

AFI Europe N.V.

**Unaudited Condensed Consolidated
Interim Financial Statements**

As at September 30, 2024

Unaudited Interim Financial Statements as at September 30, 2024

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Auditors' report on review to the shareholders of AFI Europe N.V.

Introduction

We have reviewed the accompanying financial information of AFI Europe N.V. and its subsidiaries, comprises the interim consolidated statement of financial position as of September 30, 2024 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine and three months periods then ended. The Company's board of directors and management are responsible for the preparation and presentation of interim information for these periods in accordance with IAS 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

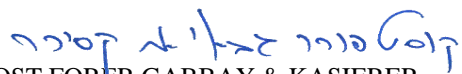
Scope of review

We conducted our review in accordance with Review Standard 2410 (Israel) of the Institute of Certified Public Accountants in Israel, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Tel-Aviv, Israel
November 12, 2024


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

Unaudited Condensed Consolidated Interim Statement of Financial Position as at*In thousands of Euros*

	September 30, 2024	September 30, 2023	December 31, 2023
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Audited)</u>
Assets			
Investment in (and loans to) equity accounted investees	139,732	112,908	122,779
Investment property	2,896,120	2,557,022	2,635,837
Investment property under development	325,633	304,904	292,097
Inventory	114,272	113,843	113,341
Property, plant and equipment and right-of-use assets	11,628	2,308	8,038
Deferred tax assets	6,486	5,639	6,500
Trade and other receivables	116,708	135,035	119,156
Total non-current assets	<u>3,610,579</u>	<u>3,231,659</u>	<u>3,297,748</u>
Inventory	22,441	18,705	20,575
Short term investment	20,237	19,325	17,184
Trade and other receivables	64,187	81,766	92,391
Cash and cash equivalents	119,866	86,958	82,818
Total current assets	<u>226,731</u>	<u>206,754</u>	<u>212,968</u>
Total assets	<u>3,837,310</u>	<u>3,438,413</u>	<u>3,510,716</u>
Equity			
Issued capital	930	930	930
Share premium	411,797	411,797	411,797
Translation reserve	21,143	(1,002)	17,881
Hedging reserve, net	4,600	23,886	13,941
Retained earnings	613,105	508,529	513,943
Equity attributable to owners of the Company	<u>1,051,575</u>	<u>944,140</u>	<u>958,492</u>
Non-controlling interest	<u>7,669</u>	<u>6,150</u>	<u>6,133</u>
Total equity	<u>1,059,244</u>	<u>950,290</u>	<u>964,625</u>
Liabilities			
Loans and borrowings	1,031,057	976,308	1,167,125
Loans and borrowings from related parties	1,191,100	978,369	949,181
Deferred tax liabilities	185,746	166,726	168,895
Other non-current liabilities	34,142	28,382	28,891
Total non-current liabilities	<u>2,442,045</u>	<u>2,149,785</u>	<u>2,314,092</u>
Loans and borrowings	207,688	115,360	80,303
Loans and borrowings from related parties	7,401	79,546	5,230
Trade and other payables	118,093	139,933	142,577
Tax payable	2,839	3,499	3,889
Total current liabilities	<u>336,021</u>	<u>338,338</u>	<u>231,999</u>
Total liabilities	<u>2,778,066</u>	<u>2,488,123</u>	<u>2,546,091</u>
Total equity and liabilities	<u>3,837,310</u>	<u>3,438,413</u>	<u>3,510,716</u>

