a parent. Non-controlling interests are presented in equity separately from the equity attributable to the equity holders of the Company. Profit or loss and components of other comprehensive income are attributed to the Company and to non-controlling interests. Losses are attributed to non-controlling interests even if they result in a negative balance of non-controlling interests in the consolidated statement of financial position.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as a change in equity by adjusting the carrying amount of the non-controlling interests with a corresponding adjustment of the equity attributable to equity holders of the Company less / plus the consideration paid or received.

Upon the disposal of a subsidiary resulting in loss of control, the Company:

- derecognizes the subsidiary's assets (including goodwill) and liabilities.
- derecognizes the carrying amount of non-controlling interests.
- derecognizes the adjustments arising from translating financial statements carried to equity.
- recognizes the fair value of the consideration received.
- recognizes the fair value of any remaining investment.
- reclassifies the components previously recognized in other comprehensive income (loss) on the same basis as would be required if the subsidiary had directly disposed of the related assets or liabilities.
- recognizes any resulting difference (surplus or deficit) as gain or loss.

B. Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. The cost of the acquisition is measured at the fair value of the consideration transferred on the acquisition date with the addition of non-controlling interests in the acquiree. In each business combination, the Company chooses whether to measure the non-controlling interests in the acquiree based on their fair value on the acquisition date or at their proportionate share in the fair value of the acquiree's net identifiable assets.

Direct acquisition costs are carried to the statement of profit or loss as incurred.

In a business combination achieved in stages, equity interests in the acquiree that had been held by the acquirer prior to obtaining control are measured at the acquisition date fair value while recognizing a gain or loss resulting from the revaluation of the prior investment on the date of achieving control.

Note 3 - Significant Accounting Policies (cont'd)**B. Business combinations and goodwill (Cont'd)**

Contingent consideration is recognized at fair value on the acquisition date and classified as a financial asset or liability in accordance with IFRS 9. Subsequent changes in the fair value of the contingent consideration are recognized in profit or loss. If the contingent consideration is classified as an equity instrument, it is measured at fair value on the acquisition date without subsequent remeasurement.

C. Investment in joint arrangements

Joint arrangements are arrangements in which the Company has joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

1. Joint ventures:

In joint ventures the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint venture is accounted for at equity.

2. Joint operations:

In joint operations the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The Company recognizes in relation to its interest its share of the assets, liabilities, revenues and expenses of the joint operation.

The acquisition of interests in a joint operation which represents a business, as defined in IFRS 3, is accounted for using the acquisition method, including the measurement of the identifiable assets and liabilities at fair value, the recognition of deferred taxes arising from this measurement, the accounting treatment of the related transaction costs and the recognition of goodwill or bargain purchase gains. This applies to the acquisition of the initial interest and additional interests in a joint operation that represents a business.

D. Investment in associates

Associates are companies in which the Group has significant influence over the financial and operating policies without having control. The investment in an associate is accounted for using the equity method.

E. Investments accounted for using the equity method

The Group's investments in associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in the associate or in the joint venture is presented at cost with the addition of post-acquisition changes in the Group's share of net assets, including other comprehensive income of the associate or the joint venture. Gains and losses resulting from transactions between the Group and the associate or the joint venture are eliminated to the extent of the interest in the associate or in the joint venture.

Note 3 - Significant Accounting Policies (cont'd)**E. Investments accounted for using the equity method (Cont'd)**

Goodwill relating to the acquisition of an associate or a joint venture is presented as part of the investment in the associate or the joint venture, measured at cost and not systematically amortized. Goodwill is evaluated for impairment as part of the investment in the associate or in the joint venture as a whole.

The financial statements of the Company and of the associate or joint venture are prepared as of the same dates and periods. The accounting policies applied in the financial statements of the associate or the joint venture are uniform and consistent with the policies applied in the financial statements of the Group.

Upon the acquisition of an associate or a joint venture achieved in stages when the former investment in the acquiree was accounted for pursuant to the provisions of IFRS 9, the Group applies the principles of IFRS 3 regarding business combinations achieved in stages. Consequently, equity interests in the acquiree that had been held by the Group prior to achieving significant influence or joint control are measured at fair value on the acquisition date and are included in the acquisition consideration while recognizing a gain or loss resulting from the fair value measurement.

Losses of an associate in amounts which exceed its equity are recognized by the Company to the extent of its investment in the associate plus any losses that the Company may incur as a result of a guarantee or other financial support provided in respect of the associate. For this purpose, the investment includes long-term receivables (such as loans granted) for which settlement is neither planned nor likely to occur in the foreseeable future.

The equity method is applied until the loss of significant influence in the associate or loss of joint control in the joint venture or classification as investment held for sale.

The Company continues to apply the equity method even in cases where the investment in the associate becomes an investment in a joint venture and vice versa. The Company applies the provisions of IFRS 5 to the investment or a portion of the investment in the associate or the joint venture that is classified as held-for-sale. Any retained interest in this investment which is not classified as held-for-sale continues to be accounted for using the equity method.

On the date of loss of significant influence or joint control, the Group measures any remaining investment in the associate or the joint venture at fair value and recognizes in profit or loss the difference between the fair value of any remaining investment plus any proceeds from the sale of the investment in the associate or the joint venture and the carrying amount of the investment on that date.

F. Functional currency, presentation currency and foreign currency

Transactions denominated in foreign currency are recorded upon initial recognition at the exchange rate at the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at each reporting date into the functional currency at the exchange rate at that date. Exchange rate differences, other than those capitalized to qualifying assets or accounted for as hedging transactions in equity, are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currency and measured at cost are translated at the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are translated into the functional currency using the exchange rate prevailing at the date when the fair value was determined.

Note 3 - Significant Accounting Policies (cont'd)**G. Investment property**

An investment property is property (land or a building or both) held by the owner (lessor under an operating lease) or by the lessee under a lease to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services, for administrative purposes or for sale in the ordinary course of business.

Investment property is derecognized on disposal or when the investment property ceases to be used and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of the disposal.

In subsequent periods the investment property is measured at fair value with any changes therein recognized in profit or loss. Investment property under construction is measured at fair value when its value can be reliably determined. Borrowing costs are capitalized to investment property under construction measured at fair value.

Investment property is measured initially at cost, including costs directly attributable to the acquisition. After initial recognition, investment property is measured at fair value which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss when they arise. Investment property is not systematically amortized.

Investment property under construction for future use as investment property is also measured at fair value, as above, if fair value can be reliably measured. If fair value cannot be reliably measured, due to the nature and risks of the project, then it is measured at cost less impairment losses, if any, until the earlier of the date when the fair value can be reliably measured and the date when construction is complete. The cost basis of investment property under construction includes cost of land, costs of borrowings that are used to finance construction, directly attributable incremental planning and development costs and brokerage fees relating to agreements to lease the property.

In determining the fair value of investment property, the Group relies on valuations performed by external valuation specialists who are experts in real estate valuations and who have the necessary knowledge and experience and by the Group management which has extensive professional experience and by internal valuation specialists.

H. Property, plant and equipment

Property, plant and equipment are measured at cost, including directly attributable costs, less accumulated depreciation, accumulated impairment losses and any related investment grants and excluding day-to-day servicing expenses. Cost includes spare parts and auxiliary equipment that are used in connection with plant and equipment.

A part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately using the component method.

The cost of an item of property, plant and equipment comprises the initial estimate of the costs of dismantling and removing the item and restoring the site on which the item is located.

Note 3 - Significant Accounting Policies (cont'd)**H. Property, plant and equipment (Cont'd)**

Depreciation is calculated on a straight-line basis over the useful life of the assets at annual rates as follows:

- Equipment and computers 3-16 years
- Motor vehicles 4-7 years
- Hotel 40 years

Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term (including the extension option held by the Group and intended to be exercised) and the useful life of the improvement.

I. Financial instruments**(1) Non-derivative financial assets**Initial recognition and measurement of financial assets

The Group initially recognizes trade receivables and debt instruments issued on the date that they are created. All other financial assets are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. A financial asset is initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issuance of the financial asset. A trade receivable without a significant financing component is initially measured at the transaction price. Receivables originating from contract assets are initially measured at the carrying amount of the contract assets on the date classification was changed from contract asset to receivables.

Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the Group to the cash flows from the asset expire, or the Group transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. When the Group retains substantially all of the risks and rewards of ownership of the financial asset, it continues to recognize the financial asset.

Classification of financial assets into categories and the accounting treatment of each category

Financial assets are classified at initial recognition to one of the following measurement categories: amortized cost; fair value through other comprehensive income – investments in debt instruments; fair value through other comprehensive income – investments in equity instruments; or fair value through profit or loss.

Financial assets are not reclassified in subsequent periods unless, and only if, the Group changes its business model for the management of financial debt assets, in which case the affected financial debt assets are reclassified at the beginning of the period following the change in the business model.

Note 3 - Significant Accounting Policies (cont'd)**I. Financial instruments (cont'd)****(1) Non-derivative financial assets (cont'd)**Classification of financial assets into categories and the accounting treatment of each category (cont'd)

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at fair value through profit or loss:

- It is held within a business model whose objective is to hold assets so as to collect contractual cash flows; and
- The contractual terms of the financial asset give rise to cash flows representing solely payments of principal and interest on the principal amount outstanding on specified dates.

A debt instrument is measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated at fair value through profit or loss:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the debt instrument give rise to cash flows representing solely payments of principal and interest on the principal amount outstanding on specified dates.

All financial assets not classified as measured at amortized cost or fair value through other comprehensive income as described above, as well as financial assets designated at fair value through profit or loss, are measured at fair value through profit or loss.

The Group has balances of trade and other receivables and deposits that are held within a business model whose objective is collecting contractual cash flows. The contractual cash flows of these financial assets represent solely payments of principal and interest that reflects consideration for the time value of money and the credit risk. Accordingly, these financial assets are measured at amortized cost.

Assessment of the business model for debt assets

The Group assesses the objective of the business model within which the financial asset is held on the level of the portfolio, since this best reflects the manner by which the business is managed and information is provided to management.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for purposes of assessment of the business model, consistent with the Group's continuing recognition of those financial assets. Financial assets held for trading or that are managed and whose performance is assessed on a fair value basis, are measured at fair value through profit or loss.

Assessment whether cash flows are solely payments of principal and interest

For the purpose of assessing whether the cash flows are solely payments of principal and interest, 'principal' is defined as the fair value of the financial asset on initial recognition, 'interest' is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other risks and basic costs of a loan, as well as a profit margin.

In its assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Note 3 - Significant Accounting Policies (cont'd)**I. Financial instruments (cont'd)****(1) Non-derivative financial assets (cont'd)**Assessment whether cash flows are solely payments of principal and interest (cont'd)

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation, received or paid, for early termination of the contract. Additionally, for a financial asset acquired at a significant premium or discount compared to its contractual stated value, a feature that permits or requires prepayment at an amount that substantially represents the contractual stated value plus accrued (but unpaid) interest (which may also include reasonable additional compensation, received or paid, for early termination), is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Subsequent measurement and gains and losses*Financial assets at fair value through profit or loss*

These assets are subsequently measured at fair value. Net gains and losses, including any interest income or dividend income, are recognized in profit or loss.

Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(2) Non-derivative financial liabilities

Non-derivative financial liabilities include loans and borrowings from banks, related parties and others, finance lease liabilities and trade and other payables.

Initial recognition of financial liabilities

The Group initially recognizes debt securities issued on the date that they are originated. All other financial liabilities are recognized initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

Subsequent measurement of financial liabilities

Financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

Transaction costs directly attributable to an expected issuance of an instrument that will be classified as a financial liability are recognized as an asset in the framework of deferred expenses in the statement of financial position. These transaction costs are deducted from the financial liability upon its initial recognition or are amortized as financing expenses in the statement of income when the issuance is no longer expected to occur.

De-recognition of financial liabilities

Financial liabilities are derecognized when the obligation of the Group, as specified in the agreement, expires or when it is discharged or cancelled.

Note 3 - Significant Accounting Policies (cont'd)**I. Financial instruments (cont'd)****(2) Non- derivative financial liabilities (cont'd)**Substantial modification in terms of debt instruments

An exchange of debt instruments having substantially different terms, is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Furthermore, a substantial modification of the terms of an existing financial liability, or an exchange of debt instruments having substantially different terms between an existing borrower and lender, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability at fair value.

Substantial modification in terms of debt instruments (cont'd)

In such cases the entire difference between the amortized cost of the original financial liability and the fair value of the new financial liability is recognized in profit or loss as financing income or expense.

The terms are substantially different if the discounted present value of the cash flows according to the new terms, including any commissions paid, less any commissions received and discounted using the original effective interest rate, is different by at least ten percent from the discounted present value of the remaining cash flows of the original financial liability.

Offset of financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(3) Derivative financial instruments, including hedge accounting

The Group holds both derivative financial instruments to hedge its interest rate risk exposures and derivatives that do not serve hedging purposes.

Hedge accounting

The Group designates certain derivatives as hedging instruments in order to hedge changes in cash flows that relate to highly probable forecasted transactions, and which derive from changes in foreign currency exchange rates and changes in the linkage component and flow in respect of CPI-linked loans and changes in the flow and interest on variable-rate loans.

At the inception of the hedging relationship the Group documents its risk management objective and its hedging strategy. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and the hedging instrument are expected to offset each other.

