Dear Shareholders,

Chaim Katzman
Founder and CEO

We are concluding an action-filled year, during which we completed a significant stage in our strategy to transform the Company into a wholly owned operational company, with the merger of G City Europe (formerly Atrium); we presented good operating results and continued to move forward with the plan for improving and diversifying our property portfolio, as well as focusing on the urban supermarket shopping center sector in capital and key cities around the world, while all along generating additional mixed-use building rights in our existing properties.

The Group's exclusive properties, located in diverse cities worldwide, from Tel Aviv to Warsaw and Stockholm, to Miami and Sao Paulo, show strong results that are reflected in the NOI growth from similar properties that increased in 2022 by 14.3% compared to last year and by 14% in the fourth quarter of 2022. We are witnessing strong demand for space in our properties, where occupancy rates at the end of the year reached 94.7%, an increase of 0.3% compared to last year. Average rent per sq.m increased over the past year, in all the countries in which we operate, by 7% and the demand for prime space in key locations continues to be strong. In the next few days, we will launch one of the Lego flagship stores in G City’s Cinema City complex in Rishon Lezion, when during the year we opened the Adidas flagship store in Sao Paulo and shortly afterwards the Adidas flagship store in Warsaw, as well as the first Uniqlo store in Warsaw. All of these further prove the exclusivity of and demand for our properties.

With regard to rental agreements, almost all of the rental agreements in our properties are index-linked, which of course will continue to contribute to our NOI and cash flow growth, also considering the fact that 66% of our debt is not index-linked and 89% is at fixed interest rates.

With regard to the development of new properties - in April we will launch our property in Savyon, which was completed on time and within its planned budget and we are pleased that the demand for space exceeds our forecasts. We are also moving forward with the construction of the fully funded residential rental building in Tampa, Florida and the office building in G City in Rishon Lezion on land that belongs to us, and are continuing to work to obtain mixed-use building rights for this property, as well as for other properties we own around the world. With regard to Rishon Lezion in particular, we submitted a city building plan to the local committee for 3 additional office buildings with total area of 146 thousand sq. m, next to the building that is under construction and adjacent to the light rail green line station that is under construction. In the Brickell neighborhood in Florida we managed to increase the building rights on the plot we own from 300 apartments to 500 rental apartments, due to its location and proximity to the Metro.

WARS SAWA JUNIOR, WARSAW, POLAND

During the year and at the end of the current quarter, we completed the transformation of G City Europe (formerly Atrium) into a private company wholly owned by us. G City Europe's transition into a private company is a substantial part of executing our strategy to disconnect from public companies and to become an operational company that owns properties in densely populated urban centers with easy access to public transport, properties that have additional building rights and potential for betterment.

As we announced, the merger with G City Europe generates operational synergy that will bear fruit in 2023. Of course, we should not ignore the fact that the merger with G Europe and the additional investment required to complete it, has led to an increase in the Company's leverage, at a time of rising inflation, and resulting increase in interest rates globally, which is of course, and justifiably so, seen as a risk factor for the Company. Naturally, we were aware of this and already when closing the purchase of Atrium we announced that we would raise the Group's leverage ratio and work to lower it by selling off properties, we announced that we intend to sell properties worth EUR 500-700 million in G Europe alone. In May 2022, we sold the Optima property in Slovakia for EUR 120 million and in October we announced a broader plan to also sell properties in other countries.

Since we announced the plan, we have made significant progress in selling non-core properties.

- We sold properties worth NIS 1.4 billion - NIS 800 million in G Europe, NIS 150 million in Israel and NIS 0.5 billion in Gazit Horizon
- We are in very advanced negotiations for the sale of additional properties of G Europe and Gazit Brasil worth approximately NIS 1.4 billion, which we believe we will complete by the middle of the year.
- We are in the process of marketing properties worth another NIS 2.4 billion, which we intend to manage carefully in order to attain the full value of these assets for our shareholders.

All these sales will, of course, increase our liquidity and contribute to lowering our leverage.

G City Summary

G City will continue to lead in the urban shopping mall sector worldwide, while developing and upgrading our existing properties for mixed use, mainly by adding rental housing to their commercial space. We do not at this time need to buy any more land or properties and we can develop existing rights nearby and above our existing properties. We are concluding a good year in all operational parameters, in the various countries; increasing rental income, cash flows from properties, NOI, and the average rental per sq.m, tenant turnover and visitor traffic, reducing administrative and general expenses by merging of companies, consolidation, lowering leverage and maintaining high liquidity are high on our list of priorities and we believe in our ability to successfully execute the business plans we are promoting.

Best regards,

Chaim Katzman

* This letter includes information regarding the company's business strategies and is forward-looking information, as defined in the Securities Law (1968). The aforesaid strategies are uncertain and may not be realized, partially and fully.

THIS DOCUMENT IS AN ENGLISH TRANSLATION OF THE HEBREW VERSION OF THE COMPANY'S FINANCIAL STATEMENTS AND THE MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR 2022 (THE "REPORTS"). THE HEBREW VERSION OF THE REPORTS IS THE BINDING VERSION AND THE ONLY VERSION HAVING LEGAL EFFECT. THE ENGLISH TRANSLATION HAS BEEN CREATED FOR THE PURPOSE OF CONVENIENCE ONLY. THE APPROVAL OF THE COMPANY'S BOARD OF DIRECTORS WAS GIVEN TO THE HEBREW VERSION ONLY AND NO SUCH APPROVAL HAS BEEN GIVEN TO THE ENGLISH TRANSLATION.

City

PERIODIC REPORT FOR 2022

CHAPTER A – DESCRIPTION OF THE COMPANY'S BUSINESS – TABLE OF CONTENTS

G-City Ltd. (the “Company”)[1]

PERIODIC REPORT DESCRIBING THE COMPANY'S BUSINESS

The Company's operations are described on a consolidated basis, unless explicitly stated otherwise.

A. Description of the general development of the Company's business and summary of its operating segments

1. The Company’s operations and its business development

1.1. Gazit-Globe Group - General

The Company, directly and through its private and public investees (collectively: "**the Group**"), operates in purchasing, improvement, developing and managing of an income-producing real estate for mixed-use, including commercial, residential and office properties that supply the needs of the population, in North America, Israel, Brazil, Northern, Central and Eastern Europe, with the focus on densely populated urban cities. In addition, the Company evaluates opportunities within its core business and similar fields, within its regions of operations and in other regions.

The Group’s strategy is to lower its holdings in public companies and to focus on real estate that has potential for increasing value and cash flows through proactive management, improvement, addition of uses, development and redevelopment, while simultaneously, the Group acts to sell properties that are non-core assets, as well as those that the Group believes have limited growth potential and/or are in areas where the Group wishes to cut back its operations, whether by selling an individual property and/or group of properties, and/or by selling part of its holdings in the companies that own properties in these areas.

In accordance with the foregoing strategy, in recent years the Company made efforts to increase the rate of its private real estate (i.e., operations not held through public companies). As part of this, in February 2022, the Company completed a transaction to buy out the minority interests in G City Europe Ltd. (formerly: (Atrium European Real Estate Limited) (“**G Europe**”), which was a public company controlled by the Company, and to delist its shares from trading on the stock exchanges in Vienna and Amsterdam. Since February 2022, the Company holds 100% of G City. For further information, see section 7.1 of the Report.

The Group operates in Israel directly through the Company and in the other countries through its wholly owned private subsidiaries, in which the Company plans strategy and oversees their management: G Europe, that operates in Central and Eastern Europe, its subsidiaries in Brazil ("**Gazit Brazil**"), Gazit Horizons Inc. in the United States ("**Gazit Horizons**") and a subsidiary operating in Canada ("**Gazit Canada**"), including through Partnership Gazit Tripllle. Furthermore, the Company operates in Northern Europe through Citycon Oyj ("**CTY**"), a public company controlled by the Company that has adopted a strategy similar to that of the Company and in which the Company is the largest shareholder.

The Company's operations in Israel, G Europe, Gazit Brazil, Gazit Horizons and CTY are consolidated in the Company's financial statements, each one constituting a separate operating segment.

On May 18, 2022, the Company changed its name from Gazit Globe Ltd. to G City Ltd.

As part of the Group’s strategy to focus on urban properties, while strengthening equity and lowering leverage, during the reporting period the Company proactively adopted several significant measures, as follows::

A. Disposal of non-core assets or assets that the Company has accomplished their improvement. As part of this, in the reporting period and up until date of publication of this Report, the Company and its wholly owned subsidiaries engaged in binding agreements for the sale of properties to the total value of NIS 1.9 billion. For further information concerning the Company’s strategic plan to dispose of properties, refer to section 1.2. below.

B. The Company executed a private equity placement in an amount of NIS 468 million in the reporting period and an additional private equity placement in an amount of NIS 148 million subsequent to reporting date. Several leading institutional investors, the parent company and the controlling shareholder of the Company (through a company under his control) took part in these placements. For further information, see section 2.3 of the Report.

C. On March 28, 2023, the Company’s Board of Directors decided not to distribute a dividend to the Company's shareholders in the first quarter of 2023. The Company's Board of Directors will convene and review the Company’s dividend distribution policy for the following quarters of 2023, including based on progress in the execution of the plan for disposal of properties announced by the Company on October 25, 2022 and as updated on December 19, 2022, and additional considerations, subject to the distribution tests set out in the Companies Law, 1999.

[1] The Company incorporated in May 1982 and is listed for trade on the Tel Aviv Stock Exchange Ltd. (as of 1983) under the ticket GZT.

1.2. On October 25, 2022 the Company published a plan for the disposal of Group non-core assets, that was updated on December 19, 2022[2], to a total value of NIS 5.3 billion (the "Plan for Disposal of Properties"). Under the plan for disposal of properties, the Company intends to sell properties to a total value of NIS 5.3 billion in Europe, Brazil, USA and Israel. The pace of disposal of the properties and the Group's progress in executing them as aforesaid, including the pace of placing the properties up for sale according to the various countries in which the Group operates is dynamic and is carried out according to the market conditions in each country in which the Group operates, and at the discretion of the Company's management, by taking into account macro-economic and Company specific considerations and the balance between the needs of the Company and achieving the value of these properties

Below is a breakdown of the status of the plan for the disposal of properties (NIS million)

	Completed or under binding agreements	In advanced negotiations	Being marketed
G Europe	725	1,016	2,004
Israel	154	-	145
Gazit Horizon	528	-	-
Gazit Brazil	-	373	241
Total	**1,407**	**1,390**	**2,391**

1.3. In addition, the Company acts to obtain financing secured by specific assets (mainly assets in Europe) to replace unsecured financing, and as at date of publication of this Report, non-binding letters of intent have been received with respect to a number of properties to a cumulative amount of EUR 250 million.

The Company's estimates regarding the sale of properties, as well as the scope of properties that will be sold, the consideration to be received for them and the dates of sale and receipt of financing for them, constitute forward-looking information as defined in the Securities Law, 1968. The foregoing estimates are uncertain, may not materialize and mostly are not within the control of the Company, and are dependent, among other things and as set out above, on the state of the economy and the real estate market in the various countries in which the properties are located and in which the Company operates. If the foregoing market conditions change it is possible that changes and/or delays will occur in the disposal of the properties, over and above as described above.

1.4. The Company assets as of December 31, 2022:

	Country of operation	Holding interest	Income-producing property	Properties under development	Other assets	GLA (sq.m thousands)
CTY	Finland, Norway, Sweden, Estonia and Denmark	52.1%	33	1	-	1,013
G Europe	Poland, Czech Republic, and Russia	100.0%	21	-	-	640
Gazit Brasil	Brazil (Sao Paulo)	100.0%	7	-	1	176
G Israel	Israel	100.0%	13	-	-	161
Gazit Horizons	USA	100.0%	11	3	1	67
Gazit Canada	Canada	100.0%	1	-	-	18
Total carrying amount			**86**	**4**	**2**	**2,075**
Jointly controlled properties (proportionate consolidation)			9	-	-	102
Total			**95**	**4**	**2**	**2,177**

2 For further information see the immediate reports dated October 25, 2022 and December 19, 2022 (Ref. No.: 2022-01-129403 and 2022-01-152350)

		Investment property and investment property under development			
		Income-producing property	Properties under development [1]	Land	Total
	Country of operation	NIS millions			
CTY	Finland, Norway, Sweden, Estonia and Denmark	13,528	1,634	-	15,162
G Europe	Poland, Czech Republic, and Russia	7,704	663	563	8,930
Gazit Brasil	Brazil (Sao Paulo)	2,457	-	60	2,517
G Israel	Israel	3,667	280	510	4,457
Gazit Horizons	USA	1,527	875	165	2,567
Gazit Canada	Canada	185	-	-	185
Total carrying amount		**29,068**	**3,452**	**1,298**	**33,818**
Jointly controlled properties (proportionate consolidation)		2,136	202	-	2,338
Total		**31,204**	**3,654**	**1,298**	**36,156**

1. Including the expansion of income-producing properties
* Additionally, the Company and its subsidiaries own land for future development as well as unutilized construction rights for different uses (including residential) in income-producing existing properties.

1.5. As at December 31, 2022, the Company does not have a principal tenant[3] and as at that date, the tenants that generate the highest revenue for the Company and its subsidiaries, out of all its tenants, are Kesko, a leading supermarket chain in the Nordic countries, the income from which represented 2% of the Group's rental income in 2022; and S-Group, a Finish chain that engages, among other things, in the travel, supermarket and hospitality sectors, the income from which represented 2.5% of the total rental income in 2022.

1.6. Description of the Company's business and business development in the different territories in which it operates:

Private holdings:

Israel – As at reporting date[4] of the Report, the Company owns 13 G Malls in Israel worth NIS 4,457 million, focusing in Gush Dan area. In addition, the Company has development projects for offices and retail spaces in existing properties of the Company, which are in the planning and execution stages. In 2021, the Company began the construction of a multi-story office tower in Rishon Lezion in the Company's G City complex and development has begun in the Savyon property project that is expected to be completed in the coming weeks. In addition, the Company won a tender to acquire the rights in a property in the Korazin complex in Givatayim. At the same time, under the plan for disposing of properties, the Company engaged in a binding agreement for the sale of the G Yavne shopping mal. For further information, see section 8 of the Report.

Central and Eastern Europe - In Central and Eastern Europe the Group operates through G Europe, which was listed on the Vienna Stock Exchange (VSE) in Austria and on the NYSE Euronext in Amsterdam, the Netherlands, until February 18, 2022. As at reporting date, G Europe owns 21 properties to a value of NIS 8.9 billion On February 18, 2022 the merger between G Europe and a wholly owned subsidiary of the Company was completed and since then G Europe's shares have been delisted from trading on the Amsterdam and Vienna stock exchanges and has become a private company wholly owned by the Company[5]. G Europe operates mainly in Warsaw, Poland and Prague, Czech Republic, and in Russia.

During the reporting period G Europe continued to execute its strategy to increase its operations in the rental housing sector and in August 2022 it completed the acquisition of two residential properties in Krakow and Wroclaw for EUR 19.8 million. Furthermore, in the reporting period, the Company acquired the Rubicon property in Warsaw and began the construction of 200 apartments close to the Promenade shopping mall. During and subsequent to the reporting period, and as part of the Group's plan for disposal of properties, G Europe engaged

3

4 As this term is defined in the Draft Securities Regulations (Details, Structure and Form of a Prospectus), 1969, published in December 2013, which anchor the disclosure guideline on investment property activity (as published by the Israel Securities Authority in January 2011).

5 For further information, see the Company's immediate reports dated October 18, December 23, and January 16-17, 2021, and February 2, and February 20, 2022 (Ref. No.: 2021-01-088855, 2021-01-184080, 2022-01-007039, 2022-01-007825, 2022-01-014128, 2022-01-020059, respectively), whereby the information contained therein is noted below by way of reference.

in binding agreements for the sale of properties to a total value of EUR 320 million, as set out in section 7 of the Report.

G City Europe holds properties in Russia to a value that is not material to the Group. For further information concerning the consequences of the war between Russia and Ukraine, see section 5.3 of the Report.

USA - Gazit Horizons, the Group's private real-estate branch in the United States , operates in densely populated urban areas in large cities in the US, mainly in New York, Boston, Miami and Philadelphia and as at reporting date, it owns (including with partners) 12 income-producing properties worth USD 543 million. In the reporting period, Gazit Horizons engaged in a joint agreement with American Land Ventures for the development of an exclusive residential rental tower in Tampa, Florida. In addition, in the reporting period, Gazit Horizons received permits to increase the scope of construction on a plot it owns in the Brickel district in Miami, USA, to 504 residential units, and purchased another commercial property on an 840 sq.m plot of land opposite the foregoing property that it owns. At the same time, under the Plan for Disposal of Properties, Gazit Horizons engaged in a binding agreement for the sale of a property in the United States for USD 153 million. For further information, see section 10 of the Report.

Brazil - As at reporting date, Gazit Brasil holds 7 income-producing properties in São Paulo worth BRL3,687 million.

Canada - As of 2019, the Company operates in Toronto, Canada through Gazit Canada, including through Partnership "Gazit Tripllle" (60%), which owns 7 properties with a total value of 139 million Canadian dollar, including 33% of a property, in which a wholly owned subsidiary of the Company holds an additional 33%, and the rest is held by a third party, as described in Section 11.1 below.

Public Holdings:

Northern Europe - In Northern Europe, the Group operates through CTY, a public company whose shares are traded on the Helsinki Stock Exchange (OMX) in Finland. CTY operates principally in Finland, Norway, Sweden, Estonia and Denmark. As at reporting date, CTY owns 34 properties to a value of NIS 15.2 billion. In the reporting period, CTY enhanced its property portfolio and strengthened its balance sheet. In this context, in November 2022, CTY announced its intention to sell off its non-core properties to a total value of EUR 500 million over the 24 months following the foregoing announcement. Of this plan, in 2022 CTY sold non-core properties in Norway for a total amount of EUR 266 million. At the same time, CTY completed the development of the commercial part of the Lippulavia property, which opened in March 2022, and is continuing development of 6 of the 8 residential buildings adjacent to the Lippulavia property, where the first part of the construction was completed subsequent to balance sheet period and prior to publication of the Report, and the other part is expected to be completed by 2024. It also purchased under a forward purchase agreement, a rental residential building in Stockholm, Sweden, for EUR 70 million. For further information see section 6 of the Report.

1.7. Group structure

For a description of the structure of the principal companies in the Group as of December 31, 2022, see section 1.8 of the Directors' Report. The Group description will be presented below, divided according to the areas of operation set forth below, except for with regarding to information that is relevant to all areas of operation, which will be presented together, and except for information on specific topics related to a description of the Company itself, which will be presented separately. The information included in the descriptions of each of the areas of operation of real estate for investment will be presented according to the primary geographic regions where the operations in that area are concentrated.

2. Investments in the Company's capital and transactions in its shares in the last two years

2.1. On February 6, 2022, the Company's Board of Directors approved a private placement of 12.5 million ordinary shares of NIS 1 par value each ("**Ordinary Share**"), of the Company, at a price of NIS 32.5 per ordinary share and of 6.25 million options (non-marketable) that are exercisable for 6.25 million ordinary shares of the Company, for three classified investors, for total proceeds of NIS 406 million. The options will be exercisable over a period of 24 months from the date of allotment, for an exercise price of NIS 40 per option, subject to adjustments (i.e., until February 15, 2024).

2.2. In addition, at the same time, the Company's Board of Directors also approved a private allotment to the controlling shareholder of the Company, Norstar Holdings Inc. ("**Norstar**") (through its wholly owned subsidiary, Norstar Israel Ltd. ("**Norstar Israel**"), of 2 million ordinary shares of the Company and 1 million options (non-tradable), for total proceeds of NIS 65 million and at the same terms as those for the allotment to the classified investors, as stated above[6].