Director – A. Barzilay

Amsterdam, November 12, 2024

Director – A. Dafna

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

Unaudited Condensed Consolidated Interim Income Statement*In thousands of Euros*

	For the nine months ended		For the three months ended		For the year ended
	September 30,		September 30,		December 31,
	2024	2023	2024	2023	2023
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Gross rental income	146,987	123,114	49,944	42,611	170,142
Service charge income	50,070	42,122	18,106	14,463	58,950
Service charge expenses	(54,094)	(46,174)	(19,499)	(15,419)	(63,410)
Net rental and related income	142,963	119,062	48,551	41,655	165,682
Proceeds from sale of trading property	6,279	9,517	3,006	1,848	11,901
Carrying value of trading property sold	(3,812)	(7,367)	(1,349)	(1,564)	(8,338)
Write down of inventory to net realizable value	-	(6,912)	-	(6,912)	(6,912)
Profit (loss) from disposal of trading property	2,467	(4,762)	1,657	(6,628)	(3,349)
Gross profit	145,430	114,300	50,208	35,027	162,333
Change in fair value of investment property	56,763	(22,236)	61,453	16,022	(25,539)
Change in fair value of investment property under development	6,456	6,297	6,456	5,958	6,297
Administrative expenses	(17,769)	(13,034)	(7,413)	(3,923)	(18,108)
Selling and marketing expenses	(3,385)	(3,390)	(510)	(1,192)	(4,979)
Other income	3,704	2,257	1,174	951	2,924
Other expenses	(1,618)	(1,723)	(497)	(316)	(2,821)
Share of profit (losses) of companies accounted for at equity, net	21,933	1,320	22,641	2,370	(20)
Operating profit	211,514	83,791	133,512	54,897	120,087
Financial income	4,554	2,436	2,540	(452)	8,086
Financial expenses	(89,091)	(71,820)	(33,635)	(29,154)	(104,752)
Net financing costs	(84,537)	(69,384)	(31,095)	(29,606)	(96,666)
Profit before tax	126,977	14,407	102,417	25,291	23,421
Taxes on income	(26,279)	(8,034)	(18,342)	(3,691)	(11,586)
Profit for the period	100,698	6,373	84,075	21,600	11,835
Attributable to:					
Equity holders of the Company	99,162	5,948	82,736	21,309	11,362
Non-controlling interest	1,536	425	1,339	291	473
Profit for the period	100,698	6,373	84,075	21,600	11,835

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

Unaudited Condensed Consolidated Interim Statement of Comprehensive Income

In thousands of Euros

	For the nine months ended		For the three months ended		For the year
	September 30,		September 30,		ended
	2024	2023	2024	2023	December 31,
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Profit for the period	100,698	6,373	84,075	21,600	11,835
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	3,262	2,011	1,001	(14,331)	20,894
Reserves from hedge accounting	(9,341)	(5,505)	(8,163)	(3,516)	(15,515)
Other comprehensive income for the period, net of tax	(6,079)	(3,494)	(7,162)	(17,847)	5,379
Total comprehensive income for the period	<u>94,619</u>	<u>2,879</u>	<u>76,913</u>	<u>3,753</u>	<u>17,214</u>
Attributed to:					
Equity holders of the Company	93,083	2,454	75,574	3,462	16,806
Non-controlling interest	1,536	425	1,339	291	408
Total comprehensive income for the period	<u>94,619</u>	<u>2,879</u>	<u>76,913</u>	<u>3,753</u>	<u>17,214</u>

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

Unaudited Condensed Consolidated Interim Statement of Changes in Equity*In thousands of Euros*

	Issued capital	Share premium reserve	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, 2024 (Audited)	930	411,797	17,881	13,941	(6,696)	520,639	958,492	6,133	964,625
Profit for the period	-	-	-	-	-	99,162	99,162	1,536	100,698
Adjustments for translation	-	-	3,262	-	-	-	3,262	-	3,262
Reserve from hedge accounting	-	-	-	(9,341)	-	-	(9,341)	-	(9,341)
Balance at September 30, 2024 (Unaudited)	<u>930</u>	<u>411,797</u>	<u>21,143</u>	<u>4,600</u>	<u>(6,696)</u>	<u>619,801</u>	<u>1,051,575</u>	<u>7,669</u>	<u>1,059,244</u>
Balance at January 1, 2023 (Audited)	930	411,797	(3,013)	29,391	(6,696)	509,277	941,686	5,725	947,411
Profit for the period	-	-	-	-	-	5,948	5,948	425	6,373
Adjustments for translation	-	-	2,011	-	-	-	2,011	-	2,011
Reserve from hedge accounting	-	-	-	(5,505)	-	-	(5,505)	-	(5,505)
Balance at September 30, 2023 (Unaudited)	<u>930</u>	<u>411,797</u>	<u>(1,002)</u>	<u>23,886</u>	<u>(6,696)</u>	<u>515,225</u>	<u>944,140</u>	<u>6,150</u>	<u>950,290</u>

The accompanying notes are integral part of these consolidated interim financial statements