Note 3 - Significant Accounting Policies (cont'd)**I. Financial instruments (cont'd)****(3) Derivative financial instruments, including hedge accounting (cont'd)***Cash flow hedges*

When a derivative instrument is designated as a cash flow hedge, the effective portion of the changes in fair value of the derivative is recognized in other comprehensive income, directly within a hedging reserve. The effective portion of changes in fair value of a derivative, recognized in other comprehensive income, is limited to the cumulative change in fair value of the hedged item (based on present value), from inception of the hedge. The change in fair value in respect of the ineffective portion is recognized immediately in profit or loss.

If the hedge no longer qualifies as an accounting hedge, or the hedging instrument is sold, expires, cancelled or realized, hedge accounting is discontinued on a prospective basis. When hedge accounting is discontinued, the amounts accumulated in the past in the hedging reserve and cost of hedging reserve remain in the reserve, until such time as they are reclassified to profit or loss in the period, or periods, in which the hedged forecasted future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, the amounts accumulated in the past in the hedging reserve and cost of hedging reserve are immediately reclassified to profit or loss.

Economic hedges

Hedge accounting is not applied to derivative instruments that economically hedge financial assets and liabilities denominated in foreign currencies. Changes in the fair value of such derivatives are recognized in profit or loss as part of foreign currency gains and losses.

(4) Share capital*Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares and share options are recognized as a deduction from equity, net of any tax effects.

J. Intangible assets*Goodwill*

Goodwill that arises upon the acquisition of subsidiaries is presented as part of intangible assets. For information on measurement of goodwill at initial recognition, see Note 3(A).

In subsequent periods goodwill is measured at cost less accumulated impairment losses.

K. Inventory

Inventory consists of inventory of land and inventory of buildings.

(1) Inventory of land

Inventory of land is measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Note 3 - Significant Accounting Policies (cont'd)**K. Inventory (Cont'd)****(2) Inventory of building**

Inventory of buildings includes residential property intended for sale in the ordinary course of business or in the process of construction or development for such sale. Inventory of buildings is measured at the lower of cost and net realizable value. Cost of inventory includes the costs incurred in acquiring the inventory and bringing it to its existing location and condition. In the case of inventory under construction and inventory of completed buildings, cost includes an appropriate share of construction overheads. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the inventory are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs continues until the inventory is substantially ready for their intended use. The capitalization rate is determined by reference to the actual rate payable on borrowings for development purposes or, with regard to that part of the development cost financed out of general funds, to the average rate.

When inventory becomes investment property or investment property under development measured at fair value, any difference between the fair value of the property on that date and its previous carrying value is included directly in profit or loss.

L. Impairment**(1) Non-derivative financial assets**

The Group recognizes a provision for expected credit losses in respect of:

- Financial assets at amortized cost; and
- Lease receivables.

The Group measures the provision for expected credit losses at an amount equal to the full lifetime expected credit losses, other than the provisions hereunder that are measured at an amount equal to the 12-month expected credit losses:

- Debt instruments that are determined to have low credit risk at the reporting date; and
- Other debts instruments and deposits, for which credit risk has not increased significantly since initial recognition.

The Group has elected to measure the provision for expected credit losses in respect of receivables and lease receivables at an amount equal to the full lifetime credit losses of the instrument.

Lifetime expected credit losses are expected credit losses that result from all possible default events over the expected life of the financial asset.

12-month expected credit losses are the expected credit losses that result from possible default events within the 12 months after the reporting date.

The maximum period considered when assessing expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

Note 3 - Significant Accounting Policies (cont'd)**L. Impairment (Cont'd)****(1) Non-derivative financial assets (Cont'd)***Measurement of expected credit losses*

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.

Expected credit losses are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt instruments at fair value through other comprehensive income are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of provision for expected credit losses in the statement of financial position

Provisions for expected credit losses of financial assets measured at amortized cost are deducted from the gross carrying amount of the financial assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group does not have reasonable expectations of recovering a financial asset at its entirety or a portion thereof. This is usually the case when the Group determines that the debtor does not have assets or sources of income that may generate sufficient cash flows for paying the amounts being written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due. Write-off constitutes a de-recognition event.

(2) Non-financial assets*Timing of impairment testing*

The carrying amounts of the Group's non-financial assets, other than investment property, investment property under development, inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Once a year and on the same date, or more frequently if there are indications of impairment, the Group estimates the recoverable amount of each cash generating unit that contains goodwill, or intangible assets that have indefinite useful lives or are unavailable for use.

Determining cash-generating units

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

Measurement of recoverable amount

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its net selling price (fair value less costs of disposal). In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the assessments of market participants regarding the time value of money and the risks specific to the asset or cash generating unit, for which the estimated future cash flows from the asset or cash generating unit were not adjusted.

Note 3 - Significant Accounting Policies (cont'd)**L. Impairment (Cont'd)****(2) Non-derivative financial assets (Cont'd)***Allocation of goodwill to cash generating units*

Subject to an operating segment ceiling test (before the aggregation of similar segments), for the purposes of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes.

Goodwill acquired in a business combination is allocated to groups of cash-generating units that are expected to benefit from the synergies of the combination.

For purposes of goodwill impairment testing, the carrying amount of the goodwill is adjusted according to the rate the Company holds in the cash-generating unit to which the goodwill is allocated.

Recognition of impairment loss

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. As regards cash-generating units that include goodwill, an impairment loss is recognized when the carrying amount of the cash-generating unit, after adjustment for goodwill, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis.

Allocation of impairment loss to non-controlling interests

An impairment loss is allocated between the owners of the Company and the non-controlling interests on the same basis that the profit or loss is allocated. Nevertheless, if an impairment loss allocated to Non-controlling interests relates to goodwill that was not recognized in the consolidated financial statements, the said impairment is not recognized as an impairment loss on goodwill. In such cases, only an impairment loss relating to goodwill that was allocated to the owners of the Company is recognized as an impairment loss on goodwill.

Reversal of impairment loss

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(3) Investments in associates and joint ventures

An investment in an associate company and joint venture is tested for impairment when objective evidence indicates there has been impairment (as described in Paragraph (1) above). Goodwill that forms part of the carrying amount of an investment in an associate is not recognized separately, and therefore is not tested for impairment separately.

If objective evidence indicates that the value of the investment may have been impaired, the Group estimates the recoverable amount of the investment, which is the greater of its value in use and its net selling price.

Note 3 - Significant Accounting Policies (cont'd)**L. Impairment (Cont'd)****(3) Investments in associates and joint ventures (Cont'd)**

In assessing value in use of an investment in an associate company or joint venture, the Group estimates its share of the present value of estimated future cash flows that are expected to be generated by the an associate company or joint venture, including cash flows from operations of the associate company or joint venture and the consideration from the final disposal of the investment, or the present value of the estimated future cash flows that are expected to be derived from dividends that will be received and from the final disposal.

An impairment loss is recognized when the carrying amount of the investment, after applying the equity method, exceeds its recoverable amount, and it is recognized in profit or loss.

An impairment loss is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment in the associate company or in the joint venture.

An impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of the investment after the impairment loss was recognized, and only to the extent that the investment's carrying amount, after the reversal of the impairment loss, does not exceed the carrying amount of the investment that would have been determined by the equity method if no impairment loss had been recognized.

M. Non-current assets or disposal groups held for sale and discontinued operations

Non-current assets or a disposal group are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the assets must be available for immediate sale in their present condition, the Group must be committed to sell, there must be a program to locate a buyer and it is highly probable that a sale will be completed within one year from the date of classification. From the date of such initial classification, these assets are no longer depreciated and are presented separately as current assets at the lower of their carrying amount and fair value less costs to sell. Other comprehensive income (loss) in respect of an assets or a group of non-current assets that are classified as held for sale is presented separately in equity.

When an entity no longer plans to sell an asset in a sale transaction, it ceases the classification of the asset as held for sale and measures it at the lower of its carrying amount had it not been classified as held for sale or the recoverable amount of the asset on the date of the decision not to sell the asset.

A discontinued operation is a component of the Group that either has been disposed of or is classified as held for sale. The operating results relating to the discontinued operation are presented separately in profit or loss, net of the tax effect

N. Capitalization of borrowing costs

The Group capitalizes borrowing costs that are attributable to the acquisition, construction or production of qualifying assets which necessarily take a substantial period of time to get ready for their intended use or sale.

The capitalization of borrowing costs commences when expenditures for the asset are incurred, the activities to prepare the asset are in progress and borrowing costs are incurred and ceases when substantially all the activities to prepare the qualifying asset for its intended use or sale are complete. The amount of borrowing costs capitalized in the reporting period includes specific borrowing costs and general borrowing costs based on a weighted capitalization rate

Note 3 - Significant Accounting Policies (cont'd)**O. Provisions**

A provision in accordance with IAS 37 is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects part or all of the expense to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense is recognized in the statement of profit or loss net of any reimbursement

Legal claims

A provision for claims is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources embodying economic benefits will be required by the Group to settle the obligation and a reliable estimate can be made of the amount of the obligation.

P. Revenue**(1) Rental income**

Rental income from investment property is recognized in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease. Rental income from other property is recognized as other income.

(2) Sale of inventory of real estate and residential apartments

The Group recognizes revenue when the customer obtains control over the promised goods or services. The revenue is measured according to the amount of the consideration to which the Group expects to be entitled in exchange for the goods or services promised to the customer, other than amounts collected for third parties.

As part of the assessment whether IFRS 15.35c is met, the Group examined, with the assistance of its legal advisors, the relevant local legislation and regulations in each country (the countries examined are Serbia, Czech Republic, Poland, Romania, Latvia and Bulgaria), as well as the provisions of the sale contracts with customers, except in Bulgaria, there is an enforceable right to payment for performance completed to date, and an asset with alternative use to the entity is not created. Following the examination mentioned above, the Group concluded that revenues from the sale of residential units will continue to be recognized upon delivery of the units, except in Bulgaria, where revenues are recognized over time.

Note 3 - Significant Accounting Policies (cont'd)**P. Revenue (cont'd)****(2) Sale of inventory of real estate and residential apartments (cont'd)***Identifying the contract*

The Group accounts for a contract with a customer only when the following conditions are met:

- (a) The parties to the contract have approved the contract (in writing, orally or according to other customary business practices) and they are committed to satisfying the obligations attributable to them;
- (b) The Group can identify the rights of each party in relation to the goods or services that will be transferred;
- (c) The Group can identify the payment terms for the goods or services that will be transferred;
- (d) The contract has a commercial substance (i.e. the risk, timing and amount of the entity's future cash flows are expected to change as a result of the contract); and
- (e) It is probable that the consideration, to which the Group is entitled to in exchange for the goods or services transferred to the customer, will be collected.

If a contract with a customer does not meet all of the above criteria, consideration received from the customer is recognized as a liability until the criteria are met or when one of the following events occurs: the Group has no remaining obligations to transfer goods or services to the customer and any consideration promised by the customer has been received and cannot be returned; or the contract has been terminated and the consideration received from the customer cannot be refunded.

Identifying performance obligations

On the contract's inception date the Group assesses the goods or services promised in the contract with the customer and identifies as a performance obligation any promise to transfer to the customer one of the following:

- (a) Goods or services (or a bundle of goods or services) that are distinct; or
- (b) A series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer.

In the entrepreneurial real estate sector, following an examination of the existing performance obligations in contracts with customers for the sale of apartments, the Group has identified one performance obligation in each contract with a customer.

Determining the transaction price

The transaction price is the amount of the consideration to which the Group expects to be entitled in exchange for the goods or services promised to the customer, other than amounts collected for third parties. The Group takes into account the effects of all the following elements when determining the transaction price: variable consideration, the existence of a significant financing component, non-cash consideration, and consideration payable to the customer.

Satisfaction of performance obligations

Revenue is recognized when the Group satisfies a performance obligation by transferring to the customer control over promised goods or services.

In the international entrepreneurial real estate sector, based on the sale contracts with the customers, the provisions of local law and additional commercial characteristics in the countries in which the Group operates, as well as on the basis of legal opinions, the Group has reached the

Note 3 - Significant Accounting Policies (cont'd)**P. Revenue (cont'd)****(2) Sale of inventory of real estate and residential apartments (cont'd)***Satisfaction of performance obligations (cont'd)*

conclusion that it does not have an enforceable right to payment for performance completed to date and also that the asset is not controlled by the customer while it is being created.

Therefore, the Group satisfies the performance obligation at a point in time. Meaning, revenue will continue to be recognized at a point in time.

In order to determine the point in time at which the customer obtains control over the promised asset, the Group takes into account indications that control has been transferred, which include but are not limited to the following indications:

- (a) The Group has a present right to payment for the asset.
- (b) The customer has legal title to the asset.
- (c) The entity has transferred physical possession of the asset.
- (d) The customer has the significant risks and rewards related to the ownership of the asset.
- (e) The customer has accepted the asset.

Accordingly, control over the residential unit is transferred at a point in time, and revenue is recognized upon the delivery of the unit to the customer.

In regard to management and maintenance services in the investment property sector, revenue from rental income and operation services is recognized over time in the reporting period in which the services are provided, since the customer simultaneously receives and consumes the benefits provided by the Group's performance when the Group provides such services.