2.3. On January 29, 2023, the Company's Board of Directors approved a private placement of 7.5 million ordinary shares of NIS 1 par value each, of the Company, at the price of NIS 12.615 per ordinary share, to four classified investors and for total consideration of NIS 93.5 million. Furthermore, the Company's Board of Directors approved a private placement of 3.62 million ordinary shares of the Company, to Norstar Israel, for consideration of NIS 45.6 million, and a private placement of 0.79 million ordinary shares for consideration of NIS 10 million, to Aurora Capital Holdings Ltd., a private company under the control of Mr. Katzman, the controlling shareholder of the Company, at the same terms as the allotment to the classified investors. The total consideration in these placements amounts to NIS 148 million[7].

2.4. In January 2023, the Norstar's board of directors approved an issue of ordinary shares of Norstar together with 10,188,800 purchase options, each awarding the right to purchase from Norstar 10,188,800 issued and fully paid-up ordinary shares of NIS 1 par value each of a subsidiary, of NIS 1 par value each (6% of the share capital of the Company), and form part of the company's equity, which is owned by Norstar Israel Ltd. at NIS 14 per share. To date, these options have not been exercised.

2.5. For further information regarding the vesting of the convertible securities allotted to employees and officers of the Company and its subsidiaries, see Note 26 to the financial statements.

2.6. For information regarding the plan to buy back shares and debentures of the Company, as well as buybacks performed by the Company, including though a tender offer, refer to Section 3.8 of the Directors' Report.

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[6] For further information, see immediate reports dated February 6, 2022, February 13, 2022, February 14, 2022 and March 31, 2022 (Ref. No.: 2022-01-015769, 2022-01-017671, 2022-01-081115, and 2022-01-039766, respectively) presented here by way of reference.

[7] For further information see immediate reports dated January 29 and January 30, 2023 and March 9, 2023 (Ref. No.: 2023-01-012396, 2023-01-012903, and 2023-01-01135, and 2023-01-025437, respectively), included in this Report by way of reference.-

3. **Dividend distributions in the last two years**

3.1. The Company has a long-term policy to share its profits with the Company's shareholders by means of ongoing quarterly dividend distributions, subject to the Company's cash flows, business plans, legal restrictions and the Company's liabilities.

For information concerning the Board of Directors' decision not to distribute a dividend in the coming quarter, see section 1.1 of the Report.

3.2. For further information regarding the dividends distributed by the Company to its shareholders from January 1, 2021 through to immediately prior to the publication date of this Report, see the consolidated statements of the changes in equity and Note 25f to the financial statements, where the provisions therein are included below by way of reference.

3.3. The outstanding distributable profits (in accordance with the profit test as defined in the Companies Law, 1999) as of December 31, 2022, amounted to NIS 3,674 million.

3.4. The Company has no restrictions to distribute dividends within the framework of its financial undertakings to financial institutions and to its debenture holders, except for statutory restrictions and except in accordance with the restrictions of the trust deeds for Debentures (Series M, N, O and P), as set out below:

Under the provisions of the deeds of trust for the Debentures (Series M, N, O and P), the Company undertook not to distribute a dividend (according to its definition in the Companies Law, 1999), in each of the following instances, including if one of the following instances should occur as a result of such distribution: if the Company's equity[8] falls below the shekel equivalent of USD 850 million (with regard to Series M) or under an amount in NIS equivalent to USD 1 billion (with regard to Series N,O and P); if there are grounds for demanding immediate repayment of these Debentures; if the Company is in breach of any of its material undertakings towards the holders of these Debentures; or if the Company does not meet the distribution criteria set forth in the Companies Law, including the liabilities criterion (with regard to Series N, O and P).

[8] In this context: "the Company's equity" means - the Company's equity in accordance with its consolidated financial statements (net of minority interests). All the parameters in this section will be determined in accordance with the Company's consolidated financial statements (based on the US dollar representative exchange rate as published by the Bank of Israel, on the date of the relevant financial statements), audited or reviewed as applicable, as they are known on the date of making the decision.

B. Other information

4. **Financial information concerning the Company's operating segments**

Below is a breakdown of the financial data for each of the Company's operating segments (in NIS million), as presented in Note 36 to the financial statements – Operating Segments.

For the year ended December 31, 2022

	Northern Europe	Central-Eastern Europe	Israel	Brazil	USA	Other segments	Adjustments in consolidated report (*)	Consolidated
	NIS millions							
Operating segment revenues from external sources	1,113	731	263	174	127	33	(138)	2,303
Percentage operating segment revenues	48%	32%	11%	8%	6%	1%	(6%)	100%
Operating segment costs	593	372	105	44	71	25	501	1,711
Operating income attributable to the owners of the Company	271	348	158	130	51	8	(486)	479
Operating income attributable to non-controlling interests	249	11	-	-	5	-	(152)	113
Total assets attributable to the operating segment	16,710	9,745	4,483	2,598	3,174	367	2,318	39,395
Total consolidated liabilities attributable to the operating sector	347	493	67	36	450	16	25,941	27,350

(*) For information regarding adjustments made to the amounts in the consolidated financial statements, refer to Note 36 to the financial statements.

For the year ended December 31, 2021

	Northern Europe	Central-Eastern Europe	Israel	Brazil	USA	Other segments	Adjustments in consolidated report (*)	Consolidated
	NIS millions							
Operating segment revenues from external sources	1,169	737	249	138	92	34	(123)	2,296
Percentage operating segment revenues	51%	32%	11%	6%	4%	1%	(5%)	100%
Operating segment costs	500	342	117	51	73	25	(672)	436
Operating loss attributable to the owners of the Company	329	296	132	87	14	9	415	1,282
Operating loss attributable to non-controlling interests	340	99	-	-	5	-	134	578
Total assets attributable to the operating segment	17,062	9,902	4,428	2,320	2,392	381	4,588	41,073
Total consolidated liabilities attributable to the operating sector	463	433	83	25	23	24	26,467	27,518

(*) For information regarding adjustments made to the amounts in the consolidated financial statements, refer to Note 36 to the financial statements.

For the year ended December 31, 2020

	Northern Europe	Central-Eastern Europe	Israel	Brazil	USA	Other segments	Adjustments in consolidated report (*)	Consolidated
	NIS millions							
Operating segment revenues from external sources	1,218	805	232	139	94	49	(131)	2,406
Percentage operating segment revenues	51%	33%	10%	6%	4%	2%	(6%)	100%
Operating segment costs	473	353	109	45	78	20	1,664	2,742
Operating income attributable to the owners of the Company	364	302	123	94	12	29	(1,136)	(212)
Operating income attributable to non-controlling interests	381	150	-	-	4	-	(659)	(124)

(*) For information regarding adjustments made to the amounts in the consolidated financial statements, refer to Note 36 to the financial statements.

5. **General environment and the effect of external factors on the Company's operations**

5.1. **General** - The income-producing properties sector is also inherently exposed to developments in the business-economic environment and changes in the income producing real estate sector. Accordingly, factors such as demographic changes, changes in consumer preferences, changes in consumer spending power and habits, including the strengthening of alternative consumer platforms, such as e-trade platforms, construction of new properties competing with the Group's properties, decline in the volume of economic activity, whether in general or in a specific region, changes in interest rates, changes in currency exchange rates, fluctuating inflation rates, as well as other factors, can affect the ability of property tenants to meet their commitments to the Group and, consequently, the Group's ability to continue renting out its properties at the same rent levels and occupancy rates. Other than set out in section 28 of the Report below, the Company has not assessed the impact of the events and developments as set out in the description of its business. Below is a description of the main trends in the general environment that affect the Group's causes. Furthermore, as the Group operates in geographical regions having different market characteristics and different macro-economic environments and in view of the differences in the description of the market characteristics and the macro-economic environment that may be relevant to the Group's operations in each of the key countries in which it operates, and with respect to each of its areas of operation, will be specified as part of the description of each area of operation (see sections 6.3, 7.3, 8.3, 9.2 and 10.3).

5.2. **Fluctuations in inflation rates, interest rates and currencies** - During and subsequent to the reporting period, inflation rates increased substantially in the various countries in which the Group operates. The rise in inflation began towards the end of 2021 as most countries worldwide came out from the Covid crisis and the restrictions imposed due to the pandemic were rescinded, which led to an increase in global economic activity with increased demand for goods and products, a trend that continued and accelerated in the reporting period and also thereafter. At the same time, due to the conflict between Russia and Ukraine and the economic sanctions imposed on Russia (as set out below), prices of energy and various raw material rose, which also affected the rising inflation trend. Accordingly, for example, the CPI rose in 2022 in Israel by 5.3% and in the US by 6.5%.

In response to the rising inflation, the central banks worldwide adopted monetary measures and significantly raised interest rates in these countries. Thus, for example, since April 2022, the Bank of Israel gradually increased the close to zero interest rate up to 4.25%[9] as at date of publication date of the Report[10]. In Europe, the European Central Bank raised the interest rate to 3.5%, and in the United States the interest rate rose to 4.75%, as at date of publication of the Report[11]. However, to date the foregoing measures have had an insignificant effect on inflation rates, and even an adverse effect on growth. In view of these developments, the growth forecasts in many countries have been revised downwards, especially with regard to 2023. The economic data accumulated by the date of publication of this Report primarily indicate a slowdown in growth at the beginning of 2023, however

9 Central Bureau of Statistics, https://www.cbs.gov.il

10 https://www.boi.org.il/

11 https://il.investing.com/economic-calendar/interest-rate-decision-168

simultaneously to further developments in the employment market and an environment of high inflation. Furthermore, the main risk scenarios for the global economy focus on the rate of global inflation slowly abating.

Furthermore, during and subsequent to the reporting period, the exchange rates of the currencies in which the Group operates were volatile. The inflation and interest rates have affected the purchasing power of consumers, the rents charged by the Company (as set out below), the value of its properties (based on rental income), as well as the cost of credit and the Company's financing expenses.

The Company's revenue from leasing of apartments in most of the countries (more than 90%) in which the Group operates, other than the United States, are linked to the CPI and contributed to the increase in its revenues and the value of its assets, respectively. At the same time, most of the Company’s debt is not linked to the CPI (after the effect of the exchange transactions), 58% of the total debt, and an increase in the CPI increases the Company’s financing expenses accordingly. The rental linkage mechanisms constitute long-term financial hedging against the increase in the Company's financing expenses due to the CPI linkage, and with regard to the CPI linked debt (against which there is no CPI linked income in Israel), the Company executes hedging through cross-currency swaps that also include CPI hedging.

Furthermore, most of the Company's debt is long term at fixed interest (87% of the total debt, after hedging transactions) and therefore in the short term the Company does not expect that the domestic interest rate increase will not significantly affect the Company's financing expenses. Nonetheless, the Company believes that the costs involved in raising debt will increase according to the increase in the interest rate.

5.3. **Russia - Ukraine Conflict** - Russia and Ukraine have been in an armed conflict since the end of February 2022 and as at date of publication of this Report is still continuing. In this context, part of the western countries have united and imposed a series of substantial financial and economic sanctions on Russia and Belarus, as well as various restrictions on trading with entities in Russia (including Russian financial institutions and various corporations, politicians and businesspeople), including bans on trade, investment and maintaining economic relations, as well as cutting off some Russian banks from financial systems, which generated a new economic, commercial and political reality in Europe. At the same time, the Russian government imposed restrictions on movement of capital out of Russia. As a result of the conflict, the global chain of supply has been disrupted and prices of energy and goods have increased. The Group owns properties in Russia, which are held through G Europe, amounting to EUR 282 million, and which in 2022 generated NOI in an amount of EUR 31.3 million. For further information regarding the effect of this conflict and such sanctions on the Group’s operations, see section 7.3 of the Report.

5.4. **Judicial system reform** - During and subsequent to the reporting period, the government in Israel is promoting legislative proceedings to reform the legal system. Numerous institutions, businesspeople and private individuals in Israel and abroad have raised concerns regarding the adverse impact of such proceedings on the business environment in Israel, regarding the scope of foreign investment in Israel, the Israeli currency exchange rates, Israel’s credit rating, interest rates and the stability of the Israeli stock exchange. If these changes will indeed move forward to binding legislation and if the concerns as set out above will materialize, they could have an adverse impact on the Israeli economy in general and therefore, also have an adverse effect on the Company's operations, from the aspect of its operations in the income-producing real estate sector in Israel as well as due to it being a company that owns international commercial operations that were incorporated and are traded in Israel. As at reporting date the Company is unable to estimate the effect of the developing legislation on the Israeli economy and on its operations and financial results, among other things, due to the uncertainty regarding completion of the legislative process, the content of the legislation that will be approved and the scope of their impact in practice.

5.5. **Covid-19 pandemic** - the Covid-19 virus broke out at the beginning of 2020 in many countries worldwide, including in countries in which the Group has commercial properties, and was declared by the World Health Organization as a global pandemic. Many countries adopted significant measures to curb the pandemic, including by imposing partial or general lockdowns on the entire population. The directives of the governments together with the reactions of the capital markets, oil market, interest and exchange rates to the extreme uncertainty led to a global crisis. In 2022, there was a marked improvement in the management of Covid-19 alongside a significant decrease in morbidity, among other things due to the high vaccination rates, and the economic impact of the pandemic on financial operations was more moderate, and as at reporting date it is evident that it has no special effect of the economic activities. Any renewed deterioration in morbidity, if any, may have an adverse effect on the Group's operations and its business and financial status.

5.6. The Company believes, in view of the profile of the properties in which it invests and taking note of its investment strategy which focuses principally on the acquisition of properties in densely populated urban-growth areas, that the Company’s performance faces moderate exposure to the macroeconomic environment in those countries, and increased exposure to the various developments in the area closer to the Group’s properties.
It is hereby clarified that the Company is unable to estimate the future effects of the macro-economic changes on its operations and if the foregoing changes will lead to a global recession it could adversely affect the Group's

operations and results. For further information see the chapter on Risk Factors in the Company's periodic report for 2021.

The Company's evaluations on the impact of macroeconomic events including rate of inflation and increase in interest rates in the various countries, and of the impact of COVID-19 and the conflict between Russia and Ukraine, or any other specific crisis in a certain country and/or certain countries in which the Company operates, on its revenues, on its profits and on its financial condition, are forward-looking information as defined in the Securities Law, 1968. These estimates are based on assumptions and assessments of the Company and the Group companies, as at reporting date, but they are uncertain, may not materialize and are largely beyond the Company's control. Further increase in the inflation and interest rates in Israel, continuation or deterioration of the global economic crisis, including due to the conflict between Russia and Ukraine or due to the Covid-19 pandemic or any other crisis that may arise in the territories in which the Group operates, could have a significant adverse impact on the Group's business and financial results.

5.7. Entry barriers

The Company believes that the entry barriers in its operating segments are as specified below:

- The Company's operations focus mainly on densely populated areas in main cities in which the supply of properties and space for rent is naturally limited and the supply of vacant land for new construction is limited as well, thus placing the owners of existing properties in the area at an advantage.
- Commencing operations in urban areas, either by development and construction of income-producing properties and acquiring existing properties or by the acquisition of existing operations in urban areas, requires financial robustness and financing capability which, for the most part, necessitate having sizeable equity and the ability to bear general and administrative expenses without a foreseeable source of income for several years.
- Entry into these operating segments demands expertise and experience, primarily in income-producing real estate sector, including commerce, offices and residential, and also in the realm of financing. Additionally, property management and operating costs are influenced by the quantity of the properties managed. The management and operation of single properties constitutes a relative drawback when compared with asset management on the scale of the Group's operations.
- The Group's operating segments are also characterized by its lease agreements with large tenants that has an 'investment' international credit rating (Investment Grade), such as major retail chains or supermarket chains, pharma, banks, coffee shops, health clinics, clothing stores, libraries and municipal or state agencies. Usually, the owner of a large number of properties in desirable locations has an advantage when it comes to entering into leases and in relationships with such tenants.

5.8. Exit barriers

Considering the nature of the Group's properties and operations, exiting its operating segments would not be immediate and would depend on the sale of properties, which could take a substantial amount of time, and is a function of the requested consideration against the backdrop of the macroeconomic condition of the relevant market and the changes in the consumption habits of the consumers in different areas. Nonetheless, the Company's holdings in CTY, as a traded company, is inherently more liquid and can be disposed more quickly, albeit dependent on the state of the markets in general, on the specific capital market in which its shares are traded and on the scope of the investment that to be realized.

5.9. Property acquisition criteria

The principal criteria guiding the Company and its consolidated companies when assessing the investment opportunities facing it are as follows:

- Location of the property in key growth areas with strong demographic characteristics and high entry barriers, including the population density, per capita income and dominance of the property in the area ("catchment area"), as well as the economic characteristics of the population, including the projected population growth and/or increase in the number of work places in the area, the urban infrastructure, such as transport infrastructure, schools, universities, hospitals, government institutions, etc., as well as the physical location of the property, including access roads, its visibility and the availability of parking spaces on and around the property (if there are any), as well as proximity to main roads and public transportation, such as bus stops or train stations, walkability index.
- Economic, demographic, and regulatory aspects, together with other conditions, at both a local and regional level.
- The rare economic condition of the property, i.e. aspects of competition from similar properties, including the likelihood of future competition and/or entry barriers for competitors, as well as the expectation that the demand in the area of the property will increase or decrease.

- The extent of the chances of obtaining the approval of the authorities for constructing additions to an existing property or, alternatively, the demolition of the property and construction of another property under it.
- Projected cash flow from the property and the potential for its growth, expansion or redevelopment over time, including the terms of the lease contracts and the present rental income compared with market conditions and the potential to increase rental income through re-leasing.
- Tenant mix in the property and in the area, their financial soundness and their position as market leaders.
- Level of demand and supply of properties of a similar class in the area as well as an assessment of the existing and anticipated supply of income-producing real estate in the region of operation, in relation to growth of the local population and its purchasing power.
- Proximity of the property to other properties owned by the Group, in a sense that is expected to reduce or streamline management costs for a group of properties as against a single property.
- Ratio of the expected yield from the property to the cost of capital, and an assessment of the risks that are likely to be encountered in achieving this yield and the potential for increasing the yield.
- Whether the property is a mixed-use property, combining shops with areas designated as office and/or residential space as well as the possibility of enlarging / renovating the property to achieve such extended use.
- Value of the land, environmental conditions and the existing potential to increase their value as well as the possibility of expanding/renovating the property or bringing in new tenants in a manner that increases the potential earning capacity of the property.
- The Company's decision to change the composition of its asset portfolio, from a geographic perspective and regarding the types of property uses.

5.10. Criteria for disposing of properties

The principal criteria guiding the Group when assessing the disposal of properties are as follows:

- Failure to meet the Group's criteria for the acquisition of properties, as specified in Section 5.4 above, including incompatibility of these properties with the Company's core activity, in terms of their character and location ("non-core assets"), as well as in terms of their location in cities with limited growth potential.
- Properties located outside densely populated urban areas or outside cities in which the Company's operations are centered.
- Exhaustion of the improvement potential of the property or of the activity.
- Realization of real estate opportunities in a specific region.
- Level of exposure to a specific market.
- Sale of all or part of the holdings in public companies mature for sale, all or some of them.

5.11. Legislative restrictions and structure of completion

For information about legislative restrictions applying to the Group, see Section 22 below; for information about the structure of the competition in the operating segments, see Section 14 below.

C. Description of the Company's operating segments

6. Acquisition, development and operation of shopping centers in Northern Europe

6.1. General

In Northern Europe, the Company operates mainly through CTY, whose shares are listed on the Helsinki Stock Exchange (OMX), in Finland. CTY is the owner, developer and operator of supermarket-anchored urban shopping centers in large cities with a rapid growth rate, in Finland, Norway, Sweden, Denmark and Estonia.
As of December 31, 2022, CTY owns 33[12] income-producing properties with GLA of 1.00 million square meters and rental residential buildings under development (adjacent to the Lippulavia shopping mall).

As part of its strategy, CTY intends to become an investor and owner of mixed-use urban real estate, including rental housing, by bringing value to the community through the development of urban centers for housing, employment, community and shopping. In this context, CTY is acting to create value for its investors by focusing on the two leading cities in each country where it operates which have clear urban characteristics, and on properties adjacent to public transportation which have a mix of lessees based on everyday needs and anchored in supermarkets, while increasing municipal services. Furthermore, CTY is working to identify potential development of rental residential buildings in existing properties and utilization of existing building rights, with the aim of promoting organic development of its existing properties and creating attractive properties for residential use, work and leisure.

