**AFI Europe N.V.**

**Unaudited Condensed Consolidated
Interim Financial Statements

As at September 30, 2024**

AFI Europe N.V.

**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

AFI Europe N.V.

**Unaudited Condensed Consolidated Interim Statement of Financial Position as at**

| *In thousands of Euros* | **September 30,** | **September 30,** | **December 31,** |
| --- | --- | --- | --- |
| **2024** | **2023** | **2023** |
| **(Unaudited)** | **(Unaudited)** | **(Audited)** |
| **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** | 3,610,579 | 3,231,659 | 3,297,748 |
| 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** | 226,731 | 206,754 | 212,968 |
| **Total assets** | 3,837,310 | 3,438,413 | 3,510,716 |
| **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** | 1,051,575 | 944,140 | 958,492 |
| **Non-controlling interest** | 7,669 | 6,150 | 6,133 |
| **Total equity** | 1,059,244 | 950,290 | 964,625 |
| **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** | 2,442,045 | 2,149,785 | 2,314,092 |
| 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** | 336,021 | 338,338 | 231,999 |
| **Total liabilities**  | 2,778,066 | 2,488,123 | 2,546,091 |
| **Total equity and liabilities** | 3,837,310 | 3,438,413 | 3,510,716 |

Director – A. Barzilay

Director – A. Dafna

Amsterdam, November 12, 2024

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

AFI Europe N.V.

**Unaudited Condensed Consolidated Interim Income Statement**

*In thousands of Euros*

|  | **For the nine months ended****September 30,** | **For the three months ended****September 30,** | **For the year ended 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.

AFI Europe N.V.

**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 ended** |
| --- | --- | --- | --- |
| **September 30,** | **September 30,** | **December 31,** |
| **2024** | **2023** | **2024** | **2023** | **2023** |
| **(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** | 94,619 | 2,879 | 76,913 | 3,753 | 17,214 |
| **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** | 94,619 | 2,879 | 76,913 | 3,753 | 17,214 |

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) |  930  |  411,797  |  21,143  |  4,600  |  (6,696) |  619,801  |  1,051,575  |  7,669  |  1,059,244  |
| 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) | 930  | 411,797  | (1,002) | 23,886 | (6,696) | 515,225 | 944,140 | 6,150 | 950,290 |

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) |  930  |  411,797  |  21,143  |  4,600  |  (6,696) |  619,801  |  1,051,575  |  7,669  |  1,059,244  |
| 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) | 930  | 411,797  | (1,002) | 23,886 | (6,696) | 515,225 | 944,140 | 6,150 | 950,290 |
| 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) | 930 | 411,797 | 17,881 | 13,941 | (6,696) | 520,639 | 958,492 | 6,133 | 964,625 |

The accompanying notes are integral part of these consolidated interim financial 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)** |
| **Cash flows from operating activities** |  |  |  |  |  |
| Profit for the period | 100,698 | 6,373 | 84,075 | 21,600 | 11,835 |
| Adjustment for: |  |  |  |  |  |
| 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 |
|  | 127,253 | 105,883 | 43,269 | 37,675 | 147,101 |
| 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 |
|  | 135,933 | 95,236 | 46,918 | 32,495 | 131,271 |
| Income taxes paid | (9,422) | (8,538) | (3,565) | (2,525) | (10,935) |
| **Cash flows from operating activities** | 126,511 | 86,698 | 43,353 | 29,970 | 120,336 |
| **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** | (236,949) | (187,945) | (131,732) | (67,123) | (256,288) |
| **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** | 147,379 | 82,145 | 115,095 | 28,941 | 112,464 |
| 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** | 119,866 | 86,958 | 119,866 | 86,958 | 82,818 |

(\*) 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.

Note 2 – Basis of Preparation

1. **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.

1. **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.

1. **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 preformed, 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).

Note 2 – Basis of Preparation (Cont.)