Measurement of progress towards satisfying performance obligations

In the income-producing real estate sector, total consideration in certain contracts includes a fixed component and a variable component (such as rental fees that are contingent upon revenues). Fixed amounts are recognized on a straight-line basis over the period in which the services are provided. Variable amounts are usually recognized in the period in which the related services were provided, to the extent they are attributable to the Group's efforts to satisfy a performance obligation in that period and this method of recognition reflects the amount to which the Group is entitled for the services provided to the customer.

In addition, in cases where the Group has a right to consideration from the customer in an amount that corresponds directly to the value to the customer of the Group's performance completed to date, the Group applies the practical expedient provided in the standard and recognizes revenue in the amount it is permitted to invoice.

Contract asset and contract liability

A contract asset is recognized when the Group has a right to consideration for goods or services it transferred to the customer that is conditional on other than the passing of time, such as future performance of the Group. Contract assets are classified as receivables when the rights in their respect become unconditional.

A contract liability is recognized when the Group has an obligation to transfer goods or services to the customer for which it received consideration (or the consideration is payable) from the customer.

Note 3 - Significant Accounting Policies (cont'd)**P. Revenue (cont'd)****(2) Sale of inventory of real estate and residential apartments (cont'd)***Principal or agent*

When another party is involved in providing goods or services to the customer, the Group examines whether the nature of its promise is a performance obligation to provide the defined goods or services itself, which means the Group is a principal and therefore recognizes revenue in the gross amount of the consideration, or to arrange that another party provide the goods or services which means the Group is an agent and therefore recognizes revenue in the amount of the net commission.

(3) Rendering of services

Revenue from services rendered (such as project management) is recognized in the income statement in the period in which the services are rendered and are measured at fair value.

Q. Expenses**(1) Service costs and property operating expenses**

Service costs for service contracts entered into and property operating expenses are recognized in profit or loss as incurred.

(2) Financing income and expenses

Finance income comprises interest income on funds invested including dividend income, gains on the disposal of financial assets, changes in the fair value of financial assets at fair value through profit or loss and gains on hedging instruments that are recognized in profit or loss. Interest income is recognized as it accrues, using the effective interest method. Dividend income is recognized on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expense is comprising interest expense on borrowings, changes in time value of provisions and deferred consideration, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognized on financial assets, and losses on hedging instruments that are recognized in profit or loss.

Borrowing costs, which are not capitalized to qualifying assets, are recognized in profit or loss using the effective interest method.

In the statements of cash flows, interest received, and dividends received are presented as part of cash flows from investing activities. Interest paid and dividends paid are presented as part of cash flows from financing activities. Accordingly, financing costs that were capitalized to qualifying assets are presented together with interest paid as part of cash flows from financing activities.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either financing income or financing expenses depending on whether foreign currency movements are in a net gain or net loss position.

Note 3 - Significant Accounting Policies (cont'd)**Q. Expenses (cont'd)****(2) Financing income and expenses (cont'd)**

Interest income or expense is recognized using the effective interest method. Generally, in calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the financial asset or to the amortized cost of the financial liability, as applicable. However, for credit-impaired financial assets that were purchased or created, or for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset.

R. Taxes on income

Current or deferred taxes are recognized in profit or loss, except to the extent that they relate to items which are recognized in other comprehensive income or equity.

(1) Current taxes:

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date as well as adjustments required in connection with the tax liability in respect of previous years.

(2) Deferred taxes:

Deferred taxes are computed in respect of temporary differences between the carrying amounts in the financial statements and the amounts attributed for tax purposes.

Deferred taxes are measured at the tax rate that is expected to apply when the asset is realized or the liability is settled, based on tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is not probable that they will be utilized. Deductible carryforward losses and temporary differences for which deferred tax assets had not been recognized are reviewed at each reporting date and a respective deferred tax asset is recognized to the extent that their utilization is probable.

Deferred taxes in respect of investment property that is held with the objective of recovering substantially all of the economic benefits embedded in the investment property through sale and not through use are measured in accordance with the expected manner of recovery of the base asset, on the basis of sale rather than use.

When the Company owns an investment in a single property company and the manner in which the Company expects to dispose of the investment is by selling the shares of the property company rather than by selling the property itself, the Company recognizes deferred taxes for both inside temporary differences arising from the difference between the carrying amount of the property and its tax basis, and for outside temporary differences arising from the difference between the tax basis of the investment and the Company's carrying amount of the net assets of the investment in the consolidated financial statements

Note 3 - Significant Accounting Policies (cont'd)**R. Taxes on income (cont'd)**

Taxes that would apply in the event of the disposal of investments in investees have not been taken into account in computing deferred taxes, as long as the disposal of the investments in investees is not probable in the foreseeable future. Also, deferred taxes that would apply in the event of distribution of earnings by investees as dividends have not been taken into account in computing deferred taxes, since the distribution of dividends does not involve an additional tax liability or since it is the Company's policy not to initiate distribution of dividends from a subsidiary that would trigger an additional tax liability.

Taxes on income that relate to distributions of an equity instrument and to transaction costs of an equity transaction are accounted for pursuant to IAS 12.

Deferred taxes are offset if there is a legally enforceable right to offset a current tax asset against a current tax liability and the deferred taxes relate to the same taxpayer and the same taxation authority.

S. Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which separate financial information is available.

Inter-segment pricing is determined on an arm's-length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments (other than investment property) and related revenue, loans and borrowings and related expenses, corporate assets (primarily the Company's headquarters) and head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire investment property, inventory and property, plant and equipment.

T. Transactions with controlling shareholder

Assets and liabilities included in a transaction with a controlling shareholder are measured at fair value on the date of the transaction. As the transaction is on the equity level, the Company includes the difference between the fair value and the consideration from the transaction in its equity.

Notes to consolidated financial statements

Note 3 - Significant Accounting Policies (cont'd)

U. New standards, amendments to standards and interpretations not yet adopted

Standard/interpretation/ Amendment	The requirements of the publication	Effective date and transitional provisions	Expected effects
(1) Amendments to IFRS 9, <i>Financial Instruments</i> , and IFRS 7, <i>Financial Instruments: Disclosures, Amendments to the Classification and Measurement of Financial Instruments</i>	<p>The amendments address the following matters:</p> <ul style="list-style-type: none"> • Clarifications are added as to the date of recognition and derecognition of financial instruments, and an exception is added with respect to the timing of derecognizing financial liabilities settled by electronic transfers of cash; • Classification of financial assets – <ul style="list-style-type: none"> ○ Updated application guidance for assessing whether contractual cash flows of a financial asset are solely payments of principal and interest (SPPI) when the contractual terms of the asset include contingent features (such as linkage to ESG measures) and examples on the matter. ○ Clarification as to when financial instruments are contractually linked and when they are non-recourse, for the purpose of determining whether they are solely payments of principal and interest (SPPI). • Updated disclosure requirements for financial instruments having contingent features that are not directly related to changes in the basic risks/cost of the instrument; and • Updated disclosure requirements for investments in equity instruments measured at fair value through other comprehensive income (FVOCI). 	<p>The amendments are effective for annual reporting periods beginning on or after January 1, 2026. Earlier application is permitted. An entity may choose to early apply all the amendments or only the amendments regarding the classification of financial assets (including the amendment to IFRS 7 that includes the related disclosure requirements). The amendment to IFRS 9 is to be applied retrospectively and there is no requirement to restate comparative data. In the application of the amendment to IFRS 7 an entity is not required to provide disclosures with respect to periods before the initial date of application of the amendments.</p>	<p>The Group is examining the effects of the amendments on the financial statements with no plans for early adoption.</p>

Notes to consolidated financial statements

Note 3 - Significant Accounting Policies (cont'd)

U. New standards, amendments to standards and interpretations not yet adopted (Cont'd)

Standard/interpretation/ Amendment	The requirements of the publication	Effective date and transitional provisions	Expected effects
(2) IFRS 18, <i>Presentation and Disclosure in Financial Statements</i>	<p>This standard replaces IAS 1, <i>Presentation of Financial Statements</i>. The standard provides guidance for improving the structure and content of the financial statements, particularly the income statement.</p> <p>The standard includes new disclosure and presentation requirements as well as requirements that were taken from IAS 1, <i>Presentation of Financial Statements</i>.</p> <p>As part of the new disclosure requirements, it is required to present two subtotals in the income statement: operating profit and profit before financing and taxes.</p> <p>Furthermore, the results in the income statement will be classified into three new categories: an operating category, an investing category and a financing category.</p> <p>In addition to the changes in the structure of the income statements, the standard also includes a requirement to provide separate disclosure in the financial statements regarding the use of management-defined performance measures (MPM).</p> <p>Furthermore, the standard adds specific guidance for aggregation and disaggregation of items in the financial statements and in the notes.</p>	<p>The standard's initial date of application is for annual reporting periods beginning on or after January 1, 2027 with earlier application being permitted. In accordance with the decision of the Securities Authority plenum, reporting corporations may early adopt the standard from reporting periods beginning on January 1, 2025.</p>	<p>The Group is examining the effects of the standard on its financial statements with no plans for early adoption.</p>

Notes to consolidated financial statements

Note 4 – Subsidiaries and Investment in (and loans to) companies accounted for at equity

(1) Subsidiaries

A. The list of the Company’s subsidiaries is detailed in Note 25.

B. Subsidiaries including consolidated structured entities

Presented hereunder the Group’s material subsidiary:

<u>Name of company</u>	<u>Principal location of the company’s activity</u>	<u>The Group’s ownership interest in the subsidiary for the year ended December 31,</u>	
		<u>2024</u>	<u>2023</u>
S.C. Cotroceni Park SA	Romania	98.58%	98.58%

C. Guarantees of subsidiaries’ obligations

As at December 31, 2024, corporate guarantees issued by the Company as securities for payment or repayment obligations of certain subsidiaries, in an aggregate value of approximately EUR 89 million (December 31, 2023: EUR 42 million), have been provided in connection with financing obtained or obligations incurred by each of such subsidiaries in relation to its project. With respect to guarantees related to AFI Properties Series 12 bonds please refer to Note 12(2).

D. On December 31, 2023 a deed of merger was signed by the Company as the acquiring entity and AFI Corporate Financing B.V. (“ACF”), a fully owned Dutch subsidiary of the Company, as the entity ceasing to exist (the “Merger”). The Merger became effective as of January 1, 2024. Prior to the Merger, ACF operated as an intra-group lender to the Company’s subsidiaries. Upon the Merger, the assets and liabilities of ACF passed over to the Company by universal succession of title, and ACF ceased to exist.

E. Following the Company’s acquisition on June 8, 2022, of a 70% stake in a partnership holding leasehold rights to approximately 65,000 sqm of land in central Warsaw, Poland, the Group completed the payment of the remaining consideration in August 2024 after reaching the agreed milestone. This final payment amounted to EUR 39.3 million. The final valuation of the Property, based on an adjustment for actual building rights, was approximately EUR 167 million, bringing the total consideration paid by the Company to approximately EUR 117 million.

In addition on July 23, 2024 a financing agreement (the “Agreement”) was signed by two subsidiaries in which the Company’s (indirect) stake is 70% interest and which own and develop the mixed-use project known as “Towarowa 22” in Warsaw, Poland (the “Subsidiaries” and the “Project”, respectively), in relation to a loan in the amount of up to EUR 81.2 million (the “Loan”), to be provided to the Subsidiaries by two banks upon the fulfilment of several conditions precedent, for the purpose of financing up to 70% of the budgeted costs for the construction of the Project’s first office building (the “Financed Property” and the “Construction Facility”), and a revolving facility of up to PLN 20 million to finance the VAT related thereto (the “VAT Facility”). The Construction Facility bears interest at an annual rate of 3-month EURIBOR plus an acceptable margin in the market.

Following completion of the Financed Property’s construction and subject to additional conditions specified in the Agreement, the Construction Facility will be converted to an investment facility and the loan amount will be increased to a maximum of EUR 103.4 million. As of the reporting date, a total of EUR 17 million has been utilized.

Notes to consolidated financial statements

Note 4 – Subsidiaries and Investment in (and loans to) companies accounted for at equity (cont'd)

(1) Subsidiaries (cont'd)

F. On May 7, 2024 the Group signed a forward funding agreement (the “Agreement”) for the acquisition a residential-for-rent project in Prague (the “Project”), with gross building area of approx. 7,500 sqm, including 318 apartments, retail areas of approx. 200 sqm, and 309 parking spaces (the “Properties”). According to the Agreement, the Transaction will be performed upon completion of the Properties’ construction and the transfer of the ownership over the Properties to a Czech entity that will be acquired by the Group and be fully owned by it, which is expected by end-2026 (the “Closing”). The total Transaction value is approx. CZK 1,922 million (equivalent to approx. EUR 76.8 million) and is payable at the Closing. To secure the Group’s obligation to complete the Transaction, a bank guarantee for 20% of the aforementioned value of the Transaction has been provided.