In the Reporting Period, CTY focused on implementing its strategy to develop its existing properties and essential retail-based centers and to turn them into mixed-use properties and urban centers, by focusing on increasing the share of the residential real estate sector in its asset portfolio, while simultaneously reducing the rate of non-essential retail stores. In this context, CTY focuses on further improving its asset portfolio, while continuing to invest in the development of the Lippulavia project in Helsinki, Finland, a mixed-use urban project of commerce and rental residences, that is connected to a subway station. Development of the commercial part of the Lippulavia project was completed and it was opened on March 31, 2022, and the development of 6 of the 8 residential buildings in the project is continuing as at reporting date, and is expected to be completed by 2024[13].

In the reporting period, CTY sold four properties (that are non-core assets) in Norway for EUR 266 million. In November 2022, CTY announced its intention to sell off its non-core properties to a total value of EUR 500 million, over the coming 24 months, of which it has so far disposed of properties to a value of EUR 120 million.

At the same time, in the reporting period, CTY engaged in a forward purchase agreement to purchase a rental residential building in Stockholm, Sweden, that contains 200 rental residential units, for EUR 70 million. CTY has opportunities for growth in line with its existing portfolio of assets, including construction rights at a total estimated value of EUR 300 million. CTY intends to continue focusing on utilizing its construction rights, including through selling them, engaging in joint ventures, or developing the areas surrounding its existing properties.

CTY's assets are anchored mainly in urban services, every-day and essential consumer services and supermarkets, which are connected to public transport and located in the strongest Nordic countries. CTY has a diverse rental mix and its principal customers are supermarkets, retail stores (domestic and international), and local authorities, which are principal tenants in its properties. One of CTY's lessees is the Finnish chain, S-Group, which has more than 1,800 branches throughout Finland and engages, among other things, in the travel, supermarket and hospitality sectors, and 5.4% of CTY's rental revenues in 2021 are due to its contracts with S-Group (compared to 4.1% in 2022). Another lessee of CTY is Kesko, a leading Nordic supermarket chain, with stores across Finland, Sweden, Norway, Estonia and Denmark, and 4.8% of CTY's rental income in 2022 are from its engagements with various chains owned by Kesko (compared to 4.1% in 2021).

Usually, some 90% of the agreements between CTY and its tenants, the tenants undertake to pay the operating costs incurred by CTY for maintaining the property, in addition to rent (which is linked to the cost of living index in the various countries accordingly, or are updated annually by a minimum rate). Furthermore, as of December 31, 2022, 63% of CTY's rental contracts contain a rental fee component that is based on a certain percentage of the tenants' turnover in addition to the fixed rental (this component does not constitute a material part of CTY's total revenue from rent). The lease agreements with key tenants are usually long term, ranging from 10 to 15 years, and sometimes even 20 years, while the lease agreements with minor tenants are usually for periods of 3 to 5 years

In the reporting period, CTY continued to adopt measures to strengthen its balance sheet, including aiming to improve its investment rating, and as part of this various measures were adopted to decrease future interest expenses, and improve its balance sheet and debt. Most of CTY's debt (93%) is at fixed interest and the majority of its assets are not pledged. Moreover, CTY does not have significant debts that are due for repayment before October 2024. As at December 31, 2022, the Company holds 52.1% of CTY's issued share capital and voting rights.

[12] Including Kista Galleria, 50% of which is held by CTY and is jointly controlled with a third party.

[13] CTY's estimates regarding the development project, including the estimated date of completion, constitute forward-looking information as defined in the Securities Law – 1968. These estimates are not definitive, may not occur, including a delay in the date of completion of the project, and are not under the control of the Company. During the reporting period, CTY carried out reserves share split, in which all 5 shares were consolidated into 1 share

6.2. Summary results of operation

Below are the summary results in the operating segment for the years ended December 31, 2021, 2020 and 2019 (NIS thousands and EUR thousands):

	Year ended					
	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2022	December 31, 2021	December 31, 2020
	NIS thousand			EUR thousands		
Total income from the operation	1,065,896	1,117,522	1,159,778	301,489	292,267	295,586
Gains (losses) from revaluations (consolidated)	(201,676)	179,673	(574,852)	(56,536)	48,588	(146,943)
Gains (losses) from revaluations (Company's share)	(105,223)	88,376	(280,850)	(29,497)	23,899	(71,790)
Operating profit (*)	421,881	622,837	599,965	119,632	162,940	153,054
Same property NOI (consolidated)	536,781	544,267	-	151,733	142,339	-
Same property NOI (Company's share)	280,060	283,966	-	79,165	74,264	-
Total NOI (consolidated)	720,160	773,574	805,887	203,647	202,306	205,402
Total NOI (Company's share)	375,736	380,497	393,724	106,251	99,508	100,351

(*) Operating profit refers to the accounting operating profit in accordance with IFRS, excluding revaluation gains.

6.3. Economic data regarding geographic regions

The table below provides the macro-economic characteristics of CTY's main operating regions:

	Finland			Sweden			Norway		
	Year ended December 31,								
	2022	2021	2020	2022	2021	2020	2022	2021	2020
Gross domestic product (PPP) (USD billion)	324	296	276	684	622	569	425	383	354
GDP per capita (PPP) (USD)	58,659	53,653	50,078	63,877	59,587	54,829	78,127	70,796	65,804
GDP per capita growth rate (PPP)	9.40%	7.30%	(1.05%)	9.90%	9.44%	(0.99%)	11.02%	8.20%	0.48%
Inflation rate	9.10%	3.50%	0.20%	12.30%	3.90%	0.50%	5.90%	5.30%	1.40%
Yield on long-term government debt	3.11%	0.82%	(0.42%)	2.38%	0.22%	0.02%	3.19%	1.69%	0.94%
Rating of long-term government debt	AA+/Aa1	AA+/Aa1	AA+/Aa1	AAA/Aaa	AAA/Aaa	AAA/Aaa	AAA/Aaa	AAA/Aaa	AAA/Aaa
Consumer confidence index	(18.5)	(3.5)	(4.6)	55.4	99.5	94.9	(36.8)	11.8	(9.9)
Unemployment	6.80%	7.50%	7.80%	7.30%	8.67%	6.77%	3.40%	4.50%	3.73%
Local currency to USD exchange rate at December 31	USD - EUR 1.07	USD - EUR 1.14	USD - EUR 1.22	USD - SEK 0.096	USD - SEK 0.11	USD - SEK 0.121	USD - NOK 0.102	USD - NOK 0.113	USD - NOK 0.116

(*) According to Bloomberg data.

Additional macroeconomic data:

In the reporting period, the Nordic economies recovered well from the effects of Covid, however they are currently being affected, as are the rest of the global economies, by the sharp cost of living increases and economic environment uncertainty that is due to inflation rates and increase in interest. The common denominator of the Nordic economies is their financial robustness due to high individual savings, public funding and the creation of stable jobs that is still continuing. All these provide the Nordic economies with a certain degree of resilience during this period of geopolitical uncertainty, and environment of rising inflation and interest rates. Furthermore, the Nordic countries are expected to be less affected by the Russian Ukraine conflict as these countries are almost not dependent on natural gas from Russia. While inflation is on the rise in all Nordic markets, this does not have a material impact on CTY's operations, due to its tenant mix and in view of fact that 93% of its leases are index-linked.

Aggregate data for the operating segment

Information about CTY's income-producing properties. The data in sections 6.4 below do not include data for Kista Galeria[14], which is jointly-controlled and is presented according to the equity method.

The data in Sections 6.4 and 6.5 below regarding Sweden and Denmark are presented in Swedish krona (SEK), which is the commercial currency for most of the properties in this region. These data also include properties in this region with a different commercial currency, and that were converted to SEK according to the known exchange rate at the end of the period with respect to balance sheet data and according to the average exchange rate with respect to performance data.

The data in Section 6.4 below regarding Norway are presented in Norwegian krona (NOK), which is the commercial currency in Norway.

6.3.1. GLA of income-producing properties

The following table provides details regarding the GLA of CTY's income-producing properties as of December 31, 2022 and 2021 (in sq.m thousands):

Region		At December 31, 2022	As % of total income producing property GLA	At December 31, 2021	As % of total income producing property GLA
Finland	Consolidated	336	33.2%	350	31.2%
	Company's share	175		182	
Sweden and Denmark	Consolidated	210	20.7%	209	18.7%
	Company's share	109		109	
Norway	Consolidated	364	35.9%	459	40.9%
	Company's share	190		239	
Estonia	Consolidated	103	10.2%	103	9.2%
	Company's share	54		54	
Total	Consolidated	1,013	100%	1,121	100%
	Company's share	528		584	

6.3.2. Segmentation of the fair value of income-producing properties

The table below provides data about the value of CTY's income-producing properties as of December 31, 2022 and 2021:

Region		At December 31, 2022	As % of total value of producing property GLA	At December 31, 2021	As % of total value of producing property GLA[15]
Finland (in EUR thousands)	Consolidated	1,285,988	35.7%	1,255,073	31.7%
	Company's share	670,243		653,338	
Sweden (in SEK thousands)	Consolidated	8,438,748	21.0%	8,207,539	20.2%
	Company's share	4,398,182		4,272,502	
Norway (NOK thousands)	Consolidated	12,914,700	34.1%	15,763,955	39.9%
	Company's share	6,730,998		8,206,056	
Estonia (in EUR thousands)	Consolidated	331,644	9.2%	323,643	8.2%
	Company's share	172,849		168,475	
Total (in NIS thousands)	Consolidated	13,528,616	100%	13,930,856	100%
	Company's share	7,050,965		7,251,219	

[14] Kista Galeria, in which CTY holds 50%, is located in Stockholm, Sweden, and has an area of 92.5 thousand square meters. As at December 31, 2020, the fair value of the property was EUR 550 million

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6.3.3. NOI

The table below provides data about CTY's NOI for 2020 - 2022:

Region		2022	% of total property NOI	2021	% of total property NOI	2020	% of total property NOI
Finland (in EUR thousands)	Consolidated	68,637	33.7%	64,430	31.9%	66,241	32.2%
	Company's share	35,811		31,691		32,363	
Sweden and Denmark (in SEK thousands)	Consolidated	382,336	17.7%	397,384	19.4%	466,326	21.7%
	Company's share	199,475		195,462		227,824	
Norway (NOK thousands)	Consolidated	797,014	38.7%	791,203	38.5%	794,078	36.1%
	Company's share	415,833		389,163		387,951	
Estonia (in EUR thousands)	Consolidated	20,149	9.9%	20,816	10.2%	20,636	10.0%
	Company's share	10,513		10,261		10,082	
Total (in NIS thousands)	Consolidated	720,160	100%	773,574	100%	805,887	100%
	Company's share	375,736		380,497		393,724	

6.3.4. Revaluation gains (losses)

The table below provides data about CTY's revaluation gains (losses) for the years 2020-2022:

Region		2022	% of total property NOI	2021	% of total property NOI	2020	% of total property NOI
Finland (in EUR thousands)	Consolidated	(16,339)	28.9%	(1,164)	(2.4%)	(84,047)	57.1%
	Company's share	(8,525)		(572)		(41,067)	
Sweden and Denmark (in SEK thousands)	Consolidated	(97,453)	16.2%	303,643	61.6%	(567,806)	36.9%
	Company's share	(50,845)		149,352		(277,407)	
Norway (NOK thousands)	Consolidated	(312,195)	54.7%	162,306	32.9%	(56,549)	3.6%
	Company's share	(162,885)		79,833		(27,627)	
Estonia (in EUR thousands)	Consolidated	(126)	0.2%	3,856	7.9%	(3,456)	2.4%
	Company's share	(66)		1,897		(1,688)	
Total (in NIS thousands)	Consolidated	(201,676)	100%	179,673	100%	(574,852)	100%
	Company's share	(105,223)		88,376		(280,850)	

6.3.5. Average rent per square meter

The table below provides data about CTY's average monthly rent per square meter for 2022 and 2021:

	Year ended	
Region	December 31, 2022	December 31, 2021
Finland (in EUR)	26.3	25.4
Sweden (in SEK)	238.7	236.2
Norway (NOK)	221.2	209.7
Estonia (in EUR)	24.2	22.5

6.3.6. Average occupancy rates

The table below provides data about the occupancy rates of CTY's properties as of December 31, 2022, and average occupancy rates for the years 2022 and 2021:

Region	As at December 31, 2022	Year ended (*) December 31, 2022	 December 31, 2021
Finland	95.4%	95.0%	94.4%
Sweden and Denmark	94.0%	94.6%	92.4%
Norway	93.4%	92.8%	92.3%
Estonia	95.7%	95.7%	96.2%

(*) The average occupancy rate for a specific year was calculated as the average of all occupancy rates at the end of every calendar quarter in the relevant year.

6.3.7. Number of income-producing properties

The table below provides data about the number of CTY's income-producing properties as of December 31, 2022 and 2021:

Region	As at December 31, 2022	 December 31, 2021
Finland	10	10
Sweden	8	7
Norway	14	18
Estonia	2	2
Total	34	37

6.3.8. Average yields

The table below provides data about CTY's actual average yields as of December 31, 2022 and 2021 (based on property value at the end of the year):

Region	Year ended December 31, 2022	 December 31, 2021
Finland	5.1%	5.0%
Sweden and Denmark	5.6%	5.5%
Norway	5.7%	5.4%
Estonia	7.1%	6.7%

6.4. Expected rental income from signed lease agreements entered into(*)

Period of recognition of income		Income from fixed components (in NIS thousands)	Income from variable components (in NIS thousands)	Number of terminating lease agreements	Area in the terminating agreements (in sq.m thousands)
2023	Quarter 1	95,690	3,980	593	100
	Quarter 2	43,352	-	384	49
	Quarter 3	53,492	3,499	269	58
	Quarter 4	62,545	3,470	283	66
2024		159,741	7,670	555	139
2025		149,984	5,794	422	141
2026		90,816	1,531	259	76
2027 and thereafter		275,612	4,106	426	273
Total		**931,232**	**30,050**	**3,191**	**902**

(*) The Company's management does not review, on a current basis, the expected rental income assuming exercise of the extension options given to the tenants. The foregoing data therefore is on the assumption of non-exercise of tenant option periods.

The foregoing information contained in this section is forward-looking information as defined in Section 32A of the Securities Law, based on CTY estimates, which are based on the information it has to date, and there is no certainty that it will materialize due to factors beyond the Company's control, including as a result of macro-economic effects (as described in sections 5.1, 5.6 and 6.3 above), and as a result of the materialization of risk factors applicable to the Company's operations as set out in section 28 of the chapter on the description of the company's business.

6.5. Aggregate data about investment properties under construction in the field of operation

The table below provides aggregate data about CTY's properties that were classified as investment properties under construction in the Company's financial statements:

		Year ended 2022	2021	2020
Finland	Number of properties under construction at the end of the period	1	1	1
	Total area under construction (planned) at the end of the period (in sq.m thousands)	62.3	62.3	44.3
	Total costs invested in the current period (consolidated) (in EUR thousands)	66,369	138,467	121,500
	The amount at which the properties are stated in the financial statements at the end of the period (consolidated) (in EUR thousands)	451,762	382,453	271,967
	Construction budget during the subsequent period (estimate) (consolidated) (in EUR thousands)	4,259	71,400	-
	Total balance of estimated construction budget for completion of the construction works (estimate for the end of the period) (consolidated) (EUR thousands)	33,285	104,400	-
	Percentage of the GLA under construction with respect to which lease agreements have been signed	91%	65%	67%
	Expected annual revenue (estimate) (consolidated) (EUR thousands)(*)	12,372	9,779	-
Sweden	Number of properties under construction at the end of the period	1	-	-
	Total area under construction (planned) at the end of the period (in sq.m thousands)	12,950	-	-
	Total costs invested in the current period (consolidated) (SEK thousands)	69,159	-	-
	The amount at which the properties are stated in the financial statements at the end of the period (consolidated) (SEK thousands)	69,159	-	-
	Construction budget in the subsequent period (estimate) (consolidated) (SEK thousands)	671,500	-	-
	Total estimated construction budget for completion of construction work (estimate to end of the period) (consolidated) (SEK thousands)	671,500	-	-

(*) The figure refers to the estimated total annual revenue expected from projects that are scheduled for construction to end in the following year, and for which lease agreements have been signed with respect to 50% or more of their total GLA.

6.6. Aggregate data concerning land for investment in the operating segment

As at December 31, 2022 and 2021, CTY did not own plots of land that are recorded in the CTY's books as land for investment t.

6.7. Acquisition and sale of properties (aggregate)

The table below provides information concerning properties sold and acquired by CTY in 2020 through 2022:

			Year ended December 31,		
			2022	2021	2020
Finland	Properties sold	Number of properties sold during the period	-	1	-
		Proceeds from the realization of properties sold during the period (consolidated) (in EUR thousands)	-	106,200	-
		Area of properties sold during the period (consolidated) (in sq.m thousands)	-	22.5	-
		NOI of properties sold (consolidated) (in EUR thousands)	-	4,976	-
		Profit (loss) recorded from the sale of properties (consolidated) (in EUR thousands)	-	(1,488)	-
	Properties acquired	Number of properties acquired during the period	-	1	1
		Cost of properties acquired in the period (EUR thousands)	-	681	2,596
		NOI of properties acquired (consolidated) (in EUR thousands)	-	(17)	(155)
		Total area of properties acquired during the period (consolidated) (in sq.m thousands)	-	1	6
Sweden and Denmark	Properties sold	Number of properties sold during the period	-	3	-
		Proceeds from the realization of properties sold during the period (consolidated) (in SEK thousands)	-	1,417,178	-
		Area of properties sold during the period (consolidated) (in sq.m thousands)	-	57.9	-
		NOI of properties sold (consolidated) (in SEK thousands)	-	25,645	-
		Profit (loss) recorded from the sale of properties (consolidated) (SEK thousands)	-	(43,360)	-
	Properties acquired	Number of properties acquired during the period	1	-	-
		Cost of properties acquired during the period (consolidated) (SEK thousands)	69,159	-	-
		Total area of properties acquired during the period (consolidated) (in sq.m thousands)	13.0	-	-
Norway	Properties sold	Number of properties sold during the period	4	-	1
		Proceeds from the properties sold during the period (consolidated) (NOK thousands)	2,689,312	-	128,674
		Area of properties sold during the period (consolidated) (in sq.m thousands)	95.0	-	10.7
		NOI of properties sold (consolidated) (NOK thousands)	86,335	-	-
		Profit (loss) recorded from the sale of properties (consolidated) (NOK thousands)	(95,421)	-	16,069
	Properties acquired	Number of properties acquired during the period	-	-	3
		Cost of properties acquired during the period (consolidated) (NOK thousands)	-	-	1,554,956
		NOI of properties acquired (consolidated) (NOK thousands)	-	-	92,411
		Total area of properties acquired during the period (consolidated) (in sq.m thousands)	-	-	69.6
Estonia	Properties acquired	Number of properties acquired during the period	-	-	1
		Cost of properties acquired in the period (EUR thousands)	-	-	1,600

6.8. Substantial Asset

Below is a breakdown of data regarding Iso Omena, a substantial income producing asset of the Group as at December 31, 2022:

Iso Omena	**General data**		
Region	Espoo, Finland		
Functional currency	EUR		
Primary use	Retail (shopping center)		
Construction costs (EUR million)	664.4		
Company's share in property (%) (capital rights/voting rights)	Wholly owned through a 52.1% held subsidiary		
Gross area (sq.m)	101,900		
Retail GLA (sq. m)	84,610		
Operational data	**2022**	**2021**	**2020**
	EUR million, unless stated otherwise		
Carrying value at end of period (NIS million)	2,950	2,640	2,930
Fair value at end of the period	785.2	750.2	742.1
Rental revenue in the period	34.9	33.2	33.5
Actual NOI in the period	33.5	31.4	31.6
Actual yield rate (%)	4.3%	4.2%	4.3%
Adjusted yield rate (%)	4.4%	4.3%	4.3%
Yield rate over cost (%)	5.0%	4.8%	4.8%
Valuation gains (losses)	28.1	4.2	(18.9)
Occupancy rate at end of the period (%)	98.8%	98.2%	96.7%
Average rent per sq.m / month (EUR)	35.3	34.0	34.7
Average income per sq.m / year (EUR) (*)	3,900.0	3,769.3	3,498.8
Additional information required under Regulation 8B(9), in the event that a material valuation or very material valuation was used to determine the value of the data			
Valuation date	December 31, 2022	December 31, 2021	December 31, 2020
Name and experience of valuator	The JLL valuator has over 10 years of experience		
Valuation model used by the Valuator	DCF	DCF	DCF
Additional underlying assumptions Capitalization rate (%)	4.6%	4.5%	4.6%

(*) The data is to the best of the Company's knowledge and provided on the basis of information received from the tenants. The Company is therefore unable to confirm that the information is in fact correct.