Unaudited Condensed Consolidated Interim Statement of Changes in Equity*In thousands of Euros*

	Issued capital	Share premium reserve	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 July 1, 2024 (Unaudited)	930	411,797	20,142	12,763	(6,696)	537,065	976,001	6,330	982,331
Profit for the period	-	-	-	-	-	82,736	82,736	1,339	84,075
Adjustments for translation	-	-	1,001	-	-	-	1,001	-	1,001
Reserve from hedge accounting	-	-	-	(8,163)	-	-	(8,163)	-	(8,163)
Balance at September 30, 2024 (Unaudited)	<u>930</u>	<u>411,797</u>	<u>21,143</u>	<u>4,600</u>	<u>(6,696)</u>	<u>619,801</u>	<u>1,051,575</u>	<u>7,669</u>	<u>1,059,244</u>
Balance at July 1, 2023 (Unaudited)	930	411,797	13,329	27,402	(6,696)	493,916	940,678	5,859	946,537
Profit for the period	-	-	-	-	-	21,309	21,309	291	21,600
Adjustments for translation	-	-	(14,331)	-	-	-	(14,331)	-	(14,331)
Reserve from hedge accounting	-	-	-	(3,516)	-	-	(3,516)	-	(3,516)
Balance at September 30, 2023 (Unaudited)	<u>930</u>	<u>411,797</u>	<u>(1,002)</u>	<u>23,886</u>	<u>(6,696)</u>	<u>515,225</u>	<u>944,140</u>	<u>6,150</u>	<u>950,290</u>
Balance at January 1, 2023 (Audited)	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 (Audited)	<u>930</u>	<u>411,797</u>	<u>17,881</u>	<u>13,941</u>	<u>(6,696)</u>	<u>520,639</u>	<u>958,492</u>	<u>6,133</u>	<u>964,625</u>

The accompanying notes are integral part of these consolidated interim financial statement

Unaudited Condensed Consolidated Interim Statement of Cash Flows

In thousands of Euros

	For the nine months ended		For the three months ended		For the year ended
	September 30,		September 30,		December 31,
	2024	2023	2024	2023	2023
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Cash flows from operating activities					
Profit for the period	100,698	6,373	84,075	21,600	11,835
<u>Adjustment for:</u>					
Depreciation	891	561	307	216	840
Loss (profit) from equity accounted investees	(21,933)	(1,320)	(22,641)	(2,370)	20
Change in fair value of investment property under development	(6,456)	(6,297)	(6,456)	(5,958)	(6,297)
Change in fair value of investment property	(56,763)	22,236	(61,453)	(16,022)	25,539
Write-down of inventory to net realizable value	-	6,912	-	6,912	6,912
Net finance costs	84,537	69,384	31,095	29,606	96,666
Taxes on income	26,279	8,034	18,342	3,691	11,586
	<u>127,253</u>	<u>105,883</u>	<u>43,269</u>	<u>37,675</u>	<u>147,101</u>
Change in inventories	(2,898)	(6,110)	(484)	(2,914)	(7,286)
Change in trade and other receivables	10,705	(11,354)	3,360	(3,691)	(13,323)
Change in trade and other payables	873	6,817	773	1,425	4,779
	<u>135,933</u>	<u>95,236</u>	<u>46,918</u>	<u>32,495</u>	<u>131,271</u>
Income taxes paid	(9,422)	(8,538)	(3,565)	(2,525)	(10,935)
Cash flows from operating activities	<u>126,511</u>	<u>86,698</u>	<u>43,353</u>	<u>29,970</u>	<u>120,336</u>
Cash flows from investing activities					
Investment in and grant of loan to equity accounted investees (see note 4(E))	(41,989)	122	(34,693)	1,897	(3,407)
Repayments (investments) of short term investments ,net	24	(6,306)	186	(7,785)	(7,681)
Acquisition of property, plant and equipment	(4,481)	(487)	(3,429)	(251)	(2,120)
Investment in investment property	(51,922)	(36,465)	(30,232)	(11,289)	(46,292)
Investment in investment property under development (**)	(138,581)	(144,809)	(63,564)	(49,695)	(196,788)
Cash flows used in investing activities	<u>(236,949)</u>	<u>(187,945)</u>	<u>(131,732)</u>	<u>(67,123)</u>	<u>(256,288)</u>
Cash flows from financing activities					
Repayment of non-current loans and borrowings (*)	(59,055)	(84,583)	(17,689)	(12,088)	(233,995)
Proceeds from non-current loans and borrowings (*)	255,646	190,578	148,567	49,639	382,192
Change in current loans and borrowings, net	(3,234)	6,218	555	3,538	8,064
Payment of lease liabilities	(1,267)	(1,225)	(389)	(468)	(1,808)
Interest paid	(44,711)	(28,843)	(15,949)	(11,680)	(41,989)
Cash flows from financing activities	<u>147,379</u>	<u>82,145</u>	<u>115,095</u>	<u>28,941</u>	<u>112,464</u>
Cash and cash equivalents at the beginning of the period	36,941	(19,102)	26,716	(8,212)	(23,488)
Cash and cash equivalents at the beginning of the period	82,818	106,003	93,055	95,356	106,003
Effect of exchange rate fluctuations on cash held	107	57	95	(186)	303
Cash and cash equivalents at the end of the period	<u>119,866</u>	<u>86,958</u>	<u>119,866</u>	<u>86,958</u>	<u>82,818</u>