(2) Investment in (and loans to) companies accounted for at equity

A. Composition of the investments:

In thousands of Euros

	December 31, 2024	December 31, 2023
Cost of shares	96,175	106,049
Company’s share in reserves and retained earnings, net	29,797	4,731
Carrying value	125,972	110,781
Loans (1)	16,213	11,998
	<u>142,185</u>	<u>122,779</u>

<u>(1) Loans:</u>	<u>Rate</u>	December 31, 2024	December 31, 2023
Variable rate loans	3M Wibor + 3.2%	<u>16,213</u>	<u>11,998</u>

B. The movement in investments was as follows:

In thousands of Euros

	December 31, 2024	December 31, 2023
Balance as at beginning of the year	122,779	109,880
<u>Movement during the year:</u>		
Investment in loans, net	2,680	3,407
Share in profit (losses), net	23,938	(20)
Adjustment for translation	1,127	8,075
Accrued interest of loans	1,535	1,437
Adjustment in the purchase price of associate	(9,874) (*)	-
	<u>142,185</u>	<u>122,779</u>

(*) For further information see note 4(1)(E).

Notes to consolidated financial statements

Note 4 – Subsidiaries and Investment in (and loans to) companies accounted for at equity (cont'd)

(2) Investment in (and loans to) companies accounted for at equity (cont'd)

C. Summary information on material associate

Below is a summary of financial information on the financial position and operating results of Towarowa 22, a Polish company held under joint venture (company's share 70%).
For further information see Note 4(1)(E).

	December 31, 2024	December 31, 2023
Current assets	7,945	5,773
Non-current assets	231,569	196,888
Current liabilities	12,518	26,704
Non-current liabilities	47,025	17,740
Total equity	<u>179,972</u>	<u>158,217</u>
Share of equity in the associate	<u>125,980</u>	<u>110,752</u>
Percentage of ownership	70%	70%

	For the year ended December 31,		
	2024	2023	2022
Net valuation gains	<u>39,133</u>	<u>2,311</u>	<u>-</u>
Net profit (loss) for the year	<u>34,197</u>	<u>(29)</u>	<u>(1,714)</u>
Percentage of ownership	<u>70%</u>	<u>70%</u>	<u>70%</u>
Company's share of earnings (losses) of associate	<u>23,938</u>	<u>(20)</u>	<u>(1,200)</u>

Notes to consolidated financial statements

Note 5 - Investment Property

A. Reconciliation of carrying amount

In thousands of Euros

	<u>2024</u>	<u>2023</u>
Balance at January 1	2,635,837	2,259,748
Additions		
Acquisition (1)	127,591	26,191
Investments	47,579	46,293
Transfer from investment property under development (2)	161,328	318,900
Transfer from inventory	-	5,494
Disposals		
Transfer to investment property under development (see Note 6A(3))	(15,949)	(2,571)
Others		
Fair value adjustments	56,182	(25,539)
Effect of movement in foreign exchange	1,656	7,321
Balance at December 31	<u>3,014,224</u>	<u>2,635,837</u>

A. Reconciliation of carrying amount (cont'd)

- (1) During 2024, two Polish subsidiaries of the Company met the conditions precedent for acquiring two residential-for-rent properties in Poland: AFI Home Długa in Wrocław and AFI Home Swedzka in Warsaw (the “Transactions”). Following the issuance of occupancy permits for each property, handover of the projects took place and subsequently the leasing of the units began. As a result, the assets, valued at EUR 34.7 million and EUR 92.9 million, respectively (including all advance payments made during the development period), have been classified as investment properties.
- (2) During the year ended December 31, 2024 the Group completed the construction of the following projects:
- Skyline Home, a residential-for-rent project in Belgrade, Serbia, in an amount of EUR 45 million.
 - AFI Loft, an office project in Bucharest, Romania, in an amount of EUR 29.6 million.
 - AFI Home Kolbenova 2, a residential for rent project in Prague, Czech Republic, in an amount of EUR 57.4 million.
 - AFI Home Czyniewskiego, a residential for rent project in Krakow, Poland, in an amount of EUR 29.3 million.

During the year ended December 31, 2023 the Group completed the construction of the following projects:

- Skyline building C, Airport City building 2500 and AFI Zmaj West, three office projects in Belgrade, Serbia, in an amount of EUR 82.5 million, EUR 31.8 million and EUR 39.2 million, respectively.
- AFI Arad, a retail park in Arad, Romania, in an amount of EUR 51.7 million.
- AFI Home Karlin and AFI Home Kolbenova D+E, two residential for rent projects in Prague, Czech Republic, in an amount of EUR 55.6 million and EUR 45.7 million, respectively.
- AFI Home Europejskie and AFI Home Dajwor, two residential for rent projects in Krakow, Poland, in an amount of EUR 12.7 million and EUR 5.5 million, respectively.

Notes to consolidated financial statements

Note 5 - Investment Property (cont'd)

B. Measurement of fair value

(1) Fair value hierarchy

The investment properties and investment properties under development that are measured at fair value, using a valuation method according to the fair value levels are defined as Level 3. For a definition of the various hierarchy levels, see Note 2(E) regarding the basis of preparation of the financial statements.

(2) Valuation processes used by the Company

For the year ended December 31, 2024, the Group commissioned independent appraisals reports on its investment properties by CBRE, an external, independent valuation company, member of the Royal Institution of Chartered Surveyors (RICS), and having appropriate recognized professional qualifications and recent experience in the locations and categories of the properties being valued. CBRE values the Group's investment property portfolio once a year, and additionally upon demand when material events have occurred (such as signing new major leases, construction completion, and significant change in rental income) in accordance with the Group's policy.

The valuations of investment properties are based on recent transactions in respect of similar assets in similar locations and conditions, and are made using the DCF method.

Valuations reflect, when appropriate: (i) the type of tenants actually in occupation or liable for the lease commitments or likely to be in occupation after letting vacant premises, and the market's general perception of their creditworthiness; (ii) the allocation of maintenance and insurance responsibilities between the Group and the lessee; and (iii) the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

(3) Details regarding fair value measurement of investment property

As of December 31, 2024:

Country	Use of the property	Fair Value (In EUR thousands)	Yield rate (in %)	Occupancy (in %)	Actual weighted average rent per sqm (In EUR/sqm)
Czech Republic	Offices	346,047	6.4	95%	15.6
Czech Republic	Residential for rent	200,856	4.8	89%	17.6
Romania	Offices	598,662	8.1	88%	15.2
Romania	Retail	869,351	7.8	99%	29.6
Serbia	Offices	485,318	8.4	91%	16.0
Serbia	Retail	14,000	8.0	100%	5.9
Serbia	Residential for rent	57,000	-	48%	20.4
Poland	Offices	149,369	8.2	92%	15.1
Poland	Residential for rent	267,529	5.2	50%	18.5
Bulgaria	Offices	26,092	9.9	86%	5.0

Notes to consolidated financial statements

Note 5 - Investment Property (cont'd)

As of December 31, 2023:

Country	Use of the property	Fair Value (In EUR thousands)	Yield rate (in %)	Occupancy (in %)	Actual weighted average rent per sqm (In EUR/sqm)
Czech Republic	Offices	357,137	6.0	93%	14.9
Czech Republic	Residential for rent	133,989	4.8	74%	18.7
Romania	Offices	558,181	7.9	87%	14.9
Romania	Retail	812,611	7.9	98%	27.8
Serbia	Offices	471,618	8.4	87%	15.2
Serbia	Retail	13,700	8.0	100%	5.8
Poland	Offices	162,420	8.2	92%	14.6
Poland	Residential for rent	103,222	5.7	63%	18.5
Bulgaria	Offices	22,959	9.9	82%	5

(4) Sensitivity analysis for change in fair value (AFI Cotroceni in Bucharest, Romania)

A change in the main unobservable inputs in the fair value valuation of AFI Cotroceni, which is a significant asset of for the Company, is described in the tables below:

Sensitivity analysis to change in yield rate:

In thousands of Euros

	Increase of 0.5%	Current yield	Decrease of 0.5%
Fair value December 31, 2024 (*)	553,623	591,116	634,022
Fair value December 31, 2023	509,950	543,800	582,403

(*) excluding approx. EUR 29.6 million represents AFI Loft offices which completed on December 31, 2024.

Sensitivity analysis to change in estimated rental values (ERV):

In thousands of Euros

	Increase of 5%	Current ERV	Decrease of 5%
Fair value December 31, 2024 (*)	615,134	591,116	567,098
Fair value December 31, 2023	564,953	543,800	522,603

(*) excluding approx. EUR 29.6 million represents AFI Loft offices which completed on December 31, 2024.

C. Amounts that were recognized in the statement of income

In thousands of Euros

	Year ended December 31,		
	2024	2023	2022
Rental income from investment property	200,552	170,142	143,554
Net direct operating income/(expenses) arising from investment property that generated rental income during the period	(5,328)	(4,460)	(5,889)
Change in fair value of investment property	56,182	(25,539)	24,343
	<u>251,406</u>	<u>140,143</u>	<u>162,008</u>

Notes to consolidated financial statements

Note 6 - Investment Property under Development

A. Reconciliation of carrying amount

In thousands of Euros

	<u>2024</u>	<u>2023</u>
Balance at January 1	292,097	452,967
Additions		
Acquisition (1) (2)	39,178	2,292
Transfer from inventories	-	12,592
Transfer from investment property (3)	15,949	2,571
Cost capitalized	126,418	124,763
Interest capitalized	8,914	9,838
Disposals		
Transfer to investment property, net (see Note 5(A)(2))	(161,328)	(318,900)
Transfer to fixed assets	-	(3,500)
Other		
Fair value adjustments	6,246	6,297
Effect of movement in foreign exchange	1,175	3,177
Balance at December 31	<u>328,649</u>	<u>292,097</u>

- (1) On August 19, 2024 the Group signed a sale-purchase agreement pursuant to which it acquired an inoperative office building at the city center of Bucharest, Romania, with a building permit allowing its redevelopment into a modern office building with 26,065 sqm GLA for a purchase price of EUR 27.45 million.
- (2) On August 20, 2024 a Polish subsidiary of the Company signed a preliminary purchase agreement for the acquisition of a land plot of approx. 5,428 sqm in Wroclaw, Poland, with a view to developing thereon a residential-for-rent project, for a purchase price of PLN 50.5 million (equivalent to approx. EUR 11.9 million), 10% of which was paid upon signing that agreement, and the remaining 90% was paid upon completion of the transaction and signing the final purchase agreement on December 12, 2024.
- (3) During 2024, the Group reclassified an office building which is planned to be redeveloped as a mixed-use residential and commercial project in Warsaw, Poland comprising 73 apartments for rent with 3,600 sqm GLA and 1,140 sqm of commercial area, from investment property to investment property under development, in the amount EUR 16 million.

B. Measurement of fair value

(1) Fair value hierarchy

The investment properties and investment properties under development that are measured at fair value, using a valuation method according to the fair value levels are defined as Level 3. For a definition of the various hierarchy levels, see Note 2(E) regarding the basis of preparation of the financial statements.

(2) Valuation processes used by the Company

The valuations of investment properties under development are prepared by the residual method or by the comparison method depending on the stage of completion. The residual value is based on the fair value of a complete project less costs to complete and appropriate developer profit. The comparison method is based on the price per square meter of comparable properties, as arising from observable transactions in an active market for comparable properties, with significant adjustments for the quality of the building and the rent terms.

Notes to consolidated financial statements

Note 6 - Investment Property under Development (cont'd)

The yield rates which were used by the valuation company for residual method for investment property under development are as following:

Country	Use of the property	Yield rate (in %)	
		As of December 31, 2024	As of December 31, 2023
Czech Republic	Residential for rent	-	4.8
Romania	Offices	8.3	8.3
Romania	Residential for rent	5.8	5.8
Serbia	Offices	8.6	8.8
Poland	Residential for rent	5.5	5.8

For further details regarding measurement of fair value please see Note 5(B).

C. Amounts that were recognized in the statement of income

In thousands of Euros

	Year ended December 31,		
	2024	2023	2022
Change in fair value of investment property under development	6,246	6,297	6,678

Note 7 - Inventory

A. Reconciliation of carrying amount

The balance represents both non-current inventory and current inventory:

In thousands of Euros

	2024	2023
Balance at January 1	133,916	151,558
Additions		
Construction cost	8,912	15,624
Interest capitalized	472	287
Disposals		
Transfer to investment property	-	(5,494)
Transfer to investment property under development	-	(12,592)
Carrying value of trading properties sold	(5,339)	(8,338)
Others		
Effect of movement in foreign exchange	(442)	(217)
Write-down of inventory to net realizable value	-	(6,912)
Balance at December 31	137,519	133,916

The closing balance includes inventory expected to be sold after more than 12 months in an amount of EUR 11,737 thousand and long-term land inventory in the amount of EUR 113,522 thousand (in 2023: 5,650 and 113,341 respectively)

In respect of the capitalization rate for the interest capitalized please refer to Notes 12 and 21.

Notes to consolidated financial statements

Note 8 – Short Term Investments

The balance represents restricted cash deposits for the following purposes:

In thousands of Euros

	December 31, 2024	December 31, 2023
Deposit from advanced for sold apartments	140	1,666
Deposit related to bank loans of investment properties	17,860	12,249
Other	1,950	3,269
	<u>19,950</u>	<u>17,184</u>

Note 9 - Trade and Other Receivables

A. Current receivables

In thousands of Euros

	December 31, 2024	December 31, 2023
Trade receivables due from tenants	23,107	23,198
VAT receivables	14,647	25,708
Receivable from derivatives	6,915	16,480
Deferred expenses and Advances to suppliers	5,845	11,623
Contract asset	3,724	12,848
Other trade receivables	4,614	4,026
	<u>58,852</u>	<u>93,883</u>
Allowance for doubtful debts	<u>(1,575)</u>	<u>(1,492)</u>
	<u>57,277</u>	<u>92,391</u>

Information about the company's exposure to credit and market risks and impairment losses for trade and other receivables is included in Note 21.