6.9. Human capital

6.9.1. As of December 31, 2022, CTY has 251 employees (251 employees in 2021), as follows: Norway – 81; Finland and Estonia – 57; Sweden and Denmark – 47; and 66 employees in various positions in the Group.

These employees are employed under personal contracts according to which they receive a basic monthly salary and various benefits and annual bonuses, according to their seniority. Additionally, CTY's key employees and executives are entitled to long-term compensation in the form of CTY securities, *inter alia* as set out below.

6.9.2. CTY has several compensations plans for employees and managers, by virtue of which convertible stock options can be granted or Restricted Share Units (RSUs) of CTY. Some of the compensation plans are designated for the CEO of CTY and other specific senior officers. The other compensations plans are contingent on achieving certain goals. For additional information about CTY's compensation plans, refer to Note 8f3 to the financial statements.

For details regarding buybacks of [__] CTY shares and their transfer to managers by virtue of CTY's four remuneration plans for its employees and managers, see Note 8d.3 to the financial statements, and for further information concerning the terms of the compensation for CTY's CEO, see Regulation 21 in Chapter D of the periodic report.

6.10. Credit and financing

6.10.1. **Credit rating** – CTY is rated as Baa3 (stable outlook) by Moody's and as BBB- (stable outlook) by S&P. In addition, and a rating of BBB- (Stable outlook) by Fitch.

6.10.2. **Financing from financial institutions** -

As of December 31, 2021, CTY has no loans from financial institutions, except for a renewable line of credit provided to CTY and its wholly owned subsidiaries for the amount of EUR 500 million (NIS 1.8 billion), half of which is secured by a lien, and is valid until 2024 (as at Reporting Date, CTY has not used this line of credit).

6.10.3. **Debentures** - As of December 31, 2022, CTY has unsecured outstanding debentures in an amount of EUR1,716 million. The debentures bear fixed interest at an annual rate ranging between 1.26% and 4.5% and are redeemable from 2024 through 2028. In the Reporting Period, CTY bought back its debentures on the market for an amount of EUR 112.3 million. Furthermore, in January 2023, CTY issued a tender offer to buy back its marketable debentures and securities, as part of which it bought back such securities in a total amount of EUR 57.4 million. For the debenture ratings, refer to section 6.11.1 above. For further details regarding CTY's debentures, see Notes 19C and 37C to the financial statements.

6.10.4. **Hybrid bonds** - as at December 31, 2022 CTY has two series of hybrid bonds in a total amount of EUR 700 million, which are subordinate to any other debt and unsubordinated with regard to the Company's ordinary share capital, and are considered to be part of CTY's equity. In January 2023, CTY acquired by way of buy back EUR 57.4 million debentures that were redeemable in 2024 and hybrid bonds in a total amount of EUR 26.8 million.

6.10.5. **Summary of balances**:

The following table presents long-term credit and loans (including current maturities), which are not intended for specific use, which were received by CTY from financial institutions to finance its operations, as of December 31, 2022:

	Balance (EUR millions)	Weighted interest rate (*)	Average repayment period (years)(**)
Debentures at fixed interest – EUR	1,421.7	1.96%	3.4
Debentures at variable interest - NOK	75.9	6.19%	0.9
Debentures at fixed interest - NOK	218.1	3.40%	2.7
	1,715.7		

(*) The effective interest rate is not materially different from the weighted interest rate.
(**) Calculated only according to the repayment dates of the credit principal.

6.10.6. Financial covenants

Some of the unsecured loans, debentures and credit facilities granted to CTY and its wholly-owned subsidiaries in the ordinary course of business require compliance with financial and other covenants. For details regarding the financial covenants, refer to Notes 20D1 and 19C to the financial statements.
As of December 31, 2022 and immediately prior to the approval date of this report, CTY and its subsidiaries are in compliance with all the specified covenants.

7. Acquisition, development and management of shopping centers in Central and Eastern Europe

7.1. General

The Group operates in Central and Eastern Europe through G Europe (100%), which is incorporated in Jersey Island and was traded on the Vienna stock exchange (VSE) in Austria until February 18, 2022 and on the NYSE Euronext stock exchange in Amsterdam, the Netherlands. On February 18, 2022, the merger between G Europe and its wholly owned subsidiary was completed and as of this date G Europe's shares were delisted from the VSE exchange in Vienna and G Europe became a wholly owned subsidiary of the Company. However, G Europe has debentures listed for trading on the Luxembourg Stock Exchange. For further information see Note 8C to the financial statements.

G Europe is the owner and operator of retail shopping centers in leading Eastern European cities - primarily in Warsaw - Poland, and Prague - Czech Republic, and Russia, and as of December 31, 2022, it owns 21 income-producing buildings[16] with a GLA of 0.7 million square meters as well as plots of land, while 65% of the asset portfolio in Poland is located in Warsaw and about 77% of the portfolio in the Czech Republic, is located in Prague.

At the beginning of 2020, G Europe announced its strategic plan until 2025, under which it will focus its operations on diversifying the asset portfolio by investing in income-producing residential real estate for rent, primarily in Warsaw. In addition, the strategy includes improvement and development of its asset portfolio by building real estate for residence or in specific cases, offices, above or close to G Europe's existing properties. As such, G Europe announced that it intends to reach a property mix of 60% commercial real estate and 40% rental housing. In the reporting period, G Europe continued to execute this strategy by purchasing residential buildings in Wroclaw, which contain 140 apartments, and has completed the purchase of 550 apartments in Warsaw, the marketing of which will be completed in 2023[14]. In addition, G Europe began first stage development of a number of residential buildings that contain 200 apartments, adjacent to its Atrium Promenada shopping center in Warsaw.

In the reporting period and as part of the Company's Plan for Disposal of Properties, G Europe completed the sale of properties for a total amount of EUR 324 million, similar to their carrying value as at December 31, 2021.
Almost all of the G Europe's assets are anchored by supermarkets and retail assets that provide daily needs. A key component in G Europe's property management strategy is the integration of anchor tenants, with a financial strength, specializing in food, fashion, leisure and entertainment, which correspond with the character and needs of consumers in property's environment. Accordingly, a significant portion of G Europe's lease agreements are with international fashion brands and/or reputable supermarkets, combined with options to leisure and food. In 2022, G Europe's largest tenant was CCC, which has several stores and fashion brands, the revenue from which was 3% of all G Europe's rental revenues. G Europe manages almost all of its properties.

Results of operations

Below is a breakdown of the results of operations in the operating segment for the years ended December 31, 2021, 2020 and 2019 (NIS thousands and in EUR thousands):

	Year ended December 31,					
	2022	2021	2020	2022	2021	2020
	NIS thousand			EUR thousands		
Total income from the operation	685,893	702,408	765,323	193,919	184,023	195,073
Gains (losses) from revaluations (consolidated)	(75,397)	148,027	(908,607)	(21,540)	41,911	(231,008)
Gains (losses) from revaluations (Company's share)	(70,654)	110,759	(546,194)	(20,185)	31,359	(138,867)
Operating profit (*)	354,889	423,596	444,924	100,437	111,193	113,317
Same property NOI (consolidated)	321,669	325,416	-	90,927	85,104	-
Same property NOI (Company's share)	301,434	304,945	-	85,207	79,750	-
Total NOI (consolidated)	448,491	485,535	511,746	126,819	127,250	130,488
Total NOI (Company's share)	420,277	363,293	341,863	118,841	95,213	87,171

(*) The operating profit refers to the accounting operating profit in accordance with IFRS, excluding revaluation gains.

[16] Including one jointly controlled property in which G Europe holds 75% of the rights.

7.2. Economic data about geographic regions

The table below provides the macroeconomic characteristics (*) of G Europe's main operating regions:

	Poland			Czech Republic			Russia		
	Year ended December 31,								
	2022	2021	2020	2022	2021	2020	2022	2021	2020
Gross domestic product (PPP) (USD billion)	1,599	1,437	1,303	514	471	437	4,649	4,494	4,119
GDP per capita (PPP) (USD)	42,465	37,996	34,347	48,918	44,951	40,927	31,967	30,875	28,181
GDP per capita growth rate (PPP)	11.21%	10.28%	(1.02%)	9.11%	7.79%	(4.36%)	3.46%	9.10%	(1.49%)
Inflation rate	9.40%	2.60%	4.30%	15.80%	6.60%	2.30%	11.98%	8.39%	4.91%
Yield on long-term government debt	6.85%	3.65%	1.22%	4.92%	2.74%	1.20%	15.99%	8.45%	5.92%
Rating of long-term government debt	A-/A2	A-/A2	A-/A2	AA-/Aa3	AA-/Aa3	AA-/Aa3	/	BBB-/Baa3	BBB-/Baa3
Unemployment	2.90%	3.30%	3.20%	2.40%	2.80%	2.60%	3.90%	4.80%	5.80%
Local currency to USD exchange rate at December 31	PLN - USD 0.228	PLN - USD 0.247	PLN - USD 0.268	CZK - USD 0.044	CZK - USD 0.046	CZK - USD 0.046	RUB - USD 0.013	RUB - USD 0.013	RUB - USD 0.013

(*) According to Bloomberg data

Additional macro-economic data

Poland - Poland's economy started off 2023 strongly with a real GDP increase by 8.6% compared to the first quarter of 2022, 5.8% in the second quarter and 3.5% in the third quarter. In the third quarter of 2022, economic growth began to slow down due to the impact of the conflict between Russia and Ukraine on the global economy, and due to tightening of monetary policy by the central banks worldwide in the wake of the rise in inflation that affects the income of households. Nonetheless, according to Oxford Economics forecast of September 2022, the GDP in Poland was expected to reach 4.4% in the second half of 2022 due to economic growth in the first half of the year, and to decline afterwards to 0% in 2023 with expected recovery and increase to 4.2% in 2024. In practice, in 2022, retail sales did indeed recover, but weakened considerably in July 2022 due to inflationary pressure and expected economic stagnation.

The concept of rental housing is relatively new in the Polish market, where the supply is limited and traditionally controlled by private individuals. There are an estimated 33,800 apartments in the development pipeline of buildings designated for rental, of which 35% are under construction throughout Poland. The total operational supply is 9,100 apartments.

Czech Republic - Inflation in the Czech Republic has been high due to economic stagnation and concerns regarding energy costs as a result of the conflict between Russia and Ukraine. The Czech national bank tried to manage the rise in inflation by increasing interest rates and was one of the first central banks to raise interests Following the decline of the effects of Covid, shopping malls recorded their highest turnover ever in the second quarter of 2022 (17.3%) compared to the corresponding period in 2019. Since the beginning of 2022 shopping mall sales increased by an average of 10.5% compared with 2019. However, this substantial growth in sales compared to the period prior to the Covid pandemic was significantly affected by the increase in inflation.

Russia - For information concerning the ongoing conflict between Russia and Ukraine, see section 5.3 of the Report.

According to the Central Bank of Russia forecast, Russia's GDP will drop by 3.5% in 2022 and by 3.3% in 2023. Furthermore, as the key sanctions came into effect at the end of 2022, their impact will become clear in 2023. In 2022, based on Focus Technologies data, the volume of shopping center visits will decrease by 7% compared to the previous year.

In the reporting period, G Europe's operations in Russia were marginally affected by the foregoing events. "As at reporting date, the occupancy rate of G Europe's properties in Russia is 92.8%. As at December 31, 2022, G Europe conducted a full external valuation of its income producing assets in Russia, following which a decrease in value [impairment] of EUR 2.6 million was recorded in the reporting period. For further information concerning the valuation of the Group's properties in Russia, see Note 1(D) to the financial statements.

Furthermore, due to the situation, the Russian government established a special government commission for supervising foreign investments. In December 2022, the commission published the conditions under which the commission may permit an "unfriendly foreign entity" to sell its holdings in a Russian company, including: (1) a valuation of the asset by an independent appraiser; (2) the sale price of the asset will be at least 50% lower than the value determined by the appraiser; (3) establishment of performance indicators of the new shareholders; (4) the proceeds from the sale of the asset will be paid in installments over a period of 1-2 years and/or the seller undertakes to pay at least 10% of the transaction price to the federal budget fund. If G Europe disposes of its properties in Russia, such sale will be subject to these provisions.

Poland's economy started off the year strongly with real GDP that increased by 8.6% compared to the first quarter of 2022, 5.8% in the second quarter and 3.5% in the third quarter. In the third quarter of 2022, the economic growth began to slow down due to the significant impact of the conflict between Russia and Ukraine, tightening of monetary policy, deterioration of economic sentiment, as inflation diluted household income and the external environment weakened. According to the Oxford Economics September 2022 forecast, Poland's GDP growth is expected to reach 4.4% in 2022 due to the strong first half of the year, after which GDP will drop to 0% in 2023 and is expected to recover to 4.2% in 2024. In 2022, retail sales recovered and again weakened considerably in July 2022 due to inflationary pressure and expected economic stagnation.

As at reporting date, the total modern retail space (shopping centers, retail parks and outlets) in Poland was over 12.8 million sq.m, of which 82% are located in shopping centers, 31% in five cities with populations exceeding 500,000 (Warsaw, Krakow, Lodz, Wroclaw and Poznan). In 2022, approximately 250,000 sq.m of modern commercial space were opened and 260,000 sq.m of commercial space were under construction.

The concept of rental housing is relatively new in the Polish market, where the supply is limited and traditionally controlled by private individuals. There are an estimated 33,800 apartments in the development pipeline of buildings designated for rental, of which 35% are under construction throughout Poland. The total operational supply is 9,100 apartments. The lifestyle sector in Poland showed spectacular growth in 2021, as the total investment in the sector exceeded the annual investments in the early stages of the market's development and reached EUR 623 million in forward financing transactions and EUR 24.4 million in operational properties. In 2022, transactions of EUR 146 million were completed in four operational properties, and in addition several future financing structure transactions were also completed.

7.3. Aggregate data for the operating segment

The tables below provide data about G Europe's income-producing properties:
The data presented in Sections 7.4 and 7.5 below do not include jointly controlled properties.
The reference to "other" in Section 7.4 below includes in 2020-2022, G Europe's properties in Slovakia.

7.3.1. GLA of income-producing properties

The table below sets out details regarding the GLA of G Europe's income-producing properties as of December 31, 2022 and 2021 (in sq.m thousand):

Region		As at December 31, 2022	As % of total income producing property GLA	As at December 31, 2022	As % of total income producing property GLA
Poland	Consolidated	341	53.3%	431	55.5%
	Company's share	341		322	
Czech Republic	Consolidated	61	9.5%	61	7.8%
	Company's share	61		46	
Russia	Consolidated	238	37.2%	239	30.7%
	Company's share	238		179	
Other	Consolidated	-	0.0%	47	6.0%
	Company's share	-		35	
Total	Consolidated	640	100%	778	100%
	Company's share	640		582	

7.3.2. Segmentation of the fair value of income-producing properties

The table below provides data regarding the value of G Europe's income-producing properties as of December 31, 2022 and 2021:

Region		As at December 31, 2022	As % of total income producing property GLA	As at December 31, 2022	As % of total income producing property GLA
Poland (EUR thousands)	Consolidated	1,439,720	70.1%	1,611,817	68.9%
	Company's share	1,439,720		1,206,300	
Czech Republic (EUR thousands)	Consolidated	353,988	17.3%	351,498	15.0%
	Company's share	353,988		263,065	
Russia (EUR thousands)	Consolidated	259,151	12.6%	258,752	11.1%
	Company's share	259,151		193,652	
Other (EUR thousands)	Consolidated	-	0.0%	118,000	5.0%
	Company's share	-		88,312	
Total (NIS thousands)	Consolidated	7,704,369	100%	8,236,805	100%
	Company's share	7,704,369		6,164,504	

7.3.3. NOI

The table below provides data about G Europe's NOI for 2022-2020:

Region		As at December 31, 2022	As % of total income producing property GLA	As at December 31, 2021	As % of total income producing property GLA	As at December 31, 2020	As % of total income producing property GLA
Poland (EUR thousands)	Consolidated	73,923	58.3%	73,605	57.8%	77,040	59.0%
	Company's share	69,272		55,074		51,465	
Czech Republic (EUR thousands)	Consolidated	17,409	13.7%	17,508	13.8%	17,307	13.3%
	Company's share	16,314		13,100		11,562	
Russia (EUR thousands)	Consolidated	31,343	24.7%	28,388	22.3%	28,027	21.5%
	Company's share	29,371		21,241		18,723	
Other (EUR thousands)	Consolidated	4,145	3.3%	7,749	6.1%	8,115	6.2%
	Company's share	3,884		5,798		5,421	
Total (NIS thousands)	Consolidated	448,491	100%	485,535	100%	511,746	100%
	Company's share	420,277		363,293		341,863	

7.3.4. Revaluation gains (losses)

The table below provides data about G Europe's revaluation gains (losses) for the years 2022-2020:

Region		2022	% of total property NOI	2021	% of total property NOI	2020	% of total property NOI
Poland (EUR thousands)	Consolidated	(17,162)	84.8%	21,917	55.9%	(139,670)	66.0%
	Company's share	(16,083)		16,399		(93,304)	
Czech Republic (EUR thousands)	Consolidated	(4,993)	24.6%	458	1.2%	(13,448)	6.3%
	Company's share	(4,679)		343		(8,984)	
Russia (EUR thousands)	Consolidated	199	(1.0%)	18,933	48.3%	(56,265)	26.5%
	Company's share	186		14,166		(37,587)	
Other (EUR thousands)	Consolidated	1,692	(8.4%)	(2,130)	(5.4%)	(2,632)	1.2%
	Company's share	1,586		(1,593)		(1,758)	
Total (NIS thousands)	Consolidated	(71,689)	100%	149,808	100%	(831,793)	100%
	Company's share	(67,179)		112,092		(555,666)	

(*) Includes adjustment resulting from consolidation of G Europe reports

7.3.5. Average rent per square meter

The table below provides data about G Europe's average monthly rent for 2022 and 2021:

Region	Year ended December 31, 2022	2021
Poland (in EUR)	22.4	20.0
Czech Republic (in EUR)	32.3	33.5
Russia (in EUR)	15.2	14.7
Other (in EUR)	-	21.6

7.3.6. Average occupancy rates

The table below provides data about the occupancy rates in G Europe's properties as of December 31, 2021 and the average occupancy rates in each of the years 2021 and 2020:

Region	As at December 31, 2022	Year ended (*) December 31, 2022	As at December 31, 2021
Poland	94.8%	93.5%	92.1%
Czech Republic	87.8%	83.4%	93.6%
Russia	92.8%	92.1%	93.5%
Other	-	-	98.9%

(*) The average occupancy rate for a specific year was calculated as the average of all occupancy rates at the end of each calendar quarter in the relevant year

7.3.7. Number of income-producing properties

The table below provides data about the number of G Europe's income-producing properties as of December 31, 2022 and 2021:

Region	As at December 31,	
	2022	2021
Poland	12	15
Czech Republic	2	2
Russia	7	7
Other	-	1
Total	21	25

7.3.8. Average yields

The table below provides data about G Europe's actual average yields as of December 31, 2022 and 2021 (based on property value at the end of the year):

Region	Year ended December 31,	
	2022	2021
Poland	6.0%	6.0%
Czech Republic	6.3%	6.2%
Russia	13.6%	12.6%
Other	-	7.3%

7.4. Expected rental income from signed lease agreements (*)

Period of recognition of income		Income from fixed components (in NIS thousands)	Income from variable components (in NIS thousands)	Number of terminating lease agreements	Area in the terminating agreements (in sq.m thousands)
2023	Quarter 1	106,533	4,261	144	24
	Quarter 2	106,533	4,261	144	24
	Quarter 3	106,533	4,261	144	24
	Quarter 4	106,533	4,261	144	24
2024		326,207	17,159	285	56
2025		268,743	16,498	241	60
2026		218,550	16,828	199	50
2027 and thereafter		825,971	14,479	314	152
Total		**2,065,603**	**82,008**	**1,615**	**414**

* The Company's management does not review on a current basis the expected rental income assuming exercise of the extension options given to the tenants. These data therefore assume non-exercise of tenant option periods.