(*) Including loans from related parties.

(**) Including advances for investment properties under development.

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

Notes to the Consolidated Interim 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 condensed consolidated interim financial statements of the Company as at and for the nine months ended September 30, 2024 comprises 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., the ultimate parent of the company.

As at September 30, 2024, the Group's current liabilities exceeded its current assets by an amount of EUR 109,290 thousand, which is mainly attributed to a bank loan related to investments properties in Romania, in a total amount of EUR 149,149 thousand, and a bank loan related to an investment property in Serbia, in a total amount of EUR 13,122 thousand, which are classified as current loans and borrowings, because their contractual maturity date is in less than 12 months. The Group is in process of refinancing these loans with new loans having a later maturity dates, and the Company's management expects to sign new loan agreements before the existing contractual maturity date.

The consolidated financial statements of the Group as at and for the year ended December 31, 2023 are available upon request from the Company's registered office.

Other aspects of the Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial statements as at and for the year ended December 31, 2023.

Notes to the Consolidated Interim Financial Statements

Note 2 – Basis of Preparation

A. Statement of compliance

These interim financial statements have been prepared, in accordance with International Financial Reporting Standard (IFRS) IAS 34, Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended December 31, 2023.

These interim financial statements were approved by the Board of Directors on November 12, 2024.

B. Use of estimates and judgment

The preparation of interim financial statements in conformity with IFRS 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 expense. Actual results may differ from these estimates.

In preparing these interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2023.

C. Valuation processes used by the Group

In accordance with its policy and past practices, the Group periodically examines the values of its investment property, investment property under development, and other real estate properties. Such examination is performed at least once a year for investment property and investment property under development, by independent external appraisers having appropriate professional qualifications and knowledge with respect to the relevant location and the type of property appraised.

In respect of investment property, at each interim period the Group examines the need to update the last fair value valuation performed, to ensure it represents a reliable value estimation as of the current reporting period. This examination is made by reviewing the changes in the relevant real estate market, the rental contracts, the macro-economic environment, new information in respect of material transactions done in the surrounding area and any other information that may affect the value of the asset.

In respect of investment property under development, at each reporting period the Group examines the actual costs invested in the development, the estimated remaining costs to complete, the construction progress and any other relevant changes in the real estate market.

Valuations for the majority of the Group's investment properties and investment properties under development were performed as of September 30, 2024 using independent external appraisers.

The fair value was estimated based on recent market transactions for properties in the same location and condition and using DCF model (level 3).

Notes to the Consolidated Interim Financial Statements

Note 2 – Basis of Preparation (Cont.)

A. Valuation processes used by the Group (Cont'd)

Details regarding the yield rates, which were used for the fair value measurement as of September 30, 2024 are as following:

	<u>Czech republic</u>	<u>Bulgaria</u>	<u>Serbia</u>	<u>Romania</u>	<u>Poland</u>
	%	%	%	%	%
Offices and Commercial Residential for rent	5.75-9.5 (*)	9.75-10	8-10.4(**)	7.25-8.75	8-8.4
Investment property under development (***)	4.75-4.85	-	-	-	4.25-5.75
	-	-	8.5-9.25	5.75-8.35	5-6

(*) Mainly 5.75-6.85

(**) Mainly 8-8.5

(***) The yields in Poland represent residential for rent projects and in Romania 5.75% represents residential for rent project.