B. Non - current receivables

In thousands of Euros

	December 31, 2024	December 31, 2023
Deposit related to financing	35,821	34,742
Receivable from derivatives	1,594	8,240
Advances for investment property (1) (2)	6,092	74,295
Loans and other receivables	2,007	1,879
	<u>45,514</u>	<u>119,156</u>

- (1) During 2024, two Polish subsidiaries of the Company met the conditions precedent for acquiring two residential-for-rent properties in Poland: AFI Home Długa in Wrocław and AFI Home Swedzka in Warsaw (the “Transactions”). Following the issuance of occupancy permits for each property, handover of the projects took place and subsequently the leasing of the units began. As a result, the assets have been classified as investment properties. For further information see Note 5(A)(1).
- (2) On April 19, 2024 a Czech subsidiary of the Company signed a future purchase agreement for the acquisition of a land plot of approx. 14,826 sqm in Prague, Czech Republic, with a view to developing thereon a residential-for-rent project, for a purchase price of approx. CZK 652.8 million (equivalent to approx. EUR 25.9 million), 10% of which was paid upon signing that agreement, and the remaining 90% was paid on January 15, 2025 upon completion of the transaction and signing the final purchase agreement.

Notes to consolidated financial statements

Note 10 - Cash and Cash Equivalents

In thousands of Euros

	<u>December 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
Bank balances	75,261	73,399
Bank deposits	28,807	9,419
Cash and cash equivalents	<u>104,068</u>	<u>82,818</u>

All cash and cash equivalents are payable on demand.

Information about the company's exposure to currency risk for cash and cash equivalents is included in Note 21.

Note 11 - Capital and Reserves

A. Composition of share capital:

	<u>December 31, 2024</u>		<u>December 31, 2023</u>	
	<u>Authorized</u>	<u>Issued and outstanding</u>	<u>Authorized</u>	<u>Issued and outstanding</u>
Ordinary share of Euro 0.01 par value each	<u>122,100,000</u>	<u>93,000,000</u>	<u>122,100,000</u>	<u>93,000,000</u>

(1) As at December 31, 2024, the authorized, issued and paid-up share capital of the Company comprises 122,100,000, 93,000,000 and 93,000,000 ordinary shares of EUR 0.01, respectively.

B. Translation reserve from foreign operations

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the Company.

C. Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Notes to consolidated financial statements

Note 12 - Loans and Borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and currency risk, refer to Note 21.

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

In thousands of Euros

	<u>Currency</u>	<u>Nominal interest rate</u>	<u>Year of maturity</u>	<u>December 31, 2024</u>		<u>December 31, 2023</u>	
				<u>Nominal value</u>	<u>Carrying value</u>	<u>Nominal value</u>	<u>Carrying value</u>
Non-current							
Secured bank loan	Euro	3M Euribor+1.85%- 3.35%	2025-2030	1,189,485	1,183,729	1,114,278	1,106,998
Secured bank loan	Euro	5.1%	2030	24,800	24,800	24,800	24,800
Lease liabilities	All currencies	4%-13.5%	2025-2048	12,499	12,305	11,876	11,651
Loan from related parties (1)	Euro	3M Euribor+2%	2030	1,050,570	1,050,570	837,019	837,019
Loan from related parties (2)	Euro	2.985%	2027	112,163	112,163	117,393	117,393
Loan from Joint Venture partners	Euro	3M Euribor+2%	2026	848	848	800	800
Corporate bank loan	ILS	4.82%	2027	88,513	88,126	93,072	92,530
Current maturity				<u>(311,192)</u>	<u>(311,192)</u>	<u>(74,885)</u>	<u>(74,885)</u>
Total non-current interest- bearing liabilities				<u>2,167,686</u>	<u>2,161,349</u>	<u>2,124,353</u>	<u>2,116,306</u>
Current							
Secured bank loan	Euro	3M Euribor+3%	2025	7,678	7,678	10,648	10,648
Current maturity				<u>311,192</u>	<u>311,192</u>	<u>74,885</u>	<u>74,885</u>
Total current interest- bearing liabilities				<u>318,870</u>	<u>318,870</u>	<u>85,533</u>	<u>85,533</u>

(*) For information regarding compliance with financial covenants see Note 22.

(**) The Company uses derivative financial instruments for the existing exposure for variable interest rate. For information see Note 21(E).

Note 12 - Loans and Borrowings (cont'd)

- (1) The Company and AFI Properties are parties to a Loan Agreement dated January 1, 2023 (the “**2023 Loan Agreement**”) which governs the terms of an intercompany debt owed by the Company to AFI Properties as a result of intercompany loans provided by the latter to the Company.

The outstanding balance of the Company’s debt to AFI Properties under the 2023 Loan Agreement as at December 31, 2024 was EUR 1,050,571 thousand (as at December 31, 2023: EUR 837,019 thousand). The loan's maturity date is December 31, 2030.

- (2) The Company as borrower and AFI Properties as lender are parties to a Loan Agreement dated March 16, 2021, following the transfer to the Company by AFI Corporate Financing B.V. of all of the latter’s rights and obligations under that agreement effective as of December 31, 2023 (the “**2021 Loan Agreement**”), in relation to an intercompany loan made available by AFI Properties (the “**2021 Loan**”).

The outstanding balance of the 2021 Loan as at December 31, 2024 was EUR 112,163 thousand (as at December 31, 2023: EUR 117,393 thousand). The 2021 Loan’s maturity date is September 15, 2027.

The 2021 Loan was provided in connection with debt raised by AFI Properties by way of a bond offering and then on-lent to the Company, which further lent the 2021 Loans’ proceeds to wholly owned subsidiaries of the Company that own and operate the business park known as Airport City in Belgrade, Serbia (the “**Property Company**”).

In connection with the aforementioned transactions, the Company and the Property Company, provided various securities to the trustee of the holders of AFI Properties’ Series 12 Bonds (the “**Trustee**”, the “**Bondholders**”, respectively) to secure the payment and discharge of AFI Properties’ liabilities towards the Trustee and the Bondholders.

- (3) On September 5, 2024 a financing agreement (the “**Agreement**”) was signed by a fully owned Polish subsidiary of the Company (the “**Subsidiary**”), in relation to a loan in the amount of EUR 31 million, of which an amount of EUR 25.1 million refinanced a previous loan from the same lender, secured by, *inter alia*, mortgages and pledges on an office building owned and operated by the Subsidiary in Krakow, Poland (the “**Loan**”).

The Loan bears interest at an annual rate of 3-month EURIBOR plus an acceptable margin in the market (and the Borrower undertook to hedge the interest rate in relation to the entire Loan throughout the duration of the Loan). The Loan’s final maturity date is September 30, 2029.

- (4) On October 23, 2024 a financing agreement (the “**Agreement**”) was signed by a fully owned Romanian subsidiary of the Company (the “**Subsidiary**”), in relation to a loan in the amount of EUR 29.5 million, secured by, *inter alia*, mortgages and pledges on a retail park owned and operated by the Subsidiary in Arad, Romania (the “**Loan**”).

The Loan bears interest at an annual rate of 3-month EURIBOR plus an acceptable margin in the market (and the Borrower undertook to hedge the interest rate in relation to the entire Loan throughout the duration of the Loan). The Loan’s final maturity date is October 25, 2029.

- (5) On December 4, 2024 a financing agreement (the “**Agreement**”) was signed by a fully owned Romanian subsidiary of the Company (the “**Subsidiary**”), in relation to a loan in the amount of EUR 44.77 million, secured by, *inter alia*, mortgages and pledges on two office buildings owned and operated by the Subsidiary in Bucharest, Romania and known as AFI Tech Park (the “**Loan**”). The Loan bears interest at an annual rate of 3-month EURIBOR plus an acceptable margin in the market (and the Borrower undertook to hedge the interest rate in relation to 50% of the Loan throughout the duration of the Loan). The Loan’s final maturity date is December 4, 2029.

Notes to consolidated financial statements

Note 13 - Other Non-Current Liabilities

In thousands of Euros

	December 31, 2024	December 31, 2023
Deposits from tenants	20,858	19,103
Payables for derivatives instruments	4,272	7,887
Other payables	907	1,901
	<u>26,037</u>	<u>28,891</u>

Note 14 - Trade and Other Payables

In thousands of Euros

	December 31, 2024	December 31, 2023
Suppliers and other trade payables	20,902	30,729
Provision, accruals expenses and deferred income	48,441	27,586
Trade payables due to related parties	1,848	-
Payables for derivatives instruments	1,182	746
Interest payables	11,614	11,383
Advances from tenants	4,449	5,277
Share purchase payables (1)	3,562	53,621
Others	11,301	13,235
	<u>103,299</u>	<u>142,577</u>

- (1) Share purchase payables in 2023 include approx. EUR 50.5 million related to the acquisition by the Company of 70% in a partnership that holds leasehold rights in respect of approx. 65,000 sqm land plots in central Warsaw, Poland. The Group paid in August 2024 the remaining part of the consideration according to the agreed milestone. For further information see Note 4(1)(E).

Notes to consolidated financial statements

Note 15 - Revenue from Contracts with Costumers

A. Gross rental income breakdown

In thousands of Euros

	For the year ended December 31,		
	2024	2023	2022
Romania	112,568	101,885	90,280
Serbia	40,845	31,963	22,477
Czech	28,357	22,056	18,598
Poland	16,573	12,521	10,717
Bulgaria	2,209	1,717	1,482
	<u>200,552</u>	<u>170,142</u>	<u>143,554</u>

The Group leases out its investment property under operating leases.

B. Transaction price allocated to the performance obligations that are unsatisfied

The table below presents the amount of revenue that is expected to be recognized in subsequent periods and is related to performance obligations not yet completed (or partially completed) at the reporting date, with respect to contracts that their expected original period is more than one year.

In thousands of Euros

	2025	2026	2027	Total
Residential units sold and not delivered	4,535	-	-	4,535
Rental from income-generating properties ^(*)	187,190	154,234	137,067	478,491

(*) Rental income is decreasing over the years since the information presented is not taking into consideration renewal of contracts or options exercised.

Note 16 – Service Charge Expenses

In thousands of Euros

	For the year ended December 31,		
	2024	2023	2022
Wages and salaries	6,663	5,526	4,705
Security	6,913	5,793	4,665
Cleaning	5,689	3,770	3,126
Electricity, Water and Gas	33,213	27,251	40,999
Maintenance and repairs	11,141	10,153	8,251
Depreciation	122	137	164
Property taxes, other taxes and fees	6,197	6,866	5,826
Others	4,663	3,914	3,155
	<u>74,601</u>	<u>63,410</u>	<u>70,891</u>

Notes to consolidated financial statements

Note 17 - Administrative Expenses

In thousands of Euros

	For the year ended December 31,		
	2024	2023	2022
Wages and salaries	13,504	9,376	9,329
Share based payment	-	-	4,005
Professional services	4,172	2,622	3,861
Depreciation	1,100	713	652
Legal and audit fees	1,477	1,522	1,083
Rent	55	190	170
Other administrative expenses	4,245	3,685	4,002
	<u>24,553</u>	<u>18,108</u>	<u>23,102</u>

Note 18 - Net Other Income (Expenses)

In thousands of Euros

	For the year ended December 31,		
	2024	2023	2022
Income from temporary rent	473	469	444
Revenue from Construction works for tenants	517	794	373
Closing a provision of a contingent claim	-	-	1,022
Compensation from cancellation of JV agreement	650	-	-
Gain from legal cases in Romania	1,984	-	-
Gain from disposal of subsidiary, net	-	-	299
Other	1,766	1,661	1,471
	<u>5,390</u>	<u>2,924</u>	<u>3,609</u>
Cost from Construction works for tenants	(126)	(111)	(77)
Expenses related to purchase and consulting regarding new projects	(409)	(169)	(2,291)
Other	(2,034)	(2,541)	(1,854)
	<u>(2,569)</u>	<u>(2,821)</u>	<u>(4,222)</u>

Note 19 - Net Financing Costs

In thousands of Euros

	For the year ended December 31,		
	2024	2023	2022
Bank interest expense (Gross)	56,922	45,277	24,097
Interest expenses to AFI Properties (Gross)	57,909	49,009	25,457
Leasing interest	2,780	4,688	1,249
Net foreign exchange loss (profit)	5,546	(6,701)	(7,069)
Loss (gain) from cash flow hedges	509	12,368	(4,316)
Commitments and other financing costs	1,103	2,150	902
Refinance fees	-	-	3,006
Loss from realization of translation reserves from disposal of subsidiaries	-	-	744
	<u>124,769</u>	<u>106,791</u>	<u>44,070</u>
Total capitalized interest	<u>(9,386)</u>	<u>(10,125)</u>	<u>(12,194)</u>
	<u>115,383</u>	<u>96,666</u>	<u>31,876</u>

Notes to consolidated financial statements

Note 20 - Income Tax

A. Details regarding the tax environment of the Group

The Group subsidiaries are taxable according to their individual tax regimes. Following the 2024 applicable tax rates for the Group:

	Corporate Tax rate
Netherlands	25.8%
Czech Republic (1)	21%
Serbia	15%
Bulgaria	10%
Romania	16%
Poland (2)	19%/9%
Latvia (3)	0%
Cyprus	12.5%
Israel	23%

(1) Changed to 21% starting from 2024.