The information contained in this section is forward-looking information as defined in Section 32A of the Securities Law, based on G Europe estimates, which are based on the information it has to date, and there is no certainty that it will materialize due to factors beyond the Company's control, including as a result of macro-economic effects (as described in sections 5.1, 5.6 and 7.3 above), and as a result of the materialization of risk factors applicable to the Company's operations as set out in section 28 of the chapter on the description of the company's business.

7.5. Aggregate data about income-producing properties under construction in the field of operation

In 2022-2020, G Europe did not have any income-producing properties under construction.

7.6. Aggregate data about land for investment in the operating segment

Presented below are aggregate data about the plots of land of G Europe (that are classified in G Europe's financial statements as investment property under construction) in the years 2022-2021(*):

		Year ended December 31, 2022	2021
Poland	The amount at which the plots of land are stated in the financial statements at the end of the period (consolidated) (in EUR thousands)	25,657	46,164
	The total area of land at the end of the period (in sq.m thousands)	229	294
	Total construction rights on land according to approved plans (in sq.m thousands)	19	26
Russia	The amount at which the plots of land are stated in the financial statements at the end of the period (consolidated) (in EUR thousands)	22,418	24,875
	The total area of land at the end of the period (in sq.m thousands)	368	596
Other**	The amount at which the plots of land are stated in the financial statements at the end of the period (consolidated) (in EUR thousands)	101,852	79,482
	The total area of land at the end of the period (in sq.m thousands)	155	216

(*) The construction rights for the land, specified in this section, reflect construction rights in respect of which actual permits were obtained, in line with customary practice in G Europe's countries of activity.

(**) In this section, "other" also includes lands in Turkey.

7.7. Acquisition and sale of properties

The table below provides data about properties sold and acquired by G Europe in each of the years 2019- 2021(*):

			Year ended December 31, 2022	2021	2020
Poland	**Properties sold**	Number of properties sold during the period	4	1	6
		Proceeds from the realization of properties sold during the period (consolidated) (in EUR thousands)	154,000	9,939	37,700
		Area of properties sold during the period (consolidated) (in sq.m thousands)	83	29	41
		NOI of properties sold (consolidated) (in EUR thousands)	10,063	-	1,970
		Profit (loss) recorded from the sale of properties (consolidated) (in EUR thousands)	(4,788)	(257)	(1,155)
	Properties Properties acquired	Number of properties acquired during the period	3	-	-
		Cost of properties acquired in the period (EUR thousands)	48,000	-	-
		NOI of properties acquired (consolidated) (in EUR thousands)	93	-	-
		Area of properties acquired during the period (consolidated) (sq.m thousands)	19	-	-
Other	**Properties sold**	Number of properties sold during the period	2	1	2
		Proceeds from the realization of properties sold during the period (consolidated) (in EUR thousands)	120,000	3,700	40,300
		Area of properties sold during the period (consolidated) (in sq.m thousands)	276	61	47
		NOI of properties sold (consolidated) (in EUR thousands)	4,145	-	-
		Profit (loss) recorded from the sale of properties (consolidated) (in EUR thousands)	(1,534)	(354)	-

7.8. **Human capital**

As at December 31, 2022, G Europe (and its wholly-owned subsidiaries) employs 350 employees (compared with 376 employees in 2021). As at date of publication of the Report, G Europe has 303 employees. The significant decrease in number of employees is due to the streamlining processes carried out by G Europe after closing of its merger with a wholly owned subsidiary of the Company.
The foregoing employees are employed under personal contracts and are eligible under these contracts to a base salary, various benefits and annual bonuses, according to their seniority. For further information concerning the terms of employment of the CEO of G Europe, see Regulation 21 in Chapter D of the periodic report.

7.9. Credit and financing

7.9.1. **Credit rating** – In November, G Europe's rating was downgraded by Moody's to Ba3. Moody's announced that it was placing G Europe's rating on its CreditWatch with negative outlook, and in March 2023 the rating was revised to B1.

7.9.2. **Financing from financial institutions** – As of December 31, 2022, G Europe and its wholly owned subsidiaries have two long-term loans totaling (including current liabilities) an amount of EUR 291 million (NIS 1,092 million), and a revolving line of credit for an amount of EUR 300 million (NIS 1,126 billion) that is repayable in 2023. As at the end of 2022, the Company has withdrawn EUR 205 million of this line of credit (NIS 769 million) of the foregoing line of credit.

7.9.3. **Debentures** – As at December 31, 2022, G Europe has unsecured debentures of par value EUR 787 million that bear interest at an annual rate of between 2.625% and 4.25% and are redeemable in 2025 and 2027. For the debenture ratings, refer to section 7.10.1 above. In the Reporting Period, G Europe redeemed its debentures in an amount of EUR 155 million.

7.9.4. **Hybrid Debentures** – in May 2021 G Europe issued hybrid green bonds in an amount of EUR 350 million, bearing fixed annual interest of 3.625% (revisable once every five years) The bonds are perpetual without redemption date, but G Europe has the right to redeem the bonds at the end of five years from date of issue (November 2026) and thereafter at any date of payment of the annual interest. These bonds are considered part of G Europe shareholders' equity (and accordingly, any principal repayment is deducted from G Europe's equity) and are subordinate to any other debt of G Europe. Holders of such hybrid bonds do not have similar rights to the rights of shareholders. The majority of G Europe's properties are not pledged.

7.9.5. The following table presents the long-term credit and loans received by ATR to finance its operations, as of December 31, 2022:

	Balance (EUR in thousands)	Weighted interest rate (*)
Secured loans at variable interest	290,964	2.10%
Unsecured debentures at fixed interest	786,804	3.64%
Total	**1,077,804**	

(*) The effective interest rate is not significantly different from the weighted interest rate
(**) Calculated only according to the repayment dates of the credit principal
(1) In 2022, a wholly owned subsidiary of the Company acquired debentures of G Europe in a total amount of EUR 91 million, which were deducted from the balance of debentures in the Company's consolidated financial statements as at December 31, 2022. Also see Note 19E2 to the financial statements

7.9.6. Financial covenants

Some of the debentures, credit facilities and mortgages received by G Europe and its subsidiaries in the ordinary course of business, require compliance with financial and other covenants. As of December 31, 2022 and immediately prior to the approval date of this report, G Europe is in compliance with all the specified covenants.

8. G Israel

8.1. General

On January 1, 2021, the operations of G Israel Commercial Centers Ltd., in the commercial centers anchored by supermarkets segment, were merged into the Company and on April 20, 2021, the merger was registered with the Registrar of Companies, thus completing the merger of G Israel Commercial Centers Ltd. with and into the Company. The Company's real estate operations in Israel will be referred to hereunder as "G Israel."

In Israel, the Company rents, manages, develops, and enhances commercial centers, which include shopping malls and open strip malls. The shopping centers owned by the Company in Israel serve as centers for shopping, leisure, and entertainment for their customers. In addition, in 2021, the Company entered the rental residential market after winning a tender for the purchase of land in the Tel Hashomer area intended for the construction of a residential complex for long-term rental (as set out below). The Company is building a 65,100 sq.m multi-story office building in the G CITY complex in Rishon Lezion, and is currently completing the expansion of the property in Savyon. As part of the plan for disposal of properties announced by the Company (as set out in section 1.1 of the Report), in the reporting period the Company engaged in a binding agreement for the sale of the G Yavne shopping center for an amount of NIS 154 million gross, similar to the Company's carrying value as at December 30, 2021. The transaction is expected to be completed in the first quarter of 2023, subject to obtaining the usual approvals for these types of transactions.[17]

As at December 31, 2022, the Company owns 13 income producing properties and land in Israel, mainly concentrated in the Gush Dan area. Most of the properties in Israel are neighborhood shopping centers in major cities, in areas with high entry barriers, high socioeconomic status (average cluster 8.1) and high accessibility based on existing and expected public transport as well as multiple parking spaces. The property mix is adapted to the needs of the population in each area and includes service centers such as supermarkets, pharma stores, fashion chains, home and leisure, fitness, electronics, food, coffee shops, restaurants, health centers, banks, and post offices, etc. Among the properties are two properties that serve as large-scale commercial centers providing services to a wide circle of the residents in the area and its surrounding areas, and include supermarkets, pharmacies and movie theaters and restaurants.

As part of the Company's operations in Israel, the Company examines the purchase of properties in urban areas, including purchase of land for construction of rental housing and offices.

In March 2022, the Company won a tender for the purchase of the land on which Beit Cal is located in the Korazin compound in Givatayim, covering an area of 0.7 hectare, that is zoned for commerce, employment and residential purposes, for a consideration of NIS 336 million plus VAT and betterment levies.

As part of the Company's strategy, the Company acts to maximize its building rights in the properties it owns, as well as developing and expanding of the properties in accordance with the existing rights, inter alia, planning and construction of office towers for mixed-use on part of the Company's active properties in Israel, and all to address the needs of the market and to improve the properties. As at reporting date, the remaining approved construction rights in existing properties are for a total area of 118,000 sq.m (the Company's share), for commercial, residential and office use. Subsequent to the balance sheet date the Company submitted a city building plan to the local committee of Rishon Lezion to increase the building rights, with the aim of constructing 3 additional 25-story towers next to the office tower that is under construction

As part of the execution of the Group's strategy to increase its rental residential property segment, the Company acquired several plots of land in Ramat Gan belonging to the company, Apartment for Rent (south of the Tel Hashomer Sheba Medical Center), on which it plans to build a residential complex for long-term rental of 20 years, that will contain 243 residential units covering a total area of 23.3 thousand sq.m, with 7.3 thousand sq.m of service areas (before additional rights/betterment exemptions). Half of the apartments will be designated for rent controlled housing for eligible tenants, under the terms of the ILA, and the Company will rent the other half on the open market for consideration of NIS 559 million (including purchase tax, levies and VAT).

For information regarding the Company's investment plans in Israel see section 25.3 below.

For information regarding the properties pledged in favor of the holders of Debentures (Series O) of the Company, see Appendix B to the Directors' Report.

[17] The Company's estimates concerning the completion of the transaction and the date of its closing constitute forward-looking information as defined in the Securities Law 1968. These estimates are not definitive, may not occur, including a delay in the date of completion of the acquisition, and are not under the control of the Company.

8.2. Summary of activity results

Below is a breakdown of the results of operations in the operating segment for the years ended December 31, 2022, 2021, and 2020 (in NIS thousands):

	Year ended December 31		
	2022	**2021**	**2020**
	NIS thousand		
Total income from the operation	263,605	249,475	231,841
Gains (losses) from revaluations	35,578	212,159	(111,866)
Operating profit (*)	140,773	135,200	122,896
Same property NOI	171,925	132,330	-
Total NOI	195,723	155,693	147,287

(*) Operating profit refers to the accounting operating profit in accordance with IFRS, excluding revaluation gains.

8.3. Economic information concerning geographic regions

According to the Bank of Israel's macro-economic forecasts, in 2022 the Bank of Israel raised interest rates and as at reporting date is 4.25%. The Bank of Israel's interest forecast for the end of 2023 is 4%. Furthermore, in 2022 and the first quarter of 2023, inflation was high and in December 2022 annual inflation reached 5.3% and from the beginning of 2023 through to date of publication of the Report, the CPI increase by a further 1.1%. The Bank of Israel inflation forecast for the end of 2023 is 3.0%. According to the Bank of Israel forecast, the GDP is expected to increase by 2.8% in 2023.

For further information concerning the effect of macro-economic events on the Company's operations in Israel and the progress of the legislative process for changing the judicial system in Israel, see sections 5.1 through 5.6 of the Report.

Below is key information regarding the income-producing buildings of G Israel operations:

	Year ended December 31,		
	2022	**2021**	**2020**
Gross domestic product (PPP) (USD billion)	496	437	386
GDP per capita (PPP) (USD)	52,173	46,659	41,930
GDP per capita growth rate (PPP)	13.67%	13.13%	(0.67%)
Inflation rate	5.80%	2.80%	(0.69%)
Yield on long-term government debt	3.58%	1.02%	0.77%
Rating of long-term government debt	AA-/A1	AA-/A1	AA-/A1
Unemployment	3.90%	5%	4.30%
NIS-USD exchange rate as at Dec. 31	0.284	0.322	0.311

(*) According to Bloomberg data.

8.4. Key aggregate data regarding G Israel properties

The table below provides principal data about G Israel's income-producing property:

	As at December 31,	
	2022	**2021**
Total GLA of income-producing properties (consolidated) (sq.m thousands)	161.0	166.0
Fair value of income-producing properties (consolidated) (in NIS thousands)	3,625,336	3,685,841
Average monthly rent per sq.m (in NIS)	117.6	109.5
Actual average occupancy rate (*)	for 2022 98.0%	for 2021 97.9%
	at December 31, 2022 98.1%	at December 31, 2021 97.6%
Actual average occupancy rate(***)	13	14
Average yields according to the actual end-of-year value	5.6%	4.3%

(*) The average occupancy rate for a specific year was calculated as the average of all occupancy rates at the end of every calendar quarter in the relevant year.

8.5. Expected rental income from signed lease agreements (*)

Period of recognition of income		Income from fixed components (in NIS thousands)	Number of terminating lease agreements	Area in the terminating agreements (in sq.m thousands)
2023	Quarter 1	56,287	53	6
	Quarter 2	54,778	40	4
	Quarter 3	53,017	43	4
	Quarter 4	51,353	40	8
2024		164,371	170	26
2025		112,833	151	25
2026		79,196	68	17
2027 and thereafter		127,548	161	45
Total		**699,382**	726	138

(*) Assuming exercise of the lease agreement extension options by the tenants.

The information contained in this section is forward-looking information as defined in Section 32A of the Securities Law, based on the Company's estimates, which are based on the information it has to date, and there is no certainty that it will materialize due to factors beyond the Company's control, including as a result of macro-economic effects (as described in sections 5.1 and 8.3 above), and as a result of the materialization of risk factors applicable to the Company's operations as set out in section 28 of the chapter on the description of the company's business

8.6. Aggregate data regarding investment properties under construction of G Israel

The table below provides aggregate data about the activity of G Israel's investment properties in Israel that were classified as investment properties under construction in the Company's financial statements:

	Year ended December 31,		
	2022	**2021**	**2020**
Number of properties under construction at the end of the period	2	-	1
Total area under construction (planned) at the end of the period (in sq.m thousands)	70,189	-	2
Total costs invested in the current period (consolidated) (in NIS thousands)	63,453	-	8,206
Amount at which the properties are stated in the financial statements at the end of the period (consolidated) (NIS thousands) (*)	279,810	-	28,000
Construction budget during the subsequent period (estimate) (consolidated) (in NIS thousands)	132,477	-	15,891
Total balance of estimated construction budget for completion of the construction works (estimate as of the end of the period) (consolidated) (in NIS thousands)	757,000	-	15,891
Percentage of the GLA under construction with respect to which lease agreements have been signed	4%	-	61%
Expected annual revenue from projects that will be completed in the subsequent year and have signed contracts for fifty percent or more of their area (consolidated) (estimated) (NIS thousands)	2,027	-	1,842

(*)Including property under construction constitutes real estate in expansion and included in the balance of investment property in the consolidated report.

8.7. Aggregate data about the operation of G Israel land for investment

The table below provides aggregate data about the operation of G Israel's plots of land for investment (that are classified in the Company's financial statements as investment property under construction):

	Year ended December 31, 2022	Year ended December 31, 2021
The amount at which the plots of land are stated in the financial statements at the end of the period (consolidated) (in NIS thousands)	Israel 510,120	Israel 578,478
	Bulgaria - 0	Bulgaria - 62,858
The total area of land at the end of the period (in sq.m thousands)	Israel - 16	Israel - 34
	Bulgaria - 0	Bulgaria - 186
Total construction rights on land according to approved plans (in sq.m thousands)	Israel - 38	Israel - 38
	Bulgaria - 0	Bulgaria - 0

*) Including 1.5 thousand sq. m. of land, the value of which was included as part of the income-producing real estate.

8.8. Acquisition and sale of properties

Below is a breakdown of properties sold and acquired under G Israel operations in each of the years 2022, 2021, and 2020:

		Year ended December 31, 2022	2021	2020
Properties sold	Number of properties sold during the period	1	1	1
	Proceeds from the realization of properties sold during the period (consolidated) (in NIS thousands)	74,090	215,555	71,980
	NOI of properties sold (consolidated) (in NIS thousands)	2,245	-	-
	Profit (loss) recorded from the sale of properties (consolidated) (in NIS thousands)	(16,672)	-	-
Properties Properties acquired	Number of properties acquired during the period	-	1	1
	Cost of properties acquired in the period (NIS thousands)	-	559,020	89,312

(*) Excluding Yavne that is classified as held for sale as the sale transaction is yet to be closed.

9. Gazit Brasil

Since 2007, the Company has operated in Brazil through private subsidiaries in Brazil (100%). Gazit Brasil is engaged in acquisition, development, management and operation of commercial real estate in São Paulo, the business capital of Latin America.

As of December 31, 2022, Gazit Brasil focuses its activities in São Paulo metropolis, where it owns and controls six dominant assets[18], another asset which it holds approximately 33% in one of the São Paulo's most lucrative shopping centers, two lands for future development, and holding of 4.3% of a corporation that holds one of São Paulo's shopping centers (the data provided below do not include data is respect of such).

For information on the investment plans for improvement with regard to Gazit Brasil, see Section 25.2 below.

9.1. Summary of activity results

Below is a breakdown of the results of operations for the years ending December 31, 2022, 2021, and 2020 (in NIS thousands and in BRL):

	Year ended December 31, 2022	2021	2020	2022	2021	2020
	NIS thousand			BRL thousand		
Total income from the operation	174,052	137,716	139,028	266,887	229,718	203,936
Gains (losses) from revaluations	(246,506)	(99,753)	37,456	(367,745)	(163,547)	87,331
Operating profit (*)	129,897	87,073	93,595	199,204	144,066	134,461
Same property NOI	137,271	88,517	-	210,517	147,304	-
Total NOI	147,532	108,249	105,264	226,253	180,141	151,319

* Operating profit refers to the accounting operating profit in accordance with IFRS, excluding revaluation gains.

18 Properties wholly owned by the Company, other than one property that is 98% held by Gazit Brazil and another property that is 80% held by Gazit Brazil.

9.2. Macro- economic characteristics (1):

	Year ended December 31,		
	2022	2021	2020
Gross domestic product (PPP) (USD billion)	3,782	3,435	3,153
GDP per capita (PPP) (USD)	17,683	16,160	14,890
GDP per capita growth rate (PPP)	10.10%	8.97%	(2.72%)
Inflation rate	5.79%	10.06%	4.52%
Yield on long-term government debt	12.68%	10.38%	6.91%
Rating of long-term government debt	BB-/Ba2	BB-/Ba2	BB-/Ba2
Unemployment	9.50%	13.50%	13.50%
BRL-USD exchange rate at December 31)	0.189	0.179	0.192

* Based on Bloomberg data.