Details regarding the yield rates, which were used for the fair value measurement as of December 31, 2023 are as following:

	<u>Czech Republic</u>	<u>Bulgaria</u>	<u>Serbia</u>	<u>Romania</u>	<u>Poland</u>
	%	%	%	%	%
Offices and Commercial Residential for rent	5.35-9.6 (*)	9.75-10	8-10.25(**)	7.1-8.7	8-8.25
Investment property under development (***)	4.75-4.85	-	-	-	5.3-6.1
	4.8	-	8.5-9.25	5.75-8.25	5.65-6

(*) Mainly 5.35-6.35

(**) Mainly 8-8.5

(***) The yields in Czech Republic and Poland represent residential for rent projects and in Romania 5.75% represents residential for rent project..

Amounts that were recognized in the statement of income:

<i>In thousands of Euros</i>	September 30,	September 30,	December 31,
	2024	2023	2023
	(Unaudited)	(Unaudited)	(Audited)
Change in fair value of investment property	56,763	(22,236)	(25,539)
Change in fair value of investment property under development	6,456	6,297	6,297
	<u>63,219</u>	<u>(15,939)</u>	<u>(19,242)</u>

Note 3 - Significant Accounting Policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended December 31, 2023.

Notes to the Consolidated Interim Financial Statements

Note 4 - Significant Events in the Reported Period

- A. On April 19, 2024 the Group signed a future purchase agreement for the acquisition of land plots in Prague, with a total area of approx. 14,826 sqm, for a purchase price of approx. CZK 653 million (equivalent to approx. EUR 26 million). The transaction's completion is subject to fulfillment of certain conditions precedent, including obtaining a zoning decision which allows the development of residential-for-rent properties on the acquired land plots. A deposit of 10% of the purchase price has been placed in escrow, and the remaining part of the purchase price is payable on the transaction's completion.
- B. On May 7, 2024 the Group signed a framework 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 fully owned by the Group, 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.
- C. 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 10.4 million has been utilized.

- D. 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 meeting the highest sustainability standards with 26,065 sqm GLA. that transaction was EUR 27.45 million.
- E. In reference to Note 4(1)(E) in the Company's consolidated financial statements for the year ended December 31, 2023, regarding the acquisition by the Company of 100% of the shares of a Polish company that holds 70% in a partnership that holds leasehold rights in respect of land plots of approx. 65,000 sqm in central Warsaw, Poland, the Group paid in August 2024 the remaining part of the consideration in the amount of EUR 39.3 million according to the agreed milestone. The final value of the Property for the purpose of calculating the consideration under the final transaction was approx. EUR 167 million, and accordingly, the total consideration paid by the Company was approx. EUR 117 million, following a price adjustment in accordance with the actual building rights in relation to the Property.
- F. During the nine months of 2024, the group completed construction of another phase in a residential for rent project known as AFI Home Kolbenova in Prague, Czech Republic, a residential for rent project known as Skyline Home in Belgrade, Serbia, a residential for rent project known as AFI Home Czyzewskiego in Krakow, Poland, and a residential for rent project known as AFI Home Długa in Wrocław, Poland. Accordingly, the Group reclassified the first three assets from investment property under development to investment property and the fourth asset from long-term trade and other receivables, with an asset value of EUR 57.5 million and EUR 45 million, EUR 29 million and EUR 35 million, respectively.

Notes to the Consolidated Interim Financial Statements

Note 5 - Financial Instruments

A. 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

	<u>September 30, 2024</u>		<u>September 30, 2023</u>		<u>December 31, 2023</u>	
	<u>(Unaudited)</u>		<u>(Unaudited)</u>		<u>(Audited)</u>	
	<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>
Secured bank loans (*)	1,137,631	1,128,636	979,933	962,753	1,131,798	1,124,515
Corporate loan	80,499	77,302	91,539	86,997	92,530	87,896

(*) Including the current portion of long-term loans and borrowings

B. Fair value hierarchy of financial instruments measured at fair value

The financial instruments measured at fair value on the temporal basis using valuation methodology in accordance with hierarchy fair value levels.