(2) 9% only for small entities – revenues up to 2M EUR.

(3) 20% tax on corporate profits when distributed as dividends or deemed to be distributed.

B. Composition of income tax expense

In thousands of Euros

	For the year ended December 31,		
	2024	2023	2022
Current tax expense			
Current taxes	12,435	10,570	9,932
Taxes in respect of previous years	(900)	(40)	73
	<u>11,535</u>	<u>10,530</u>	<u>10,005</u>
Deferred tax expense			
Deferred taxes	22,978	(1,509)	14,738
Adjustment of deferred tax balances following a change in tax rates (see also Note 20A(1))	-	2,565	(78)
	<u>22,978</u>	<u>1,056</u>	<u>14,660</u>
	<u>34,513</u>	<u>11,586</u>	<u>24,665</u>

(1) The Company's operational results for tax purposes are computed in accordance with Dutch tax legislation. As of 2011 the Company (solo) was in fiscal unity with its Dutch subsidiary AFI GP B.V. (formerly: AFI Europe Financing B.V.), which was liquidated in 2022. During 2016 the subsidiary AFI Corporate Financing B.V. (100%) was added to the fiscal unity, and effective as of January 1, 2024 it merged into AFI Europe N.V.. In addition, during 2023 the subsidiaries AFI Home B.V. and AFI Home Poland B.V. were added to the fiscal unity, and during 2024 Controceni Investments Limited and Faringer Enterprises Limited became tax residents of the Netherlands (and ceased being tax residents of Cyprus) and were added to the fiscal unity as well.

C. Tax assessments

The Company has received final tax assessments up to and including the year ended 2021. Some subsidiaries in the Group have received final tax assessments up to and including the years 2014-2021.

Notes to consolidated financial statements

Note 20 - Income Tax (Cont'd)

D. Reconciliation of effective tax rate

In thousands of Euros

	For the year ended December 31,		
	2024	2023	2022
Profit before tax	142,767	23,421	102,685
Dutch statutory corporation tax rate	25.8%	25.8%	25.8%
Tax calculated according to the Company's primary tax rate	36,834	6,043	26,493
<u>Additional tax (tax saving) in respect of:</u>			
Effect of tax rates in foreign jurisdictions	(13,659)	(3,094)	(8,503)
Non-deductible expenses	4,567	1,412	3,380
Tax exempt income	(112)	(264)	(91)
Taxes in respect of previous years	(900)	(40)	73
Current year losses for which no deferred tax assets were created	14,188	5,081	3,641
Neutralization of tax calculated in respect of the Company's share in (profit) loss of equity accounted investees	(6,176)	5	310
Adjustment of deferred tax balances following a change in tax rates	-	2,565	(78)
Other	(229)	(122)	(560)
Income tax expenses from continuing operations	34,513	11,586	24,665
Effective tax rate	24%	49%	24%

E. Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following items as of December 31:

In thousands of Euros

	Assets		Liabilities		Net	
	2024	2023	2024	2023	2024	2023
Investment property	(212)	(3,470)	201,870	177,035	201,658	173,565
Inventory	(825)	(1,162)	475	737	(350)	(425)
Hedging capital funds	(1,054)	(634)	2,476	5,988	1,422	5,354
Finance lease liabilities	(2,346)	(2,151)	-	-	(2,346)	(2,151)
Tax value of loss carry-forwards recognized	(14,552)	(12,340)	-	-	(14,552)	(12,340)
Others	(6,688)	(6,422)	4,537	4,814	(2,151)	(1,608)
Tax (assets)/liabilities	<u>(25,677)</u>	<u>(26,179)</u>	<u>209,358</u>	<u>188,574</u>	<u>183,681</u>	<u>162,395</u>
Set off of tax	<u>23,160</u>	<u>19,679</u>	<u>(23,160)</u>	<u>(19,679)</u>	<u>-</u>	<u>-</u>
Net tax (asset) liabilities	<u>(2,517)</u>	<u>(6,500)</u>	<u>186,198</u>	<u>168,895</u>	<u>183,681</u>	<u>162,395</u>

On December 31, 2024, the Group had total tax losses carried forward for an amount of EUR 178,872 thousand (December 31, 2023, EUR 185,578 thousand). As of December 31, 2024, deferred tax asset was recognized in an amount of EUR 14,552 thousand (December 31, 2023, EUR 12,340 thousand).

Notes to consolidated financial statements

Note 20 - Income Tax (cont'd)

F. Movement in temporary differences during the year

In thousands of Euros

	December 31, 2024	December 31, 2023
Balance as at beginning of the year	162,395	162,245
Recognized in profit or loss	22,978	1,056
Recognized in other comprehensive income	(1,771)	(1,009)
Effect of movement in foreign exchange	79	103
Balance as at end of the year	<u>183,681</u>	<u>162,395</u>

Note 21 - Financial Instruments

Exposure to credit, interest rate and currency risk arises in the normal course of the Group's business. The Group uses derivative financial instruments in certain loan agreements to hedge its exposure to interest rate risks arising from construction, financing and investment activities. Furthermore, the Group does not hold or issue derivative financial instruments for trading purposes.

A. Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group requires collateral from its commercial tenants (bank guarantee or cash deposits usually equal to three months' rent income) in respect of lease agreements.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the balance date was:

In thousands of Euros

		Carrying amounts	
	Note	2024	2023
Non-current trade and other receivables		45,514	119,156
Loans to associate company	4	16,213	11,998
Short term investments	8	19,950	17,184
Current trade and other receivables	9	57,277	92,391
Cash and cash equivalents	10	104,068	82,818
		<u>243,022</u>	<u>323,547</u>

Notes to consolidated financial statements

Note 21 - Financial Instruments (cont'd)

Allowance for doubtful debts

The aging of trade receivables due from tenants at the balance sheet date was:

In thousands of Euros

	<u>Gross 2024</u>	<u>Impairment 2024</u>	<u>Gross 2023</u>	<u>Impairment 2023</u>
Not past due	14,288	-	9,665	-
Past due 0-30 days	3,219	9	8,078	-
Past due 31-120 days	2,873	33	2,945	-
Past due 121-365 days	933	83	800	13
More than one year	1,794	1,450	1,710	1,479
	<u>23,107</u>	<u>1,575</u>	<u>23,198</u>	<u>1,492</u>

The movement in the allowance for doubtful debts in respect of trade receivables due from tenants during the year was as follows:

In thousands of Euros

	<u>2024</u>	<u>2023</u>
Balance at January 1	1,492	1,910
Impairment loss recognized	360	-
Receivables write off	(277)	(418)
Balance as at December 31	<u>1,575</u>	<u>1,492</u>

B. Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

In thousands of Euros

As of December 31, 2024

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>6 moths or less</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
<u>Non-derivative financial liabilities:</u>							
Secured bank loans	1,208,529	1,364,689	56,099	294,352	576,315	337,987	99,936
Corporate loan	88,126	99,830	2,151	11,950	14,856	70,873	-
Short-term loans	7,678	8,116	-	8,116	-	-	-
Finance lease liability	12,305	38,921	920	954	2,083	5,468	29,496
Loans from related parties	1,162,733	1,505,717	4,266	4,254	8,363	103,822	1,385,013
Non-current liabilities	21,765	21,512	-	-	5,027	15,541	944
Loans from joint venture partners	848	922	-	-	922	-	-
Trade and other payables (1)	102,117	101,234	94,362	6,872	-	-	-
	<u>2,604,101</u>	<u>3,140,941</u>	<u>157,798</u>	<u>326,498</u>	<u>607,566</u>	<u>533,691</u>	<u>1,515,389</u>

(1) Including deferred expenses.

Notes to consolidated financial statements

Note 21 - Financial Instruments (cont'd)

In thousands of Euros

As of December 31, 2023

	Carrying amount	Contractual cash flows	6 moths or less	6-12 months	1-2 years	2-5 years	More than 5 years
<u>Non-derivative financial liabilities:</u>							
Secured bank loans	1,131,798	1,322,282	40,942	68,310	343,031	684,944	185,055
Corporate loan	92,530	108,268	2,275	11,538	13,325	81,130	-
Short-term loans	10,648	11,379	5,533	5,846	-	-	-
Finance lease liability	11,651	38,215	678	864	1,765	5,175	29,733
Loans from related parties	954,411	1,182,322	4,353	4,332	8,519	1,165,118	-
Non-current liabilities	21,004	21,004	-	-	5,061	13,266	2,677
Loans from joint venture partners	801	925	-	-	-	925	-
Trade and other payables (1)	141,831	138,325	129,198	9,127	-	-	-
	<u>2,364,674</u>	<u>2,822,720</u>	<u>182,978</u>	<u>100,017</u>	<u>371,701</u>	<u>1,950,558</u>	<u>217,465</u>

(1) Including deferred expenses.

Notes to consolidated financial statements

Note 21 - Financial Instruments (cont'd)

C. Currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

In thousands of Euros

	<u>Euro</u>	<u>CZK</u>	<u>PLN</u>	<u>BGN</u>	<u>RON</u>	<u>CSD</u>	<u>Others</u>	<u>Total</u>	<u>Euro</u>	<u>CZK</u>	<u>PLN</u>	<u>BGN</u>	<u>RON</u>	<u>CSD</u>	<u>Others</u>	<u>Total</u>
	December 31, 2024								December 31, 2023							
Loans to investee company	-	-	16,213	-	-	-	-	16,213	-	-	11,998	-	-	-	-	11,998
Short term investment	15,336	2,406	387	-	1,296	525	-	19,950	11,383	1,560	151	958	1,456	1,676	-	17,184
Trade receivables	48,220	6,688	6,785	4,195	28,120	8,754	29	102,791	63,588	15,224	74,476	14,009	32,837	11,365	48	211,547
Cash and cash equivalents	42,368	1,913	15,384	2,515	37,491	4,382	15	104,068	39,709	2,836	3,509	712	27,683	8,193	176	82,818
Interest-bearing loans and borrowings	(2,379,788)	(12,305)	-	-	-	-	(88,126)	(2,480,219)	(2,097,611)	(11,651)	-	-	-	-	(92,577)	(2,201,839)
Other non-current liabilities	(19,923)	(454)	(292)	(283)	(2,962)	(2,123)	-	(26,037)	(18,005)	(634)	(297)	(258)	(5,742)	(3,955)	-	(28,891)
Trade and other payables	(27,317)	(11,673)	(22,200)	(598)	(25,752)	(15,759)	-	(103,299)	(73,833)	(16,701)	(14,311)	(270)	(20,643)	(16,815)	(4)	(142,577)
Balance exposure	<u>(2,321,104)</u>	<u>(13,425)</u>	<u>16,277</u>	<u>5,829</u>	<u>38,193</u>	<u>(4,221)</u>	<u>(88,082)</u>	<u>(2,366,533)</u>	<u>(2,074,769)</u>	<u>(9,366)</u>	<u>75,526</u>	<u>15,151</u>	<u>35,591</u>	<u>464</u>	<u>(92,357)</u>	<u>(2,049,760)</u>

The exchange rates as per period end are presented in the following table:

	<u>Average rate</u>		<u>Spot rate</u>	
	<u>For the year ended</u>		<u>As at December 31,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
CZK (in Euros)	25.1	24.0	25.2	24.7
BGN (in Euros)	2.0	2.0	2.0	2.0
RON (in Euros)	5.0	4.9	5.0	5.0
PLN (in Euros)	4.3	4.5	4.3	4.3
CSD (in Euros)	117.1	117.3	117.0	117.2

Notes to consolidated financial statements

Note 21 - Financial Instruments (cont'd)

C. Currency risk (cont'd)

Sensitivity analysis

An increase as of December 31, 2024 of 10% in the exchange rate of the following currencies against the Euro would increase (decrease) the shareholders' equity and the net profit (loss) by the amounts presented below. This analysis was made based on the assumption that all the other variables, particularly the interest rates, remain fixed. The analyses for 2023 were made based on the same assumptions.

In thousands of Euros

		<u>Equity</u>	<u>Profit or loss</u>
December 31, 2024	CZK	2,778	(1,343)
	PLN	39,620	1,628
	BGN	583	583
	RON	3,819	3,819
	CSD	(422)	(422)
	Others	(8,808)	(8,808)
December 31, 2023	CZK	2,935	(937)
	PLN	42,137	7,631
	BGN	1,515	1,515
	RON	3,559	3,559
	CSD	(32)	(32)
	Others	(9,236)	(9,236)

A decrease as at December 31, 2024 of 10% in the exchange rate of the above currencies against the Euro would have the same effect but in the opposite direction, based on the assumption that all the other variables remain fixed.

D. Interest rate risk

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

In thousands of Euros

	<u>Carrying amount</u>	
	<u>2024</u>	<u>2023</u>
Fixed rate instruments		
Financial assets	55,771	51,926
Financial liabilities	(237,394)	(246,375)
	<u>(181,623)</u>	<u>(194,449)</u>
Variable rate instruments		
Financial assets	16,213	11,998
Financial liabilities (*)	(2,242,825)	(1,955,465)
	<u>(2,226,612)</u>	<u>(1,943,467)</u>

(*) The variable rate financial liabilities include secured bank loans of which the Group has interest rate swap contracts for fixed interest in the amount of EUR 486,182 thousand (as of 2023: EUR 605,159 thousand).