9.3. Principal aggregate data about Gazit Brasil's properties

The table below provides principal data about Gazit Brasil's income-producing properties (*):

	As at December 31,	
	2022	2021
Total GLA of income-producing properties (consolidated) (sq.m thousands)	176.0	179.4
Fair value of income-producing properties (consolidated) (in BRL thousand)	3,678,430	3,911,453
Average monthly rent per sq.m (in BRL thousands)	73.0	69.0
Actual average occupancy rate (*)	for 2022 94%	for 2021 94.5%
	at December 31, 2022 95.2%	December 31, 2021 95.5%
Actual average occupancy rate(***)	7	7
Average yields according to the actual end-of-year value	6.2%	5.2%

* The average occupancy rate for a specific year was calculated as the average of all occupancy rates at the end of every calendar quarter in the relevant year.

** Average yields as at December 31, 2021 and -2021 do not include a 33% held property, which is not managed by the Company. The average rates of return as at December 31, 2022 and 2021 were 6.1% and 4.8%, respectively.

9.4. Expected rental income from signed leases

Period of recognition of income		Income from fixed components (in NIS thousands)	Income from variable components (in NIS thousands)	Number of terminating lease agreements	Area in the terminating agreements (in sq.m thousands)
2023	Quarter 1	31,065	3,951	82	433
	Quarter 2	31,065	5,239	62	221
	Quarter 3	31,065	4,925	48	248
	Quarter 4	31,065	5,554	47	685
2024		105,668	20,357	239	494
2025		87,172	21,019	166	1,587
2026		74,523	21,702	128	1,928
2027 and thereafter		226,203	22,407	362	7,933
Total		**617,826**	**105,154**	**1,134**	**13,529**

The foregoing information contained in this section is forward-looking information as defined in Section 32A of the Securities Law, based on the Company's estimates, which are based on the information it has to date, and there is no certainty that it will materialize due to factors beyond the Company's control, including as a result of macro-economic effects (as described in sections 5.1, 5.6 and 9.3 above), and as a result of the materialization of risk factors applicable to the Company's operations as set out in section 28 of the chapter on the description of the company's business

9.5. Aggregate data about income-producing properties under construction

In 2020-2022, Gazit Brasil did not had any income-producing properties under development.

9.6. Aggregate data about plots of land for investment in the field of operation

As of December 31, 2022 and December 31, 2021 Gazit Brasil held land for investment in an amount of BRL 105 million.

9.7. Acquisition and sale of properties (aggregate)

The table below provides data about properties sold and acquired by Gazit Brasil in each of the years 2022, 2021, and 2020:

		Year ended December 31,		
		2022	2021	2020
Properties Properties acquired	Number of properties acquired during the period	1	1	-
	Cost of properties acquired during the period (consolidated) (in BRL thousands)	33,662	18,447	-
	Total area of properties acquired during the period (consolidated) (in sq.m thousands) (**)	18	8	-

9.8. Human capital

As of December 31, 2022, in its headquarters, Gazit Brasil has 52 full time employees (compared to 46 employees in 2021), as follows: management and administration – 5 employees; accounting and finance department – 24 employees; operating and properties department – 10 employees, legal department – 7 employees, IT department - 6 and human resources department- 5 employees.

The aforementioned employees are employed by Gazit Brasil under personal contracts, and are entitled under them to a base salary, various benefits and bonuses, at the discretion of management.

9.9. Financing

Gazit Brasil finances its operations from resources received from the Company and from the issuance of debentures to investors in Brasil as set out below.

In 2021 Gazit Malls FII[19], a Brazilian real estate investment fund ("**Gazit Malls**") wholly owned by the Company (indirectly) that owns five of the Group's properties in Brazil, completed raising of debt secured by a lien on the cash flows from the properties it owns in an amount of BRL 650 million (NIS 433 million), by way of private placement to institutional investors through a securitization company. The debt has average life of 10.2 years, linked to the Brazilian consumer price index (IPCA) and bears a fixed annual interest of 5.89%. The debt is secured by a lien on Gazit Malls rights regarding rental fees, dividends and other receivables arising from all its properties. Gazit Malls undertook other customary terms, including maintaining a debt-to-value ratio for its properties that will not exceed 50% and also undertook that in the event of acquisition of an additional property, the debt in respect thereof will not exceed 40% of the value of the acquired property.

19 Formerly, Internacional Shopping Fii; 'FII' – Fundo De Investimento Imobiliario.

10. **Gazit Horizons**

10.1. As of 2017, the company has had income-producing real estate operations (commercial centers, offices and rental housing) in the US through its subsidiary, Gazit Horizons (100%). Gazit Horizons is engaged in the acquisition of income-producing properties with potential for development or redevelopment, with an emphasis in densely populated areas in major cities across the US, particularly in New York, Boston, Philadelphia and Miami. As at December 321, 2022, Gazit Horizons owns 18 properties (including 6 properties jointly owned with third parties).

Gazit Horizons was founded as part of the Company's strategy to increase the private real estate scope of its activity. For more information about the Company's investment plan with respect to Gazit Horizons, see Section 25.3 below.

The assets acquired by Gazit Horizons are high-quality properties in urban and central markets that are leased to single or number of tenants. Gazit Horizons intends to continue investing in assets in urban markets, where it can identify value-added opportunities through both diversification of uses and through expansion, renovation, redevelopment and proactive management of the assets.

In March 2022, Gazit Horizons received approval from the authorities to increase its residential rental project in Miami, Brickell Gateway, from 364 apartments to 504 apartments. In addition, Gazit Horizons acquired a commercial property on an 840 sq. m. plot of land, for USD 20.1 million, which at this time is leased in full, and is expected to provide additional flexibility for the Brickell Gateway project during development and rental.

In April 2022, Gazit Horizons engaged in an agreement with a US partner to develop luxury rental residences in downtown Tampa Bay in Florida, USA. The total expected investment in the project is USD 175 million. The project includes a 31 story building of 334 apartments located on the riverfront in the growing artists quarter of the city, opposite the Tampa Cultural Center and adjacent Museum of Art.

As part of the Group's plan for disposal of properties, in the reporting period, Gazit Horizons signed a binding agreement for the sale of a property in New York for gross proceeds of USD 153 million, equivalent to its carrying amount in the Company's books as at September 30, 2022. The entire property is leased to the DIY giant, Home Depot for 20 years and Starbucks. The property and the rental agreement with Home Depot serve as collateral for a 20 year USD 134 million loan agreement in which Gazit Horizons has engaged. Under the provisions of the sale agreement, upon closing of the agreement the loan agreement will be assigned to the buyer. The transaction is expected to be completed in 2023, subject to obtaining the usual approvals, including the handing over of the property to Home Depot, which is expected to take place in 2023, and endorsing of the financing for the property to the buyer after receiving the approval of the financing party. Pursuant to the agreement, the buyer deposited a hard deposit in the amount of USD 4 million, which will be transferred to the Company in the event that the agreement is not closed.

10.2. Summary of activity results

The following is a summary of the results of operations for the years ending December 31, 2021, NIS thousands and in USD thousands) (*):

	Year ended December 31,					
	2022	2021	2020	2022	2021	2020
	NIS thousand			USD thousands		
Total income from the operation	94,692	68,839	73,632	28,163	21,344	21,357
Gains (losses) from revaluations	63,594	184,360	34,377	20,292	57,329	9,680
Operating profit (**)	63,843	43,849	21,239	18,898	13,583	6,117
Same property NOI	30,257	26,840	-	8,994	8,322	-
Total NOI	64,684	46,857	49,785	19,227	14,530	14,456

*) The data above does not refer to an affiliate investment presented in the financial statements as equity.

**) Operating profit refers to the accounting operating profit in accordance with IFRS, excluding revaluation gains.

10.3. Macro- economic parameters*:

	Year ended December 31,		
	2022	2021	2020
Gross domestic product (PPP) (USD billion)	25,035	22,996	20,893
GDP per capita (PPP) (USD)	75,179	69,227	63,078
GDP per capita growth rate (PPP)	8.87%	10.06%	(2.24%)
Inflation rate	6.50%	7.00%	1.40%
Yield on long-term government debt	3.97%	1.90%	1.64%
Rating of long-term government debt	AA+\Aaa	AA+\Aaa	AA+\Aaa
Unemployment	3.60%	5.40%	8.10%
NIS-USD exchange rate as at Dec. 31	0.285	0.321	0.311

(*) According to Bloomberg data.

10.4. Principal aggregate data about Gazit Horizon's properties (*)

	As at December 31,	
	2022	2021
Total GLA of income-producing properties (consolidated) (sq.m thousands)	67.0	64.8
Fair value of income-producing properties (consolidated) (USD thousands)	431,292	386,515
Monthly average rent per sq.ms (USD) (**)	57.9	51.0
Actual average occupancy rate (*)	at December 31, 2022 92.5%	at December 31, 2021 93.3%
	for 2022 92.9%	for 2021 90.1%
Actual average occupancy rate(***)	11	10
Average yields according to the actual end-of-year value	3.90%	4.86%

*) As the Company owns 100% of the share capital of Gazit Horizons, Gazit Horizons' consolidated data and its data according to the Company's proportionate share therein are the same. Additionally, the data above does not refer to an affiliate investment presented in the financial statements as equity.

**) The figure for rent does not include rent received from rental housing.

10.5. Expected rental income from signed leases(*)

Period of recognition of income		Income from fixed components (in NIS thousands)	Number of terminating lease agreements	Area in the terminating agreements (in sq.m thousands)
2023	Quarter 1	20,551	62	5
	Quarter 2	18,301	83	7
	Quarter 3	16,267	59	5
	Quarter 4	15,943	42	3
2024		61,195	20	14
2025		75,810	4	1
2026		71,017	5	5
2027 and thereafter		743,605	29	26
Total		1,022,689	**304**	**66**

*) The expected income does not relate to equity income in respect of investment in an associate.
**) Income from variable components is negligible.

The foregoing information contained in this section is forward-looking information as defined in Section 32A of the Securities Law, based on the Company's estimates, which are based on the information it has to date, and there is no certainty that it will materialize due to factors beyond the Company's control, including as a result of macro-economic effects (as described in sections 5.1, 5.6 and 10.3 above), and as a result of the materialization of risk factors applicable to the Company's operations as set out in section 28 of the chapter on the description of the company's business.

10.6. In 2020 through 2022, Gazit Horizons did not have any income-producing properties under construction.

10.7. Aggregate data regarding lands for investment in Gazit Horizon's field of activity:

	Year ended December 31,	
	2022	2021
The amount at which the plots of land are stated in the financial statements at the end of the period (consolidated) (USD millions)	47	33
The total area of land at the end of the period (in sq.m thousands)	1	2
Total construction rights on land according to approved plans (in sq.m thousands)	41	35

10.8. Acquisition and sale of properties (aggregate)

Below are data regarding properties acquired by Gazit Horizons in 2020 through 2022:

		Year ended December 31,		
		2022	2021	2020
Properties Properties acquired	Number of properties acquired during the period	1	2	1
	Cost of properties acquired during the period (USD thousands)	20,166	119,837	45,168
	NOI of properties acquired (consolidated) (USD thousands)	758	2,450	93
	Area of properties acquired during the period (consolidated) (sq.m thousands)	1	21	4

10.9. Human capital

As of December 31, 2022, Gazit Horizons has 16 employees (compared to 15 employees in 2021).
The employees are employed under personal contracts, and are entitled under them to a base salary, various benefits and bonuses, at the discretion of management.

10.10. Financing

10.10.1. Gazit Horizons finances its investments in properties through Company financing and from financial institutions.

10.10.2. Mortgages and credit lines - The total of Gazit Horizons’ mortgage-secured liabilities as of December 31, 2021 amounted to USD 260 million at variable interest at a weighted rate of 3.2%, with an average repayment period of 10.1 years.

10.10.3. Financial covenants - Some of the loans and mortgages granted to Gazit Horizons require compliance with financial and other covenants (including with respect to specific properties). As of December 31, 2021 and immediately prior to the approval date of this report, Gazit Horizons is in compliance with all the prescribed covenants.

11. Other activities of the Company that do not constitute a separate sector

11.1. Gazit Canada

In November 2019, the Company established a new joint venture to locate, acquire and manage mixed-use properties in densely populated areas of major cities in Canada, focusing at this time, on the city of Toronto (hereinafter: "Canada Joint Venture " or " Joint Venture "). The Joint Venture is owned by the Company (60%) which invested CAD 60 million in the partnership, owned by Dori Segal (40%), a former director and CEO of the Company who invested at the stage CAD 40 million in the partnership through a company under his control. In addition, the Company thorough its Canadian Subsidiary granted a loan to the Joint Venture in a total of up to CAD 50 million, with market interest rate.

As of the date of publication of this report, the Joint Venture purchased 7 properties in Canada, mainly in Toronto, amounting to approximately CAD 108 million (approximately NIS 280 million), including holding of 33% of an asset valued CAD 214 million, in which a wholly owned subsidiary of the Company holds an additional 33% of the asset, and the remaining is held by a third party.

11.2. Securities portfolio and investment fund holdings

As part of the management of the Company's liquid balances, the Company manages an securities investment portfolio of publicly listed companies and investment funds, diversifying its investments in many public companies that are publicly traded and operate in the income-producing real estate sector, primarily companies operating in the regions in which Group operates, with the aim of utilizing the Company's vast knowledge and many years of experience regarding their operations, the nature of their assets, and the conduct of the companies in which the Company considers investing, and with the aim of generating excess return on such investments, while constantly examining and monitoring the pool of companies in which the Company may invest. For further information regarding the investment in securities, see Note 10 of the financial statements.

12. **Required adjustments at the Company level**

Reconciliation to the statement of financial position

		As at December 31	
		2022	**2021**
		(consolidated) (in NIS thousands)	
Presentation in the description of the Company's business	Total value of investment properties whose development was completed in Northern Europe	13,528,345	13,930,856
	Total value of investment properties whose development was completed in Central and Eastern Europe	7,081,108	8,236,805
	Total value of investment properties whose development was completed in Israel	3,473,066	3,685,841
	Total value of investment properties whose development was completed in Gazit Brazil (consolidated)	2,451,306	2,181,808
	Total value of investment properties whose development was completed in Gazit Canada	184,936	196,177
	Total value of investment properties whose development was completed in Gazit Horizons	1,517,717	1,202,062
	Total investment properties under development in Northern Europe	1,633,706	1,345,508
	Total investment properties under development in Gazit Horizons	367,218	763,486
	Total investment properties under development in Central and Eastern Europe	663,260	330,387
	Total plots of land classified as investment properties under development in Central and Eastern Europe	562,676	529,816
	Total plots of land classified as investment properties under development in Israel	510,120	638,337
	Total plots of land classified as investment properties under development in Gazit Brazil	25,415	71,565
	Total plots of land classified as investment properties under development in Gazit Horizons	165,361	104,045
	Total plots of land classified as property held for sale in Israel	-	3,000
	Total (consolidated)	**33,770,356**	**33,219,693**
Presentation in the statement of financial position	The investment property item in the statement of financial position	28,236,479	28,902,512
	Investment property classified as property held for sale	784,328	531,037
	The investment property under development item in the statement of financial position	2,943,995	2,439,381
	Land	1,263,572	1,343,763
	Plots of land classified as property held for sale	541,982	3,000
	Total	**33,770,356**	**33,219,693**

Adjustment to FFO

For information about FFO for the years ended on December 31, 2021, 2020 and 2019, see Section 2.3. of the Directors' Report.

Issues relevant to all fields of operation of the Group

13. **Marketing and distribution**

As is customary in the industries and regions in which it operates, from time to time, the Company and its consolidated companies use several marketing channels, promotional and advertising. The Company operates through internal marketing staff, conducts activities in its complexes, including community and commercial activities. These activities are supported by local advertising while using the Company's digital assets and social networks. The goal is maintaining and promoting the complexes as an area of attraction for consumers in the region. Marketing of commercial units is usually carried out through internal marketing and regular activity with brokerage offices.

14. **Competition**

14.1. In the Company's opinion, its fields of operation are characterized by a particularly high level of competition, due to the large number of firms active in these fields. The Group companies are exposed to competition from different types of real estate owners and developers, real estate companies (including public in the regions in which the Company has operations), pension funds and financial entities, real estate developers, private equity funds and retail chains (such as Walmart), as well as other owners and developers of different types of real estate in areas where the Group's properties are located or areas where the group is aiming to have presence. They include leading companies such as: Federal Realty, Kimco Realty, Klepierre, Unibail-Rodamco, Wereldhave that compete with G Europe and CTY, and Melisron, Big, Amot, and Azrieli in Israel; and Multiplan, Iguatami, BR Malls in Brazil, among others.

Furthermore, in recent years, the Group is exposed to increasing competition from online retailers (retailers that offer e-commerce platforms and conduct their business on the internet), whose market share of the sales grew substantially in recent years.

14.2. Some of said competitors have considerably greater financial resources at their disposal than those available to the Group. The competitive advantage of such competitors reduces the Group's bargaining power and could result in a reduction in the Group's profitability. The Company and its consolidated companies have a number of competitive advantages, which help it deal with its competitors, and that in the Company's opinion constitute critical success factors for its fields of operation. Such advantages include the following: the Group's properties are located in attractive urban growth areas, having high rates of population growth and high density rates and per capita income, and characterized by high entry barriers; proactive management of the properties with emphasis on a mix of tenants (including the inclusion of tenants that are less vulnerable to online-sales competition) and on ensuring that properties are maintained to a high standard over time; senior management that is experienced and has proven achievements; local management that is experienced, knowledgeable and familiar with the Company's field of operation in each of the operating regions; mix of tenants including supermarket chains or other retail chains, having a high degree of essentiality to the day-to-day needs of the population, with an emphasis on food items, pharma and banking, which operate even during times of emergency or limitations on movement. Such chains, by their very nature, have a high customer traffic and are more resilient to fluctuations in the economy or emergency situations; establishing and maintaining strong relationships with tenants, and a wide tenant base (as of the reporting date, the Company and its consolidated companies have more than 7,000 lease agreements, and the rental income from the largest tenant represents 2.5% of the total rental income in the report year (2.0% in 2021); a sound reputation, a wealth of experience, strong familiarity with the industry and a proven performance record over almost three decades; geographic deployment mainly across central cities, with an advantage to open centers, regional dominance that facilitates a variety of investment opportunities and enhances the ability to contend with cyclical changes in the economic conditions in the different markets; substantial financial capabilities and access to various capital markets; maintaining an inventory of land in proximity to some of the Group's properties and having the ability to generate additional building rights for mixed uses of existing properties located in urban areas, where there is high demand for these properties, and experience in the improvement, development and redevelopment of properties.

15. **Fixed assets**

For information regarding the fixed assets of the Company and its subsidiaries, refer to Note 13 to the financial statements.

16. **Tangible assets**

The Company owns several registered service marks in Israel, in the United States, in the European Union, Russia and Brazil, including: G City, G, AAA, LOCATION LOCATION LOCATION, in different designs.

As of the reporting date, intangible properties have not been recognized as an asset in the Company's financial statements.

17. **Human capital**

17.1. Organizational structure

As of December 31, 2021, the Company and its wholly-owned subsidiaries (which are not separately presented in this report) have 105 full-time permanent employees, as follows: 97 employees in Israel, of which, 25 employees in the headquarter division and 72 employees in the real estate operations division[20] (95 employees in 2021); who primarily work in the controllership, finance and legal departments, analysis and business development, as well as in administration and the headquarters, and 8 employees in the United States (8 employees in 2021).

The Company's management is composed of the CEO (who is the controlling shareholder of the Company and serves as the Vice Chairman of the Board of Directors as well), Executive VP and CFO, VP and Comptroller, VP Investments, CEO Real Estate Division in Israel and VP and Legal Adviser, and 5 other divisional VPs

17.2. Remuneration policy and employment terms

The Company's employees are employed under personal contracts, and are usually entitled to a base salary, customary social benefits and bonuses, which are at the discretion of Company management. Some of these employees are entitled to various benefits depending on the seniority of the position they hold and receive in addition long-term compensation in the form of mechanisms based on the Company's securities, including as set out in Section 17.8 below.