- Level 1: quoted prices (unadjusted) in active markets for identical instruments.
- 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).

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:

In thousands of Euros

	<u>September 30,</u>	<u>September 30,</u>	<u>December 31,</u>
	<u>2024</u>	<u>2023</u>	<u>2023</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Audited)</u>
<u>Financial assets:</u>			
Interest rate swap	11,154	28,992	21,197
Interest cap rate	2,060	9,985	3,523
<u>Financial liabilities:</u>			
Cross currency swap	8,122	6,223	6,200
Interest rate swap	4,067	-	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 the Consolidated Interim Financial Statements

Note 6 - 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 'debt service coverage ratios' (DSCR) between net rental income and debt service amount, and (ii) certain 'loan-to-value' (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.

Note 7 - Related Parties

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

Transactions among 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:

<i>In thousands of Euros</i>	September 30, 2024	September 30, 2023	December 31, 2023
	(Unaudited)	(Unaudited)	(Audited)
Management fees to AFI Properties	(2,482)	(1,338)	(1,906)
Interest expenses to AFI Properties (*)	(42,845)	(41,452)	(49,009)
Interest income from other related parties, net	<u>1,012</u>	<u>572</u>	<u>802</u>
	<u>(44,315)</u>	<u>(42,218)</u>	<u>(50,113)</u>
Balance:			
Loans from AFI Properties Group	(1,198,501)	(1,057,915)	(954,412)
Payables to AFI Properties	(1,333)	-	-
Loans to associates	15,895	7,710	11,998

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

Notes to the Consolidated Interim Financial Statements

Note 8 - Operating Segment

The Company 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 Company 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.

Geographical segments

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

The accounting policies implemented in preparing the segment information correspond with the generally accepted accounting policies applied in the preparation of the Company's condensed consolidated financial statements.

Notes to the Consolidated Interim Financial Statements

Note 8 - Operating Segment (cont'd)

In thousands of Euros

For the nine months ended at September 30, 2024 (Unaudited)

	Czech Republic	Serbia	Romania	Poland	Other regions	Total consolidated
Income from external customers:						
Gross rental income	20,709	30,244	82,467	11,965	1,602	146,987
Proceeds from sale of trading property	15	-	-	66	6,198	6,279
Service charge income	7,605	9,863	26,336	5,641	625	50,070
Other income	206	801	2,390	215	92	3,704
Total income	28,535	40,908	111,193	17,887	8,517	207,040
Valuation gains (losses)	(11,555)	22,285	52,637	(1,605)	1,457	63,219
Segment result	6,797	51,311	135,290	8,872	5,080	207,350
Share of profit of companies accounted for at equity, net	-	-	-	21,933	-	21,933
Unallocated expenses						(17,769)
Operating profit						211,514
Net financing costs						(84,537)
Taxes on income						(26,279)
Profit for the period						100,698
Investment property and investment property under development	544,684	645,200	1,569,549	427,870	34,450	3,221,753
Inventory of buildings and land	32,289	-	56,526	9,826	38,072	136,713
Total	576,973	645,200	1,626,075	437,696	72,522	3,358,466

Notes to the Consolidated Interim Financial Statements

Note 8 - Operating Segment (cont'd)

In thousands of Euros

For the nine months ended at September 30, 2023 (Unaudited)

	<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	16,092	22,769	73,802	9,186	1,265	123,114
Proceeds from sale of trading property	656	-	-	-	8,861	9,517
Service charge income	6,210	7,030	24,112	4,174	596	42,122
Other income	304	1,178	422	168	185	2,257
Total income	<u>23,262</u>	<u>30,977</u>	<u>98,336</u>	<u>13,528</u>	<u>10,907</u>	<u>177,010</u>
Net valuation gains (losses)	3,681	5,277	(24,936)	(859)	898	(15,939)
Write down of inventory to net realized value	-	-	(6,912)	-	-	(6,912)
Segment result	<u>17,747</u>	<u>26,634</u>	<u>41,121</u>	<u>6,306</u>	<u>3,697</u>	<u>95,505</u>
Share of profit of equity accounted investees	-	-	-	1,320	-	1,320
Unallocated expenses						<u>(13,034)</u>
Operating profit						83,791
Net financing costs						(69,384)
Taxes on income						<u>(8,034)</u>
Profit for the period						<u>6,373</u>
Investment property and investment property under development	540,926	575,750	1,438,916	274,324	32,010	2,861,926
Inventory of buildings and land	32,850	-	56,401	9,094	34,203	132,548
Total	<u>573,776</u>	<u>575,750</u>	<u>1,495,317</u>	<u>283,418</u>	<u>66,213</u>	<u>2,994,474</u>