Notes to consolidated financial statements

Note 21 - Financial Instruments (cont'd)

D. Interest rate risk (cont'd)

Sensitivity analysis of the fair value with respect to financial instruments bearing fixed interest

The Group's assets and liabilities bearing fixed interest are not measured at fair value with the differences being recorded in the income statement, and the Group does not use derivative financial instruments as hedging instruments in accordance with the fair value hedging model. Therefore, any change in the interest rates as at the date of the report will have no effect on the income statement.

Sensitivity analysis of the cash flows with respect to financial instruments bearing variable interest

A change of 100 points in the base interest rate as at the date of the report would increase/decrease the net profit/loss by the following amounts. This analysis was made based on the assumption that all the other variables, particularly the foreign currency exchange rates, will remain fixed. The analyses for 2018 were based on the same assumptions.

in thousands of Euros

	Profit or (loss)		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
December 31, 2024				
Variable rate instruments	(3,489)	16,733	(3,489)	16,733
Interest rate swap	-	-	18,637	(18,574)
Cash flow sensitivity (net)	<u>(3,489)</u>	<u>16,733</u>	<u>15,148</u>	<u>(1,841)</u>
December 31, 2023				
Variable rate instruments	(19,435)	19,435	(19,435)	19,435
Interest rate swap	4,862	(4,862)	10,735	(11,332)
Cash flow sensitivity (net)	<u>(14,573)</u>	<u>14,573</u>	<u>(8,700)</u>	<u>8,103</u>

The Company has bank loans that have interest rates that reference to EURIBOR and that have maturities beyond 2024. As of December 31, 2024, the carrying amounts of these financial liabilities are EUR 1,207,606 thousand.

The Company also has derivatives interest rate swaps ("IRS") and interest cap rate contracts extending past 2024 that reference EURIBOR with carrying amounts of EUR 3,967 thousand, net and EUR 194 thousand, respectively, as of December 31, 2024.

E. Fair values

Financial instruments measured at fair value for disclosure purposes only

The book value of certain financial assets and liabilities, including cash and cash equivalents, trade and other receivables, short-term interest-bearing loans and borrowings, loans and borrowings from related parties, trade and other payables are equal or approximate to their fair value.

The fair values of the remaining financial assets and liabilities and their book values as presented in the statement of financial position are as follows:

In thousands of Euros

	December 31, 2024		December 31, 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current secured bank loans	1,208,529	1,204,445	1,131,798	1,124,515
Corporate loan	88,126	84,551	92,530	87,896

Notes to consolidated financial statements

Note 21 - Financial Instruments (cont'd)

E. Fair values (Cont.)

The secured bank loans are defined as Level 3 in the fair value hierarchy.

Valuation techniques for determining fair value

Fair value of the non-current secured bank loans is estimated by discounting future principal and interest cash flows by the market interest rate on the date of measurement. The interest rates used to discount estimated cash flows, where applicable, are based on the government yield curve at the reporting date plus an adequate credit spread, and were as follows:

Interest rates used for determining fair value:

	<u>2024</u>	<u>2023</u>
Loans and borrowings	3M Euribor + 2.1% - 3.35%	3M Euribor + 2.1% - 3.35%
Corporate Loan	6.7%	6.7%
Leases	13.44%	13.44%

Financial instruments measured at fair value - Derivative financial instruments

The financial liabilities and assets include interest rate swap contracts ("IRS") and interest cap rate contracts used for hedging and cross currency swap contracts which were not used for hedging. The financial instruments measured in accordance with level 2.

Details on the fair value of the financial instruments are disclosed below:

<i>In thousands of Euros</i>	<u>December 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
<u>Financial assets:</u>		
Interest rate swap	8,314	21,197
Interest cap rate	194	3,523
<u>Financial liabilities:</u>		
Cross currency Swap	1,106	6,200
Interest rate swap	4,348	2,433

Fair value of IRS and interest cap rate is measured on the basis of the capitalization of the difference between the forward price in the contract and the current price for the residual period until redemption using appropriate interest curves used for derivative pricing and based on short-term Euribor interest rates and long-term IRS transactions.

Fair value of cross currency swap is measured on the basis of the capitalization of the difference between the payment in Euro currency that the Company is expected to pay and the payment in Israeli Shekels ("ILS") currency that the Company is expected to receive according to the difference between the expected exchange rate on the day of the contract execution (using Euro and ILS interest rate curves for the time of the calculation) and the rate determined on the day the transaction was concluded).

Notes to consolidated financial statements

Note 21 - Financial Instruments (cont'd)

E. Fair values (Cont.)

In thousands of Euros

As of December 31, 2024						
	Interest Receivable	Interest payable	Expiration exercise date	Amount	Fair value	Effective Hedge net of Tax
Interest rate swap	3M Euribor	(0.075%)	01/08/2025	148,325	2,228	1,873
Interest rate swap	3M Euribor	2.925%	25/01/2027	12,326	(207)	(174)
Interest rate swap	3M Euribor	2.925%	25/01/2027	13,428	(226)	(190)
Interest rate swap	3M Euribor	2.925%	25/01/2027	13,766	(232)	(194)
Interest rate swap	3M Euribor	2.925%	25/01/2027	33,231	(558)	(469)
Interest rate swap	3M Euribor	2.32%	25/10/2029	29,500	(178)	(150)
Interest rate swap	3M Euribor	(0.372%)	11/12/2025	55,278	1,341	1,086
Interest rate swap	3M Euribor	3.05%	27/11/2026	39,420	(717)	(566)
Interest rate swap	3M Euribor	(0.26%)	28/05/2025	10,307	143	122
Interest rate swap	3M Euribor	2.50%	27/09/2027	47,713	(439)	(1,402)
Interest rate swap	3M Euribor	2.18%	28/09/2029	30,791	(36)	(29)
Interest rate swap	3M Euribor	(0.17%)	30/04/2026	36,890	1,111	877
Interest rate swap	3M Euribor	(0.205%)	13/08/2026	47,676	2,015	1,592
Interest rate swap	3M Euribor	(0.205%)	13/08/2026	28,252	1,197	945
Interest rate swap	3M Euribor	1.43%	26/11/2026	16,797	268	212
Interest rate swap	3M Euribor	3.22%	02/10/2028	19,180	(776)	(613)
Interest rate swap	3M Euribor	3.30%	02/10/2028	16,926	(734)	(580)
Interest rate swap	3M Euribor	3.30%	02/10/2028	5,355	(233)	(188)
Interest rate cap	3M Euribor	2.25%	16/12/2025	219,164	133	112
Interest rate cap	3M Euribor	2.25%	16/12/2025	69,590	42	35
Interest rate cap	3M Euribor	2.25%	16/12/2025	26,133	16	13
Interest rate cap	3M Euribor	2.50%	14/04/2026	3,307	4	3
Interest rate cap	3M Euribor	2.80%	18/10/2028	50,000	-	-
As of December 31, 2024						
	Interest Receivable	Interest payable	Expiration exercise date	Exchange rate swap deal	Amount (ILS)	Fair value
Cross currency swap	4.82%	5.11%	05/07/2027	3.84 ILS to 1 EUR	333,000	(1,106)

Notes to consolidated financial statements

Note 21 - Financial Instruments (cont'd)

E. Fair values (Cont.)

In thousands of Euros

As of December 31, 2023						
	Interest Receivable	Interest payable	Expiration exercise date	Amount	Fair value	Effective Hedge net of Tax
Interest rate swap	3M Euribor	(0.075%)	01/08/2025	153,426	7,044	5,915
Interest rate swap	3M Euribor	(0.372%)	11/12/2025	56,177	3,655	2,961
Interest rate swap	3M Euribor	0.00%	04/03/2024	39,840	668	528
Interest rate swap	3M Euribor	(0.26%)	28/05/2025	11,060	518	440
Interest rate swap	3M Euribor	2.50%	27/09/2027	49,542	(264)	(1,626)
Interest rate swap	3M Euribor	(0.170%)	30/04/2026	38,266	2,313	1,827
Interest rate swap	3M Euribor	(0.205%)	13/08/2026	49,656	3,695	2,919
Interest rate swap	3M Euribor	(0.205%)	13/08/2026	29,424	2,197	1,736
Interest rate swap	3M Euribor	1.43%	26/11/2026	17,330	593	469
Interest rate swap	3M Euribor	3.22%	02/10/2028	19,180	(730)	(576)
Interest rate swap	3M Euribor	3.30%	02/10/2028	16,926	(701)	(554)
Interest rate swap	3M Euribor	3.30%	02/10/2028	5,355	(224)	(177)
Interest rate cap	3M Euribor	2.25%	16/12/2025	225,213	2,340	1,966
Interest rate cap	3M Euribor	2.25%	16/12/2025	71,576	743	624
Interest rate cap	3M Euribor	2.25%	16/12/2025	26,921	279	234
Interest rate cap	3M Euribor	2.50%	14/04/2026	3,354	38	32
Interest rate cap	3M Euribor	3.00%	30/09/2024	20,861	123	100

As of December 31, 2023						
	Interest Receivable	Interest payable	Expiration exercise date	Exchange rate swap deal	Amount (ILS)	Fair value
Cross currency swap	4.82%	5.11%	05/07/2027	3.84 ILS to 1 EUR	370,000	(6,200)

Note 22 - Contingent Liabilities

Securities, guarantees and pledges under bank finance agreements

According to some of the financing agreements to which group companies are parties, the Company is obliged to provide additional funding in case such funding is required to complete the relevant project. Furthermore, some Group companies agreed to comply with certain reporting requirements, as well as to maintain certain financial ratios and minimum cash balances (covenants), such as (i) certain DSCR between net rental income and debt service amount, and (ii) certain LTV ratios between the outstanding balance of a loan and the value of the relevant assets securing the repayment of such loan.

To the best of the Company's knowledge, the Company is not aware of any breach of covenants under the various financing agreements to which Group companies are parties.

Notes to consolidated financial statements**Note 23- Related Parties**

The parent company is AFI Properties Holdings Ltd. (Israel) which is a fully owned subsidiary of AFI Properties.

Transactions between the companies within the Group, which are related parties, have been eliminated in the consolidated financial statements and are not disclosed in this note.

Details of transactions between the Group and other related parties are disclosed below:

In thousands of Euros

	December 31, 2024	December 31, 2023	December 31, 2022
Management fees to AFI Properties	(3,511)	(1,906)	(3,730)
Interest expenses to AFI Properties (*)	(57,909)	(49,009)	(25,457)
Interest income from other related parties, net	1,280	802	132
	<u>(60,140)</u>	<u>(50,113)</u>	<u>(29,055)</u>
Balance:			
Loans from AFI Properties (see Note 12)	(1,162,733)	(954,412)	(1,001,491)
Payables to AFI Properties	(1,848)	-	-
Loans to associate company (see Note 4)	16,213	11,998	7,154

(*) Including interest capitalized to investment properties under development and inventory under development.

Note 24 - Operating Segments

The Group is presenting reportable operating segments, as described below, in accordance with IFRS 8. The operating segments are based on geographical areas which reflect the principal and material source of risks and rewards to which the Group is exposed and are managed separately. Operating segments are identified on the basis of internal management reports which are reviewed on a regular basis by the Group's chief operating decision maker (CODM).

Performance is measured based on segment operating profit before administrative, selling and marketing expenses, as included in reports that are regularly reviewed by the chief operating decision maker. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Segment results reported to the chief operating decision maker include items directly attributable to a segment on a reasonable basis.

The accounting policies of the reportable segments are the same as described in Note 3 regarding significant accounting policies.

Geographical segments

The Company has several main geographical areas: Czech Republic, Serbia, Romania, Poland and other regions.