17.3. In March 2020, the Company adopted a compensation policy for the Company's officers, which superseded a previous compensation policy from November 2019(the "Compensation Policy"). The Compensation Policy applies to the Company's officers and to its directors, including directors who serve in another role in the Company (with the exception of the Company's controlling shareholder and his relatives). Under the Compensation Policy, the compensation package to the Company's officers will include three principal components: (a) salary and related components; (b) annual bonuses; and (c) long-term equity-based compensation, while determining the ratio between them, as set out in the Compensation Policy. Also, the Compensation policy sets a ceiling on the total compensation package for each officer and director in the Company (not including retirement conditions). For additional information regarding the Compensation Policy, see report regarding convention of a meeting dated February 9, 2020 (reference no.: 2020-01-014232). On March 15, 2023, the Company's compensation policy expired and the Company is currently working to adopt a new compensation policy.

17.4. With respect to 2022, it was determined that payment of the annual bonus to the officers for this year will be a minimum weighted score of 80 be based on the specific parameters and minimum value of each of the parameters as follows (in accordance with the formula set out in Section 7.6 of the compensation policy):

Parameter	Weight in the grant formula for 2022	Minimum value for 2022
FFO per share (in NIS) *	20%	2.32
FFO per share (separate) (in NIS)	20%	2.45%
Performance of the Company's shares compared with relevant indices[25]	20%	0.00%
Debentures (Series N)	15%	4.05%
Discretion of the Board of Directors	25%	-

17.5. For information regarding the fee to which the Company's directors and senior officers are entitled, see Regulation 21 in Chapter D of the Periodic Report.

17.6. The directors and officers of the Company are entitled to insurance, indemnification and exemption (for information, see Regulation 29a in Chapter D of the Periodic Report).

17.7. The Company is dependent on the continued activities of the Company's Vice Chairman of the Board of Directors and CEO and controlling shareholder, Mr. Chaim Katzman.

17.8. The Company's share-based compensation - From time to time, the Company grants shares and securities that are convertible into shares to Company officers and to its employees and those of its wholly-owned subsidiaries, as set out below.

[20] As part of the merger with the subsidiary G Israel with and into the Company, as from January 2021, all G Israel employees are employed by the Company in the real estate division, which is responsible for management and operation of the Company's properties in Israel.

(A) 2011 Plan

In December 2011, the Company adopted a securities compensation plan (as amended from time to time), according to which the Company may allot to managers, employees, directors, consultants and service providers of the Company and related companies up to 13.2 million shares or securities that are convertible into shares of the Company, valid through 2025. The plan is managed by the Compensation Committee and the Board of Directors, which will set the terms of the securities allotted under the plan. According to the plan, those entitled may be allotted share warrants, restricted shares, restricted share units or any other compensation based on the value of the Company's shares, at the discretion of the Compensation Committee and the Board of Directors. Share warrants allotted by virtue of the 2011 plan may be exercised in different ways, as decided by the Committee, including by way of net exercise, namely receiving the number of shares that reflects the value of the financial benefit embodied in the option warrants (cashless exercise). Share options allotted under the 2011 plan will be subject to the different customary adjustments. In addition, provisions were set for various events involving termination of the allottee's employment in the Company, where for some of the officers a mechanism is in place for accelerated vesting of the instruments they will be granted under the plan, in the event that the Company decides to terminate their employment other than in circumstances in which they will not be entitled to severance pay and under certain circumstances of change of control in the Company. For information regarding the allocation of securities to directors, officers and employees of the Company under the 2011 plan, refer to Note 26 to the financial statements and Regulation 21 in Chapter D of this report.

(B) Allotment of share options and restricted shares with a cash benefit (phantom)

From time to time, wholly-owned subsidiaries of the Company enter into compensation agreements with their officers and employees (who are not officers of the Company), imitating the grant of share options with a cash benefit or restricted shares (a phantom agreement). For information regarding the allocation of option warrants with a cash benefit, refer to Note 26f to the financial statements.

(C) Undertaking of officers of the Company to hold shares of the Company

In accordance with the Company's remuneration policy, the Company's Board of Directors has adopted binding guidelines whereby officers of the Company shall hold shares of the Company, in a minimum number to be determined by the Compensation Committee and the Company's Board of Directors, during their employment period in the Company.

In this respect, it was determined that on the date of grant to an officer of restricted stock units, that are subject to performance, the officer undertakes to hold all such restricted stock units granted to him for a minimum holding period, and to purchase, upon the date of allotment (and/or to maintain holding shares of the Company held by him) shares of the Company in an amount equals to 25% of the total amount of restricted stock units granted to such officer - in the event of a grant to the CEO of the Company, or in an amount equals to 15% of total amount of restricted stock units granted to such officer - in the event of a grant to officers subordinate to the CEO of the Company, and in addition to hold such shares for a period of three years as of the date of grant.

17.9. Employee training

The Company and its subsidiaries have annual training program on various topics such as the code of ethics, prevention of sexual harassment, bribery and corruption, securities, and information securities.

18. **Working capital**

18.1. The Company and its controlled private subsidiaries finance their operations, inter alia, from dividends received from its affiliates and from its affiliates' flow of ongoing activities. For additional details refer to section 2.2 of the Board of Directors' Report.
For additional information regarding the Company's policy with respect to working capital as well as the current assets and current liabilities balances of the Company and its subsidiaries, refer to Section 3.4 of the Directors' Report. For information regarding the Company's credit policy, refer to Section 3.6 of the Directors' Report.

18.2. **Summary composition of the working capital** – As of December 31, 2022, the working capital of the Company and its consolidated companies comprises on the assets side mainly cash and cash equivalents, deposits, short-term loans, including marketable securities in the amount of NIS 1.7 billion, trade and other receivables in the amount of NIS 0.5 billion and held-for-sale assets in the amount of NIS 1.3 billion. On the liabilities side, the working capital of the Company and its subsidiaries comprises mainly short-term credit and current maturities of liabilities in the total amount of NIS 3.0 billion, and trade and other payables in the amount of NIS 0.9 billion and liabilities relating to held for sale assets in the amount of NIS 0.5 billion.
As of December 31, 2022, the Company and its consolidated companies have approved, unutilized, long-term credit facilities that are available for immediate withdrawal and liquid balances in the amount of NIS 4.6 billion (of which NIS 2.3 billion in the Company and its wholly-owned subsidiaries which include cash and cash equivalents and short-term deposits and investments of NIS 1.4 billion).

19. **Financing**

19.1. The Company generally finances its operations primarily through its current operations equity, issuance of tradable and private debentures, from bank credit, and capital issuances. The Company usually takes credit in average duration in various currencies depending on the specific investment (currently particularly: Israeli shekel, Euro and US dollar), bearing fixed or variable interest. In the event that the Company takes loans in a different currency from the investment currency, the Company conducts hedging transactions, in some cases, on the currency and/or on the interest. For further information, see section 19.13 below.

Below is a breakdown of information concerning the financing fort the Company and subsidiaries as well as information about the Company and its wholly-owned subsidiaries. For further information regarding financing of the Company's subsidiaries in the various areas of operation, see sections 6.11, 7.10, 8.10, 9.9 and 10.10 above.

For information concerning the macro-economic effects, including inflation rates, fluctuations in interest rates and foreign currency exchange rates, see section 5.2 of the Report.

19.2. Summary of overall liabilities and credit lines of the Company and its subsidiaries

As at December 31, 2022, the interest-bearing liabilities of the Company and its subsidiaries to banks and others totaled NIS 24.3 billion (as at December 31,2021 NIS 23.9 billion; as at December 31, 2020 NIS 24.4 billion).

As at December 31, 2022 the Company and its subsidiaries have revolving credit facilities in the total amount of approximately NIS 4.9 billion, of which it had utilized a total of NIS 2.0 billion as at that date.

19.3. Credit facilities of the Company and its wholly-owned subsidiaries:

As at December 31, 2022, the Company and its wholly-owned subsidiaries have revolving credit facilities from several local and international banks and financial institutions, in a total amount of NIS 3.0 billion, of which an amount of NIS 2.1 billion have been utilized as at said date (these credit facilities include G Europe's unsecured revolving credit facility in an amount of NIS 1.1 billion, of which the subsidiary has utilized, as at said date, an amount of NIS 0.77 billion).
As at date of publication of this Report, the credit facilities of the Company and its wholly owned subsidiaries (other than the credit facility of G Europe, the details of which are presented separately below) are secured by marketable shares (CTY) and non-marketable shares (including of G Europe) of the Group companies (as set out below), and by real estate properties. These credit facilities are from financing entities with which the Company has engaged in long term agreements and are, from time to time, renewed for periods of three to four years, and as at Reporting Date, they end in 2023-2024, of which, lines of credit of the Company and of G Europe, in an amount of NIS 1.4 billion, are to be rescheduled in 2023 and lines of credit of the Company, in an amount of NIS 1.6 billion, are to be rescheduled in 2024. The Company and G Europe are currently working to reschedule and extend two lines of credit that are expected to be repaid in 2023, and according to the understandings formulated with the relevant financing entities, the Company is expected to extend its line of credit and increase it against an addition of a real estate property as collateral by extending its credit facilities, and G Europe is expected to provide collateral to the financing entities, using real estate properties as collateral for secured lines of credit in a total amount similar to the existing lines of credit.

The credit facilities bear an annual margin at a weighted rate as at December 31, 2022 of 2.2% and overall average interest of 4.5%. As at December 31, 2022, the Company has pledged in favor of the aforesaid credit facilities 86.1 million shares of CTY (representing 51.3]% of its share capital) and 105.9 million shares of G Europe (representing 35.3% of its share capital). For additional details, refer to Note 20 to the financial statements. As of the date of the report publication, the above credit facilities amounted to NIS 3 billion, out of which NIS 1.6 has been utilized as at said date, and the Company has pledged in favor of the foregoing credit facilities 86.1 million shares of CTY (representing 51.3% of its share capital), and 105.9 million shares of G Europe (representing 35.3% of its share capital, and together with the shares pledged in favor of the Debentures (Series P) - about 84% of its share capital).

G Europe has several means for transferring funds to the Company, including by distribution of dividends and through inter-company loans. A distribution of a dividend from G Europe is subject to limits as set out in the terms of its debentures, including restriction on distribution in the event that G Europe's leverage ratio exceeds 60% (as at December 31, 2022, G Europe's leverage ratio was 43.7%), and distribution tests as set out in the relevant laws.

19.4. Other financial transactions

On May 24, 2022, the Company engaged in a financial transaction with a financial institution under which Gazit Midas Limited, a wholly owned subsidiary of the Company (in this section: the "**Subsidiary**") will transfer, from time to time, EUR 91.14 million par value Debentures (to be repaid in 2025) of G Europe (in this section: the "**Debentures**") to the financial institution. Under the terms of the transaction, at the end of the transaction period and simultaneous with the repayment of the credit that the financial institution will provide to the Company, the Company will be eligible to receive the value of the repayment of the Debentures (if the transaction ends on the date of redemption) or the Debentures (in the event that the transaction ends earlier), and all subject to the terms and conditions of the foregoing financial transaction.

For details regarding the expected regulatory changes for replacing the benchmark IBORs interest rates and their impact on the Company, see Note 2 to the Company's Financial Statements.

19.5. Debentures of the Company and its wholly-owned subsidiaries

As at December 31, 2022, the Company has debentures in the amount of NIS 8.1 billion which are not secured by a lien, other than debentures of NIS 0.35 billion secured by a lien on properties in Israel and debentures in the amount of NIS 1 billion secured by a lien on G Europe shares. During the reporting period, the Company issued debentures of NIS 177 billion par value (with a gross consideration of NIS 178 billion) by way of expansion of a series, that are secured by a lien on G Europe shares.
Pursuant to the rating report dated November 2022, S&P Maalot downgraded the ratings of the Company's unsecured debenture series (Series D, K, L, M, N) to a rating of ilA- from ilA+ and the rating of the secured debenture series (Series O) to ilA from ilAA-. S&P Maalot also placed the Company on CreditWatch with negative outlook.
According to a rating report of January 2022, Midroog placed all the debenture series that were rated Aa3.il on credit review with negative outlook, and rated Debentures (Series O) as Aa2.il.
Under the rating report dated December 2023, Midroog downgraded the ratings for debentures (Series K, L, M, N and P) from A1.il to A3.il and downgraded the rating for debentures (Series O) from Aa3.il to A2.il with negative outlook.
On December 25, 2022, the Company announced a payment of additional interest for debentures (Series M, N, O and P) of the Company due to the downgrading of the ratings by Midroog and S&P Maalot, as aforesaid. For further information, see Note 19 to the financial statements.
For information regarding the Company's debentures, including about the financial covenants for the debentures and real estate properties in Israel that were pledged in favor of the debenture holders (Series O), see Section 7 and Appendix B to the Directors' Report and Note 19 to the financial statements. The Company has a buy-back plan of debentures, as set out in section 3.8 of the Board of Directors' report. In the reporting period, the Company executed buy back of its debentures, as set out in Note 19 to the financial statements.

Debentures (Series L) constitute essential credit of the Company. For information regarding Debentures (Series L), see Note 19 to the financial statements and section 7 of the Directors' report.

19.6. Mortgage loans and lines of credit against mortgaging of real estate in Israel:

The total amount of the Company's mortgages and lines of credit in the G Israel operating segment that are secured by liens on the Company's assets in Israel, as of December 31, 2022, amounted to NIS 2.5 billion (as at December 31, 2021, they were NIS 2 billion). The foregoing debt is at fixed interest of 2.1% and average life of 3.9 years. These liabilities include a loan in the amount of up to NIS 1 billion CPI linked from an institutional investor in Israel (of which, as at Reporting Date, amounts to NIS 900 million), which is secured by first degree lien on the Company's interests in G-City in Rishon Lezion, which is to be repaid in December 2029, a loan of NIS 503 million from an Israeli bank and which is secured by development land in Tel Hashomer, and which is due in November 2023. Subsequent to the reporting period, the Company engaged in a loan agreement with a financial institution for an amount of NIS 258 million that is secured by a first degree charge on the Company's rights in a property in the Korazin complex, which is due for repayment in 2025.
For further information regarding Debentures (Series O) of the Company that are secured by a lien on the Company's assets in Israel, see section 7 and Appendix B to the Board of Directors' Report.
In addition, in the reporting period the Company has commercial securities in the amount of NIS 167 million, that were fully paid up in the reporting period.

19.7. Restrictions on receipt of credit and cross-default mechanism in the credit agreements of the Company:

The credit documents of the Company and its subsidiaries contain financial covenants that include, among other things, Company specific covenants, such as - minimum equity and leverage ratio, as well as credit level specific covenants, such as - leveraged debt to value of collateral ratio, etc., as set out in Note 20D to the financial statements. Furthermore the financing agreements contain additional conventional terms and conditions for calling loans for immediate repayment, including: default on repayment, breach of undertaking or representation under the relevant agreement, a change of control in the Company, or its consolidated companies, whose securities have been pledged to secure the credit, restructuring, certain material legal proceedings (including in relation to liquidation, receivership and property disposal and execution proceedings), termination of activities, delisting of the securities pledged against the credit or of securities of the Company, pause or set a lower rating, etc.

In addition, some of the Company's financing agreements (which do not amount to material credit) include additional covenants and terms (such as: causes of action related to trade of shares used as collateral for financing and of Company shares and their prices, causes relating to the real estate properties used as collateral, rating, changes of control, etc.), which if are realized obligate the Company to repay the credit within the time set out in the agreement (mandatory repayment event), and in the event that it fails to do so, the financial institution has the right to demand immediate repayment of the financing. In some of these agreements, in the event that the Company resumes compliance with the covenants set in the agreement, it will be entitled to utilize the credit from them once again.

In addition, as part of the Company's obligations in favor of the holders of Debentures (Series N) that are secured by a lien on G Europe shares, the Company undertook to refrain from distribution a dividend in G Europe depending on its leverage ratio.

19.8. The Company's credit agreements include a cross-default mechanism that does not create a link between the specific loans, that is activated in case of a call for the immediate repayment of another credit agreement in the minimum amount of USD 40-50 million.

Furthermore, certain series of marketable debentures of the Company include a cross-default mechanism in the event of calling for the immediate redemption of another series of debentures, and in Debenture (Series M, N, O and P), in the event of calling for the immediate repayment of essential bank financing (as defined in the relevant deeds of trust).

As at reporting date, all of the cross-credit agreements of the Company (and its wholly owned subsidiaries other than G Europe) are subject to the foregoing cross default conditions amount to NIS 3.5 billion. In addition, as aforesaid, the Company's marketable debentures that include a cross default mechanism (with regard to other debenture series or substantial bank financing) amounted to NIS 8.1 billion.

19.9. As at December 31, 2022 and immediately prior to the approval date of this Report, the Company and its wholly-owned subsidiaries are in compliance with all covenants prescribed with respect to them. In addition, as of December 31, 2022, all of the Company's subsidiaries are in compliance with all covenants prescribed with respect to them, and to the best of the Company's knowledge, there has been no change in this status as of the date of this Report.

19.10. Below is a breakdown of the material financial covenants included in the Company's credit agreements and its compliance with them as at reporting date:

Covenants	Required minimal ratio	Covenant calculation as at December 31, 2022
Minimum shareholders' equity	NIS 4 billion	NIS 5.0 billion
Average EPRA direct result in two consecutive quarters	More than NIS 60 million	NIS 94.5 million
Net interest bearing liabilities to total balance sheet (consolidated)	Will not exceed 75%	60.0%
Net interest bearing liabilities to total balance sheet (expanded separate information)	Will not exceed 77.5%	67.6%
Value of non-pledged assets (expanded separate information)	Will not fall below USD 200 million	USD 2,586 million
Minimum rating	BBB rating by S&P Maalot or Baa2 rating by Midroog	A A3

For further information concerning the total amount of loans called for immediate repayment in the event of breach of any of the causes as set out above, see section 19.8 above.

19.11. Summary of the outstanding loans of the Company and its wholly-owned subsidiaries:

The following table presents the credit and long-term loans (including current maturities) received by the Company and wholly-owned subsidiaries to finance their operations, that are not intended for specific use, as of December 31, 2022:

	Balance (NIS in millions)	Weighted interest rate	Effective Interest rate	Average repayment period (years)(*)
Secured loans from financial institutions at variable interest	3,006	4.23%	4.23%	2.62
Secured loans from financial institutions at fixed interest	2,638	2.94%	2.94%	10.28
Unsecured loan from financial institutions at fixed interest	160	5.57%	5.57%	1.16
Loans from financial institutions at fixed interest that is not secured by a lien	352	6.00%	6.00%	4.75
Secured debentures at fixed interest	1,382	1.64%	1.38%	4.59
Unsecured debentures at fixed interest	9,327	3.60%	3.31%	3.30
Total	**16,865**	**3.52%**	**3.34%**	**4.39**

* The average repayment period refers to the repayment of the principal and interest payments.

19.12. Summary of the outstanding credit of the Company and its wholly-owned subsidiaries:

The table below provides details regarding the outstanding credit of the Company(1) and its wholly-owned subsidiaries (in NIS millions), as of December 31, 2022:

	The Company (1)	CTY	Total
Outstanding debentures (tradable and non-tradable)	10,709	6,439	**17,148**
Balances regarding credit from banks and financial institutions (3)	6,926	185	**7,111**
Total liabilities	17,635	6,624	**24,259**
Approved revolving credit facilities	2,955	1,933	**4,888**
Utilized credit facilities (4)	2,018	-	**2,018**
Balance for utilization	937	1,933	**2,870**
Guarantees in the ordinary course of business	358	242	**600**

(1) The Company and its wholly-owned subsidiaries
(2) Includes excess cost accounted for at the time of its acquisition.
(3) Including the utilization of approved credit facilities.
(4) Includes utilization with respect to the provision of guarantees.

19.13. Swap transactions

From time to time, the Company explores the possibility to raise debt from additional sources as it requires, including for the purpose of fulfilling its business strategy and for improving its working capital and debt recycling, in accordance with market conditions.