1. **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:

|  | **Czech republic**  | **Bulgaria** | **Serbia** | **Romania** | **Poland** |
| --- | --- | --- | --- | --- | --- |
| **%** | **%** | **%** | **%** | **%** |
| Offices and Commercial | 5.75-9.5 (\*)  | 9.75-10 | 8-10.4(\*\*) | 7.25-8.75 | 8-8.4 |
| Residential for rent | 4.75-4.85 | - | - | - | 4.25-5.75 |
| Investment property under development (\*\*\*) | - | - | 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:

|  | **Czech Republic**  | **Bulgaria** | **Serbia** | **Romania** | **Poland** |
| --- | --- | --- | --- | --- | --- |
| **%** | **%** | **%** | **%** | **%** |
| Offices and Commercial | 5.35-9.6 (\*) | 9.75-10 | 8-10.25(\*\*) | 7.1-8.7 | 8-8.25 |
| Residential for rent | 4.75-4.85 | - | - | - | 5.3-6.1 |
| Investment property under development (\*\*\*) | 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:

| *In thousands of Euros* | **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 |
|  | 63,219 | (15,939) | (19,242) |

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.

Note 4 - Significant Events in the Reported Period

1. 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.
2. 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.
3. 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.

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 meeting the highest sustainability standards with 26,065 sqm GLA. that transaction was EUR 27.45 million.
2. 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.
3. 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 Dluga in Wroclaw, 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.

**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*

|  | **September 30, 2024** | **September 30, 2023** | **December 31, 2023** |
| --- | --- | --- | --- |
| **(Unaudited)** | **(Unaudited)** | **(Audited)** |
| **Carrying** | **Fair** | **Carrying** | **Fair** | **Carrying** | **Fair** |
| **amount** | **value** | **amount** | **value** | **amount** | **value** |
| 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* | **September 30,** | **September 30,** | **December 31,** |
| --- | --- | --- | --- |
| **2024** | **2023** | **2023** |
| **(Unaudited)** | **(Unaudited)** | **(Audited)** |
| Financial assets: |  |  |  |
| Interest rate swap | 11,154 | 28,992 | 21,197 |
| Interest cap rate | 2,060 | 9,985 | 3,523 |
| Financial liabilities: |  |  |  |
| 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).

**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:

| *In thousands of Euros* | **September 30,** | **September 30,** | **December 31,** |
| --- | --- | --- | --- |
| **2024** | **2023** | **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 | 1,012 | 572 | 802 |
|  | (44,315) | (42,218) | (50,113) |
| 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.

**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.

**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  |

**Note 8 - Operating Segment (cont’d)**

| *In thousands of Euros* | **For the nine months ended at September 30, 2023 (Unaudited)** |
| --- | --- |
| **Czech Republic** | **Serbia** | **Romania** | **Poland** | **Other regions** | **Total consolidated** |
| 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 | 23,262 | 30,977 | 98,336 | 13,528 | 10,907 | 177,010 |
| 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 | 17,747 | 26,634 | 41,121 | 6,306 | 3,697 | 95,505 |
| Share of profit of equity accounted investees | - | - | - | 1,320 | - | 1,320 |
| Unallocated expenses |  |  |  |  |  | (13,034) |
| Operating profit |  |  |  |  |  | 83,791 |
| Net financing costs |  |  |  |  |  | (69,384) |
| Taxes on income |  |  |  |  |  | (8,034) |
| Profit for the period |  |  |  |  |  | 6,373 |
| 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 | 573,776 | 575,750 | 1,495,317 | 283,418 | 66,213 | 2,994,474 |

**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  |

**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 | 7,464 | 11,343 | 33,995 | 4,514 | 2,557 | 59,873 |
| 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 | 4,417 | 14,488 | 31,460 | 3,900 | 2,185 | 56,450 |
| Share of profit of equity accounted investees | - | - | - | 2,370 | - | 2,370 |
| Unallocated expenses |  |  |  |  |  | (3,923) |
| Operating profit |  |  |  |  |  | 54,897 |
| Net financing costs |  |  |  |  |  | (29,606) |
| Taxes on income |  |  |  |  |  | (3,691) |
| Profit for the period |  |  |  |  |  | 21,600 |
| 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 | 573,776 | 575,750 | 1,495,317 | 283,418 | 66,213 | 2,994,474 |

**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 | 33,327 | 43,349 | 135,847 | 18,691 | 12,703 | 243,917 |
| 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 | 23,354 | 34,983 | 68,418 | 6,863 | 4,597 | 138,215 |
| 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 |  |  |  |  |  | 11,835 |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| 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 |