Notes to the Consolidated Interim Financial Statements

Note 8 - Operating Segment (cont'd)

In thousands of Euros

For the three months ended at September 30, 2024 (Unaudited)

	Czech Republic	Serbia	Romania	Poland	Other regions	Total consolidated
Income from external customers:						
Gross rental income	7,125	10,342	27,622	4,274	581	49,944
Proceeds from sale of trading property	-	-	-	1	3,005	3,006
Service charge income	2,549	3,453	9,920	1,963	221	18,106
Other income	60	416	544	106	48	1,174
Total income	9,734	14,211	38,086	6,344	3,855	72,230
Net valuation gains (losses)	(10,219)	22,936	53,989	(254)	1,457	67,909
Segment result	(3,716)	32,970	81,566	3,829	3,635	118,284
Share of profit of companies accounted for at equity, net	-	-	-	22,641	-	22,641
Unallocated expenses						(7,413)
Operating profit						133,512
Net financing costs						(31,095)
Taxes on income						(18,342)
Profit for the period						84,075
Investment property and investment property under development	544,684	645,200	1,569,549	427,870	34,450	3,221,753
Inventory of buildings and land	32,289	-	56,526	9,826	38,072	136,713
Total	576,973	645,200	1,626,075	437,696	72,522	3,358,466

Notes to the Consolidated Interim Financial Statements

Note 8 - Operating Segment (cont'd)

In thousands of Euros

For the three months ended at September 30, 2023 (Unaudited)

	Czech Republic	Serbia	Romania	Poland	Other regions	Total consolidated
Income from external customers:						
Gross rental income	5,531	8,280	25,207	3,150	443	42,611
Proceeds from sale of trading property	(4)	-	-	-	1,852	1,848
Service charge income	1,885	2,544	8,514	1,324	196	14,463
Other income	52	519	274	40	66	951
Total income	<u>7,464</u>	<u>11,343</u>	<u>33,995</u>	<u>4,514</u>	<u>2,557</u>	<u>59,873</u>
Net valuation gains (losses)	(395)	6,688	13,125	2,024	538	21,980
Write down of inventory to net realized value	-	-	(6,912)	-	-	(6,912)
Segment result	<u>4,417</u>	<u>14,488</u>	<u>31,460</u>	<u>3,900</u>	<u>2,185</u>	<u>56,450</u>
Share of profit of equity accounted investees	-	-	-	2,370	-	2,370
Unallocated expenses						<u>(3,923)</u>
Operating profit						54,897
Net financing costs						(29,606)
Taxes on income						<u>(3,691)</u>
Profit for the period						<u>21,600</u>
Investment property and investment property under development	540,926	575,750	1,438,916	274,324	32,010	2,861,926
Inventory of buildings and land	<u>32,850</u>	<u>-</u>	<u>56,401</u>	<u>9,094</u>	<u>34,203</u>	<u>132,548</u>
Total	<u><u>573,776</u></u>	<u><u>575,750</u></u>	<u><u>1,495,317</u></u>	<u><u>283,418</u></u>	<u><u>66,213</u></u>	<u><u>2,994,474</u></u>

Notes to the Consolidated Interim Financial Statements

Note 8 - Operating Segment (cont'd)

In thousands of Euros

	For the year ended at December 31, 2023 (Audited)					
	Czech Republic	Serbia	Romania	Poland	Other regions	Total consolidated
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>
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						(18,108)
Operating profit						120,087
Net financing costs						(96,666)
Taxes on income						(11,586)
Profit for the period						<u>11,835</u>
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	<u>32,019</u>	<u>-</u>	<u>56,442</u>	<u>9,672</u>	<u>35,783</u>	<u>133,916</u>
Total	<u>577,669</u>	<u>588,445</u>	<u>1,505,261</u>	<u>322,573</u>	<u>67,902</u>	<u>3,061,850</u>