Notes to consolidated financial statements

Note 24 - Operating Segments (cont'd)

In thousands of Euros

	For the year ended at December 31, 2024					
	Czech Republic	Serbia	Romania	Poland	Other regions	Total consolidated
Income from external customers:						
Gross rental income	28,357	40,845	112,568	16,573	2,209	200,552
Proceeds from sale of trading property	658	-	-	91	7,366	8,115
Service charge income	10,731	13,610	36,135	7,905	892	69,273
Other income	295	1,201	2,971	188	735	5,390
Total income	40,041	55,656	151,674	24,757	11,202	283,330
Gross profit	26,278	40,503	111,960	15,004	4,256	198,001
Net valuation gains (losses)	(11,524)	22,238	52,135	(1,879)	1,458	62,428
Segment result	14,225	61,676	164,846	12,393	5,625	258,765
Share of profit of companies accounted for at equity, net	-	-	-	23,938	-	23,938
Unallocated expenses						(24,553)
Operating profit						258,150
Net financing costs						(115,383)
Taxes on income						(34,513)
Profit for the period						108,254

Notes to consolidated financial statements

Note 24 - Operating Segments (cont'd)

In thousands of Euros

	For the year ended at December 31, 2023					
	<u>Czech Republic</u>	<u>Serbia</u>	<u>Romania</u>	<u>Poland</u>	<u>Other regions</u>	<u>Total consolidated</u>
Income from external customers:						
Gross rental income	22,056	31,963	101,885	12,521	1,717	170,142
Proceeds from sale of trading property	1,891	-	-	24	9,986	11,901
Service charge income	8,811	9,982	33,539	5,815	803	58,950
Other income	569	1,404	423	331	197	2,924
Total income	<u>33,327</u>	<u>43,349</u>	<u>135,847</u>	<u>18,691</u>	<u>12,703</u>	<u>243,917</u>
Gross profit	<u>20,560</u>	<u>30,536</u>	<u>95,562</u>	<u>11,610</u>	<u>4,065</u>	<u>162,333</u>
Write down of inventory to net realize value	-	-	(6,912)	-	-	(6,912)
Net valuation gains (losses)	3,583	5,119	(25,488)	(3,354)	898	(19,242)
Segment result	<u>23,354</u>	<u>34,983</u>	<u>68,418</u>	<u>6,863</u>	<u>4,597</u>	<u>138,215</u>
Share of losses of companies accounted for at equity, net	-	-	-	(20)	-	(20)
Unallocated expenses						<u>(18,108)</u>
Operating profit						120,087
Net financing costs						(96,666)
Taxes on income						(11,586)
Profit for the period						11,835

Notes to consolidated financial statements

Note 24 - Operating Segments (cont'd)

In thousands of Euros

In thousands of Euros

	For the year ended at December 31, 2022					
	Czech Republic	Serbia	Romania	Poland	Other regions	Total consolidated
Income from external customers:						
Gross rental income	18,598	22,477	90,280	10,717	1,482	143,554
Proceeds from sale of trading property	3,154	3,510	123	503	13,018	20,308
Service charge income	6,718	7,404	45,741	4,407	732	65,002
Other income	464	490	1,663	215	777	3,609
Total income	28,934	33,881	137,807	15,842	16,009	232,473
Gross profit	17,208	22,534	81,838	10,374	4	131,958
Write down of inventory to net realize value	-	-	(6,497)	-	(2,520)	(9,017)
Net valuation gains	15,682	8,352	3,571	1,760	1,656	31,021
Segment result	32,661	29,172	84,751	12,184	95	158,863
Share of losses of companies accounted for at equity, net	-	-	-	(1,200)	-	(1,200)
Unallocated expenses						(23,102)
Operating profit						134,561
Net financing costs						(31,876)
Taxes on income						(24,665)
Profit for the period						78,020

Notes to consolidated financial statements

Note 24 - Operating Segments (cont'd)

In thousands of Euros

	For the year ended at December 31, 2024					Total
	Czech Republic	Serbia	Romania	Poland	Other Regions	Consolidated
Investment property and investment property under development	546,903	656,991	1,583,367	521,018	34,594	3,342,873
Inventory of buildings and land	32,448	-	56,562	9,809	38,700	137,519
Total	579,351	656,991	1,639,929	530,827	73,294	3,480,392
Unallocated assets	-	-	-	-	-	383,694
Total assets	-	-	-	-	-	3,864,086
Segment liabilities	269,671	79,242	735,866	136,005	8,526	1,229,310
Unallocated liabilities	-	-	-	-	-	1,569,532
Total liabilities	-	-	-	-	-	2,798,842

In thousands of Euros

	For the year ended at December 31, 2023					Total
	Czech Republic	Serbia	Romania	Poland	Other Regions	Consolidated
Investment property and investment property under development	545,650	588,445	1,448,819	312,901	32,119	2,927,934
Inventory of buildings and land	32,019	-	56,442	9,672	35,783	133,916
Total	577,669	588,445	1,505,261	322,573	67,902	3,061,850
Unallocated assets						448,866
Total assets						3,510,716
Segment liabilities	274,567	66,787	683,307	118,689	11,449	1,154,799
Unallocated liabilities						1,391,292
Total liabilities						2,546,091

Notes to the consolidated financial statements

Note 25- Group Entities

Following below a list of all the Company's subsidiaries:

	<u>Country of incorporation</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
AFI Vokovice s.r.o.	Czech Republic	100.0	100.0
M.I.C.C Prague s.r.o.	Czech Republic	100.0	100.0
Tulipa City s.r.o.	Czech Republic	100.0	100.0
AFI Karlin s.r.o.	Czech Republic	100.0	100.0
AFI Europe Czech Republic s.r.o	Czech Republic	100.0	100.0
Faringer Enterprises Ltd.	Cyprus	100.0	100.0
Classic 7 s.r.o.	Czech Republic	100.0	100.0
Classic Park Group s.r.o.	Czech Republic	100.0	100.0
Tulipa Trebesin s.r.o.	Czech Republic	100.0	100.0
Classic Park III s.r.o.	Czech Republic	100.0	100.0
AFI CityTower s.r.o.	Czech Republic	100.0	100.0
Petrinski Dvur s.r.o.	Czech Republic	100.0	100.0
TK 4 Rent s.r.o. (4)	Czech Republic	100.0	100.0
TT 4 Rent s.r.o. (4)	Czech Republic	100.0	100.0
TC 4 Rent s.r.o. (4)	Czech Republic	100.0	100.0
TK Management s.r.o (4)	Czech Republic	100.0	100.0
TC Management s.r.o (4)	Czech Republic	100.0	100.0
AFI Avenir Park s.r.o	Czech Republic	100.0	100.0
Kolbenova 2 s.r.o. (4)	Czech Republic	100.0	100.0
Kolbenova 2 Management s.r.o. (4)	Czech Republic	100.0	100.0
TS 4 Rent s.r.o. (4)	Czech Republic	100.0	-
Intrastar International Ltd. (1)	British Virgin Islands	100.0	100.0
Galway Consolidated Ltd. (1)	British Virgin Islands	100.0	100.0
Airport City d.o.o. (1)	Serbia	100.0	100.0
AFI Property Management d.o.o	Serbia	100.0	100.0
Airport City West Gate LLC	Serbia	100.0	100.0
Airport City East Gate LLC	Serbia	100.0	100.0
Direct Capital S d.o.o (3)	Serbia	100.0	100.0
Orchid Group d.o.o	Serbia	96.0	96.0
West Port d.o.o	Serbia	100.0	100.0
AFI Management LLC	Serbia	100.0	100.0
AFI Zmaj West LLC	Serbia	96.0	96.0
AFI Zmaj East LLC	Serbia	96.0	96.0
AFI Zmaj North LLC	Serbia	96.0	-
Skyline Home LLC	Serbia	96.0	96.0
Premium Property Management EOOD	Bulgaria	100.0	100.0
AFI Lagera Tulip EOOD	Bulgaria	100.0	100.0
Plovdiv Logistic Center AD	Bulgaria	75.0	75.0
Malina Gardens EOOD	Bulgaria	100.0	100.0
AFI Europe Bulgaria EOOD	Bulgaria	100.0	100.0
Business Park Varna EOOD	Bulgaria	100.0	100.0
AFI Europe Management S.R.L.	Romania	100.0	100.0

Notes to the consolidated financial statements

Note 25 - Group Entities (cont'd)

	<u>Country of incorporation</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Cotroceni Park SA	Romania	98.58	98.58
Contronceni Investments Ltd.	Cyprus	100.0	100.0
AFI Arad S.R.L.	Romania	100.0	100.0
Star Estate S.R.L.	Romania	100.0	100.0
AFI Palace Ploiesti S.R.L.	Romania	100.0	100.0
AFI BNOI S.R.L.	Romania	100.0	100.0
AFI Tech Park S.R.L.	Romania	100.0	100.0
AFI Magurele S.R.L.	Romania	100.0	100.0
AFI Park 1 S.R.L.	Romania	100.0	100.0
AFI Park 2 S.R.L.	Romania	100.0	100.0
AFI Park Building 3 S.R.L.	Romania	100.0	100.0
AFI Park offices 4&5 S.R.L.	Romania	100.0	100.0
AFI Home North S.R.L. (4)	Romania	100.0	100.0
AFI Palace Brasov S.R.L.	Romania	100.0	100.0
AFI Global Park S.R.L.	Romania	100.0	100.0
AFI HoldCo S.R.L.	Romania	100.0	100.0
AFI Victoriei Plaza S.R.L.	Romania	100.0	100.0
AFI Park Floreasca S.R.L. (5)	Romania	100.0	100.0
AFI Lakeview S.R.L. (5)	Romania	100.0	100.0
AFI Park Timisoara Buildings A&B S.R.L. (5)	Romania	100.0	100.0
AFI Park Timisoara Building C S.R.L. (5)	Romania	100.0	100.0
AFI Park Timisoara Buildings D&E S.R.L. (5)	Romania	100.0	100.0
AFI Victoriei Tower S.R.L.	Romania	100.0	-
Novo Maar Sp. z o.o	Poland	100.0	100.0
AFI Zlota 83 Sp. z o.o (7)	Poland	100.0	100.0
AFI Management Sp. z o.o	Poland	100.0	100.0
AFI Project 1 Sp. z o.o	Poland	100.0	100.0
AFI Project 2 Sp. z o.o	Poland	100.0	100.0
AFI Project 3 Sp. z o.o (7)	Poland	100.0	100.0
AFI Project 4 Sp. z o.o (4)	Poland	100.0	100.0
AFI Project 5 Sp. z o.o (4)	Poland	100.0	100.0
AFI Project 6 Sp. z o.o (4)	Poland	100.0	100.0
AFI Project 7 Sp. z o.o (7)	Poland	100.0	100.0
AFI Project 8 Sp. z o.o (7)	Poland	100.0	100.0
AFI Project 9 Sp. z o.o (4)	Poland	100.0	100.0
AFI Project 10 Sp. z o.o (4)	Poland	100.0	100.0
AFI Project 11 Sp. z o.o (7)	Poland	100.0	100.0
AFI Project 12 Sp. z o.o (4)	Poland	100.0	100.0
Varnell Investments Sp. z o.o	Poland	100.0	100.0
Carnea 2 sp. z o.o. (4)	Poland	100.0	100.0
AFI Lazurowa sp. z o.o. (4)	Poland	100.0	100.0
Pebworth sp. z o.o.	Poland	100.0	100.0
Projekt Echo – 138 sp. z o.o.	Poland	70.0	70.0
Projekt Towarowa 22 sp. z o.o. (6)	Poland	70.0	70.0
T22 Budynek B sp. z o.o. (6)	Poland	70.0	-
AFI Advisory sp. z o.o.	Poland	100.0	100.0

Notes to the consolidated financial statements

Note 25 - Group Entities (cont'd)

	<u>Country of incorporation</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
AFI Project 13 Sp. z o.o (formerly: AFI Kabaty sp. z o.o.) (4)	Poland	100.0	100.0
SIA AFI Investments	Latvia	100.0	100.0
SIA AFI Management	Latvia	100.0	100.0
SIA B.R. Holdings (In Liquidation)	Latvia	100.0	100.0
SIA Anninmuizas Ipasums (In Liquidation)	Latvia	100.0	100.0
AFI Properties Berlin B.V. (liquidated)	The Netherlands	-	100.0
AFI Properties B.V. (liquidated)	The Netherlands	-	100.0
AFI Properties Logistics B.V. (liquidated)	The Netherlands	-	100.0
AFI Properties Development B.V. (liquidated)	The Netherlands	-	100.0
AFI Germany Investment GmbH	Germany	100.0	100.0
AFI Germany GmbH	Germany	100.0	100.0
AFIEM Cyprus Limited	Cyprus	100.0	100.0
AFI Corporate Financing B.V. (merged) (8)	The Netherlands	-	100.0
AFI Mixed-Use Projects B.V. (2)	The Netherlands	100.0	100.0
AFI Home B.V.	The Netherlands	100.0	100.0
AFI Home Poland B.V. (4)	The Netherlands	100.0	100.0
AFI Project Developers B.V.	The Netherlands	100.0	100.0
AFI Europe (Israel Branch) Ltd. (In Liquidation)	Israel	100.0	100.0
M.S.A. Efrat Investments Ltd	Israel	100.0	100.0
D.B.M. Harel Investments Ltd (2006)	Israel	100.0	100.0

- (1) Intrastar holds 85% in Airport City Belgrade d.o.o. and Galway Consolidated Ltd. holds 15% in Airport City Belgrade d.o.o.
- (2) The rights of AFI Europe N.V in profits 96%. The rights to vote and risks 100%
- (3) The ownership is by AFI Project Developers B.V (100%)
- (4) The ownership is by AFI Home B.V (100%)
- (5) The ownership is by AFI HoldCo S.R.L. (100%)
- (6) The ownership is by Pebworth sp. z o.o. (70%)
- (7) The ownership is by AFI Home Poland B.V (100%)
- (8) Merged to AFI Europe N.V., effective as of January 1, 2024.

Note 26 - Subsequent Events

- A. On January 2025 a financing agreement (the “**Agreement**”) was signed by five fully owned Polish subsidiaries of the Company (the “**Subsidiaries**”), in relation to a loan in the aggregate amount of up to EUR 120 million, secured by, *inter alia*, mortgages and pledges on four residential-for-rent properties owned and operated by the Subsidiaries in Warsaw, Wroclaw and Krakow in Poland (the “**Loan**”).

The Loan bears interest at an annual rate of 3-month EURIBOR plus an acceptable margin in the market. The Loan’s final maturity date is December 30, 2030.