Debt issues of the Company on the local capital market are denominated in Israel shekels and linked to the Israeli CPI, while most of the Companies assets are denominated in foreign currency, in accordance with the Group's active currencies. To mitigate the currency exposure of the equity to changes in the exchange rates, the Company conducts, inter alia, short-term and long-term swap transactions, as necessary, and it replaces shekel liability with foreign currency liability, in accordance with ISDA (International Swap and Derivatives Association) agreements between the Company and various banking institutions. The long-term swap transactions are mainly fully reconciled with the debenture repayment schedules (principal and interest). In addition, in relation to most of the swap transactions, the Company has entered into CSA (credit support annexes) that provide for mechanisms for the current settling of accounts between the Company and the banking institution that is the counterparty to the swap transaction, in connection with the fair values of such transactions.

For information regarding settlement of swap transactions, refer to Note 34c to the financial statement and section 4 to the Board of Directors' report.

20. **Taxation**

For information regarding the tax laws applying to the Group in Israel, the Company's tax assessments, assessments in dispute, and the implications of tax laws for Group companies abroad, refer to Note 23 to the financial statements.

21. **Environmental protection**

21.1. The Company and its subsidiaries aspire to conduct their business in an environmentally and community friendly manner according to existing principles and believe that sustainable business success is built in the long term, and therefore, they invest resources in protecting the environment and constructing environmentally friendly shopping centers. The Company and its subsidiaries believe that in the long term, consumers, retailers and companies will benefit from this course of action. Thus, for example, the use of green energy and recycling of various materials will benefit the community, preserve the environment, and save costs for the Company in the long term. In addition, the Company and its subsidiaries believe that the growing awareness of the need to preserve the environment will make the population prefer visiting "green" shopping centers over regular shopping centers, thereby increasing the value of the Group companies' properties.

The environmental issue is dealt with by executive management of the Company and its investees, who are also assisted by external consultants who promote the matter.

Social responsibility was and will continue to be an issue that reflects the Company's positive and active approach to environmental and community issues. The Company adopted a social responsibility code, which, among other things, represents its policy with regard to environmental and community issues.

21.2. The Company has been participating in Ma'ale rating since 2006 and as at the date of the report it has the highest platinum plus rating. Since 2011, the Company publishes a corporate responsibility (ESG) report according to GRI principles, that also reflects the operations of the subsidiaries G Europe and CTY, which also publish a separate corporate responsibility report.

The Company is promoting several environmental projects in Israel, primarily the construction of an office tower in Rishon Le-Zion based on the LEED Gold standard. Furthermore, in the reporting period, the Company completed a number of energy saving and recycling measures in its properties, including installation of solar panels on the roofs of most of its properties, installation of electric car charging stations, switching to LED light bulbs, installation of motion sensor lighting and replacing outdated air conditioning systems. In addition, the Company is reviewing various energy efficient and green options for its properties, including with regard to waste treatment, and has started a pilot at one of its complexes for treating organic waste and turning it into water.

In Europe, the subsidiaries G Europe and CTY operate according to long-term target-based programs and have gained recognition and a high rating for their operations in that area from leading organization, as set out below. Among Nordic companies , CTY is considered a pioneer in applying sustainability principles in its shopping centers, and also receives recognition and awards in this regard. CTY has a goal-oriented program aimed at promoting and controlling parameters such as waste management, recycling, construction materials, efficient use of resources (energy and water), air quality, etc. CTY's sustainability policy sets out challenging targets and goals to be achieved by the year 2030, in order to better reflect its priorities and impact on its surrounding community. Among other things, CTY's sustainability report for 2021 was declared one of the best in the industry and received the EPRA Gold Award for Sustainability Best Practices for the tenth consecutive time and at additional awards and ratings. Furthermore, since 2016, CTY integrated the use of the BREEAM certificate, that is awarded for compliance with an external benchmark that defines environmental criteria, with the aim of assisting in improving the environmental performance of existing buildings. In addition, the Lippulaiva project, which was completed in the reporting period, is the first in the world to be awarded a Smart Building Gold Award as it is carbon-free.

21.3. G Europe strives to streamline its operations and properties by operating in the spirit of the sustainability principles. In 2021, for the sixth consecutive time G Europe received the EPRA Gold Award for Sustainability Best Practices. In May 2021, G Europe became a member of the Polish Green Building Council (PLGBC) and was awarded the Green Star 5 award in the Global Real Estate Sustainability Benchmark (GRESB) survey.

21.4. The Company and its subsidiaries, due to its ownership of real estate, are subject to legislation, and federal, state and local environmental regulation. In this regard, they can be held responsible for, and have to bear, the clearance and reclamation costs with respect to various environmental hazards, pollution, and toxic materials that are found at, or are emitted from, its properties (and could also have to pay fines and compensation with respect to such hazards). The costs of the above could be high and could even exceed the value of the relevant properties. Failure to remove these hazards could have a detrimental effect on the ability of the Company and its subsidiaries to sell, rent or pledge the properties at which such hazards are found, and could even result in a lawsuit. As of December 31, 2021, the Company and its subsidiaries are working to remedy deficiencies or environmental hazards they have identified, but there is no certainty that additional environmental deficiencies or hazards will not be discovered in the future, including some that developed when the properties were owned by third parties, from whom the properties were acquired, and that have still not been discovered. Furthermore, future amendments to environmental laws (that have become more stringent in recent years) could have a negative material effect on the Company's position, from both the operational and the financial respects. As of December 31, 2022, the Company believes that the costs expected to be incurred with respect to its liability for environment-related damages are not material to the Company and its subsidiaries.

22. **<u>Restrictions on and supervision over the Company's operations</u>**

22.1. The Group's activity is subjected to the various laws and regulations of the different areas of operation, from a variety of aspects, as is customary for the development and operation of commercial real estate properties in said regions, including with respect to the following: planning and construction laws, regulations pertaining to construction and development of real estate properties, municipal laws with respect to licensing the use and operation of the properties, laws with respect to accessibility, environmental protection and restrictive trade practice laws. In addition, as part of their ongoing activities, the Group's companies are subject to regulation in other aspects, including labor law, privacy protection, taxation, intellectual property etc. since the break of the Corona epidemic and the economic crises caused by it, the Group is exposed to legislation, regulations and emergency orders which were enacted in the countries in which the Group operates and which influence the foot fall in its assets and the possibility of the tenants and offices to operate in whole or in part, although as at reporting date there is no legislation in force that has a material effect on the operations of the Group's properties.

22.2. In addition, the Company, CTY and G Europe as reporting corporations[21], are subject to regulations pertaining to the securities laws and the stock exchange rules (including corporate governance rules) applying to each of these companies according to the country they are incorporated in and where their securities are traded. Compliance with these requirements entails substantial costs for the Company as well as for the aforesaid Group companies, and their breach could lead to the companies being fined and even to the perception of an administrative breach or a criminal offense.

22.3. In light of the provisions of to the Efficiency of Enforcement Procedures in the Securities Authority (Legislation Amendments) Law, 2011, and with the aim of identifying and preventing breach of securities laws, the Company has adopted an internal securities law enforcement plan. The Company also has a code of ethics and a bribery and corruption prevention policy.

22.4. The Company is subject to the Law for Promotion of Competition and Reduction of Concentration, 2013 ("Concentration Law"), the purpose of which is to reduce the level of concentration in the Israeli economy, inter alia, by imposing structural restrictions and rules of corporate governance on interests held in the form of a pyramid structure and by prohibiting holdings of more than two layers of a reported corporation in Israel, and separation between interests in a significant real (non-financial) corporation and interests in a significant financial activity, where the company is defined as a "significant real corporation"[22] and a "concentrated entity" and accordingly, inter alia, restrictions on interests in significant financial corporations above a specific threshold apply to it and to its interested parties.

22.5. The provision of the Concentration Law requires the regulator[23] so authorized by law will allocate a right to a concentrated entity in one of the industries listed in the Concentration Law, prior to allocating such rights to other entities in the concentrated entities list.
In addition, within the framework of the Law, the Minister of Finance and the Governor of the Bank of Israel were tasked with setting forth provisions for limitations on the accumulated credit extended to a corporation or a business group in Israel (a controlling shareholder and the companies under his control) by financial entities in Israel, taking into account, inter alia, the liability of each corporation or all companies of the business group. The Minister of Finance and the Governor of the Bank of Israel may prescribe that such provisions will also apply to borrower groups and to related companies in circumstances as will be determined.
The Supervisor of Banks determined restrictions on the volume of loans that may be extended by a bank to a "single borrower," a single "group of borrowers," and to the bank's largest "groups of borrowers," as the terms

21 In February 2022, G Europe was delisted from trading following its merger into a wholly-owned subsidiary of the Company. G Europe has marketable bonds traded on the Luxembourg stock exchange.

22 See the update of significant real corporations list and the concentrated entities list published by the committee to reduce concentration in August, 2022

23 The regulator qualified to allocate rights in certain resources.

are defined in said directive, as well as restrictions on the debt of a borrower and a group of borrowers. The Company and its controlling shareholder obtain loans and credit from Israeli banks, and therefore, such restrictions could affect the volumes of credit that may be attained by the Company. For additional information, see also the section on risk factors.

23. **Material agreements and strategic partnership agreements**

Reorganization agreement with Norstar Group

The Company, Norstar Holdings and Norstar Israel Ltd. (a company wholly owned by Norstar Holdings, "Norstar Israel"; Norstar Holdings and Norstar Israel are the Company's controlling shareholders and will be jointly referred to hereinafter as: the "Norstar Group"), are parties to an agreement that contains the following arrangements ("Gazit-Norstar Agreement"): (a) service agreement, by virtue of which the Company provides Norstar Group with various services; (b) a non-competition agreement from Norstar Group with respect to the Company, as set forth below. The Gazit-Norstar Agreement replaced and updated a previous agreement between the parties dated 1998, and in light of Section 275(1a) to the Companies Law, from one month to three years, and recently in November 2020, after being approved by the Company's general meeting on November 5, 2020.

Below is a breakdown of the highlights of the Gazit-Norstar agreement in effect as at reporting date:

A) The non-competition clause
Pursuant to the current version of the Gazit-Norstar agreement, Norstar Holdings has undertaken that, so long as Norstar Group continues to be the Company's sole controlling shareholder and so long as the Company is engaged, as its principal business, in the field of owning, operating and developing shopping centers and/or properties with retail-based mixed use properties (hereinafter in this section: ("Shopping Centers") and/or controls and holds, as its principal activity, companies that are engaged, as their principal activity, in the aforementioned fields, Norstar Group will not engage in the field of owning, operating and developing Shopping Centers and will not own shares in companies that are engaged in this field as their principal activity (other than its interests in the Company), and proposals it receives to engage in and/or to hold the aforementioned will be passed on by it to the Company. The aforesaid will not apply to financial investments in the shares of companies listed on a stock exchange in Israel or abroad, which are engaged in the field of owning, operating and developing Shopping Centers as their principal activity, provided that Norstar Group does not own 5% or more of the issued share capital of any individual company. For the avoidance of doubt, it is clarified that there will be nothing preventing the Norstar Group from engaging in the field of owning, operating and developing real estate that are not Shopping Centers, as defined above, and nothing will prevent the Norstar Group from holding shares of companies that are engaged in the field of owning, operating and developing real estate assets that are not Shopping Centers as their main area of activity.

B) Services agreement
Under the current service agreement between the parties, the Company provides the Norstar Group with various services for a monthly payment of NIS 133,000 linked to an increase in the Israeli Consumer Price Index, plus VAT ("management fee"). Pursuant to the agreement, the Company provides Norstar with the following services: secretarial services, finance (including reporting to the authorities), treasurer services, computer and IT services, communications, legal services, handling of bank financing, capital market and the investments of Norstar Israel and companies in its group (which include Norstar and companies controlled by it). As of the reporting date, the service agreement is in effect for three years, commencing on November 16, 2020 (after having been extended several times following its initial approval), at the end of which it will be automatically renewed, from time to time, for three-year periods, where each of the parties may choose not to renew by informing the other party by written notice, no later than 90 days before the end of the term of the agreement (all subject to the provisions of the Companies Law).

24. **Legal proceedings**

For information regarding the legal proceedings to which the Company and its subsidiaries are party, refer to Note 24D to the financial statements.

25. **Goals, business strategy and expectation for developments in the next year**

25.1. The Company and its subsidiaries have a policy of examining its business strategy and its goals, from time to time, against the background of developments in its business and macroeconomic environment. Core points in the strategy of the Company and its subsidiaries, both as regarding real estate operations and as regarding the structure and financial operations of the Company, are summarized below:

- Focusing the investment in few high value income-producing properties ('fortified assets') in main cities, in high population areas, if possible, upon or shortly after connection to public transport (such as railway stations, buses, etc.), and high walkability index, through direct or indirect holding in properties, and the Company is aiming to increase its direct holdings in such properties.
- The sale of properties with a limited growth potential and/or low operational effectiveness, including based on an examination of the type of the property and its geographic location, and while designating the consideration to enhancing its growth in urban areas and improving its operational efficiency and capital costs, as well as lowering the Group's leverage.
- Selective and rational activity with respect to leasing, development and redevelopment of income-producing properties, in the field of commerce, offices, residential or mixed-use properties in order to expand its property portfolio, spread the risks, increase the yield and upgrade the existing properties portfolio. The Company and its subsidiaries strive to ensure that development operations do not become a material part of its properties.
- Self-proactive management – operations in the various countries are conducted through experienced local management. Expertise, knowledge, experience, contacts and familiarity with the business environment enable the Company to pursue a pro-active strategy that is intended to advance internal growth, inter alia, by adjusting the Company's properties to market developments, hedging and high positioning of the existing properties portfolio, and leveraging opportunities to purchase and develop properties in areas with high population density. These abilities also allow the Company to manage properties or real estate companies for partners, in consideration of appropriate management fees.
- Assessing M&A opportunities with real estate companies (including public companies), while making focused acquisitions, entering into agreements for strategic relations with other companies.
- Utilizing the managerial and financial infrastructure in the Company for assessing entering additional investment fields related to the areas of operation of the Company and/or that have similar characteristics in terms of the nature of the investments, by connecting to the body specializing in the field or by establishing an independent management infrastructure.
- Continuing the creation of cooperation with institutional bodies in Israel and worldwide, and managing the properties owned by such partnerships in a manner that reflects its experience and expertise in management of these properties.
- Maintaining a high level of liquidity that enables the pursuit of business opportunities in the fields of operation of the Company and its subsidiaries, and the management of its debts, which are spread over many years. Maintaining as close an economic correlation as possible between the currency in which its assets are acquired and the currency in which the liabilities to finance the acquisition of those assets are taken out, in order to maintain its equity in the currencies of the various markets it operates in, and in similar proportions to the proportion of the assets in the various currencies to the total assets, and while entering, from time to time, into hedging transactions to reduce exposure to fluctuations in the exchange rates of foreign currencies.
- Utilizing international capital markets to increase financial flexibility and to gain greater exposure to local and international institutional investors, including the improvement of the credit rating of the Company, with an eye to reduce the debt costs of the Company.
- Attributing significant importance to transparency and reliability vis-à-vis investors (shareholders and debenture holders) and acting accordingly.
- The Company and its subsidiaries believe that the human capital it employs is one of its most important resources. Retaining human capital over time provides a stable basis for growth of the operations of the Company and its subsidiaries, and for the creation of value for their shareholders.

25.2. Pursuant to the Company's strategy, in the reporting period, the Company announced its plan to dispose of non-core assets or properties in which it has exhausted their improvement potential, in an amount of NIS 5.3 billion For further information, see section 1.2 of the Report.

25.3. At the same time, based on the Company's forgoing strategy, the Company is expected to continue to invest in some of its existing platforms, with an emphasis on expanding the activity of the Company's private companies. Under this provision, the company estimates that it will invest non-material amounts in properties in Brazil during the years of 2023-2024, focusing on Sao Paolo, through Gazit Brazil; between NIS 0.3-0.6 billion in properties in major cities in the United States through Gazit Horizons; between NIS 0.1-0.6 billion in Israel and between NIS 0.3-1 billion in residential real estate developments in Poland.

The Company's estimates regarding implementation of the above strategic plan, is considered forward-looking information, as defined in the Securities Law – 1968. These estimates are based on the Company's plans and its assumptions as at this date. These estimates are uncertain and may not materialize or may materialize in part, and the Company's management may deviate from them or change them, depending on various factors, including macroeconomic conditions beyond the Company's control, such as the rate of inflation, interest rates, effects of territorial events (including the conflict between Russia and Ukraine), and as a result of manifestation of the risk factors applicable to the Company's operations as set out in sections 5 and 28 to the chapter on the description of the Company's business, and their effects on the global economic situation.

25.4. The Company's management sees the need and potential for expanding in the field of green energy and is accelerating the initiatives that started during 2020 in Scandinavia, for integrating solar energy systems in its compounds, also in Israel and other countries. Recently, the Company entered into an agreement with a contractor which will build photovoltaic systems in some of its compounds in Israel. These systems are expected to reduce the energy costs of the Company and to create additional income from its current properties.

25.5. The Company intends to finance its expected investments, to the extent they are exercises, from its equity, from its current operations, from private and/or public capital raisings and bank credit, and from realizing other investments of the Company, in accordance with its strategy. The above is subject to economic and other developments in the relevant areas, including the rate of inflation and interest rates in the country and the conflict between Russia and Ukraine and their effect on the Group's operations, as set out in sections 5.1 and 5.6 to the Report.

The aforesaid goals are forward-looking. They constitute a vision and goals, which are based to a significant extent on expectations and assessments with respect to economic and other (industry-related and general) developments, and their interrelationships. The Company's investment plans, which are set out above, are subject to the Company's free cash flow and its financial abilities, as well as the investment opportunities in the relevant markets and the economic and financial condition of said markets and the world, and special situations such as the impact of inflation, interest rate increase, and the Russia- Ukraine war. The Company cannot be certain that its expectations and assessments will indeed be realized, including with respect to its ability to realize its vision and to achieve the goals it has set for itself, including its plan for disposal of properties and investment plan, which to a significant extent are also based on factors that are inherently beyond its control. It is further clarified that the Company's management will, from time to time, examine its plans and revised them in accordance with these and other changes. It is hereby clarified that the Company's operating results, including its investment targets, may differ materially from the plans and results estimated or implied by this information.

26. **Material events subsequent to the reporting date**

For information regarding material events that occurred subsequent to the date of the statement of financial position, refer to Note 37 to the financial statements.

27. **Financial information concerning geographical segments**

See Note 36 to the financial statements.

28. **The risk factors applicable to the Company**

28.1. Macro risks

28.1.1. **Changes in financing conditions** –The operations of the Company and its subsidiaries in the acquisition of properties and marketable securities of the Group companies as well as other investments are financed by capital issuances and debt issuances in the various stock exchanges as well as by financial institutions. Should the financing ability of the Company and its subsidiaries be impaired, their operations could be significantly limited.

The business results of the Company and its subsidiaries are dependent, among others, on their ability to raise loans or capital in the future and on the terms thereof, in order to repay loans and attain the cash flows required for their operation. The financing ability of the Company and its subsidiaries could be affected by various reasons including an unavailability or a shortage of external financing sources, changes in existing financing terms, changes in the results of operation, legislative changes (including regulatory limitations on the Group's credit balances, as detailed in section 23.3 above) and deterioration of the economic situation in their operating regions. Furthermore, the operating results of the subsidiaries could be affected by changes in interest rates, (including as set out in section 5.1 of the Report), although in light of the fact that most of their obligations are at fixed interest rates, changes in the rates of interest have only a limited impact. The debt balances of the Company and its subsidiaries could have a material impact them, including where the allocation of a material part of the cash flow to the repayment of loans is concerned, and it could also impair the ability to allocate resources to the operation, development and acquisition of properties, and the ability to distribute dividends and raise capital. In addition, the Company has CPI-linked NIS-denominated liabilities and thus has an exposure to CPI changes. The Company routinely conducts swap transactions for part of the CPI-linked liabilities, replacing the CPI linkage with fixed interest. In addition, breach of the obligations in the financing agreements, including its undertaking to maintain financial ratios, which are affected also by extraneous market factors to the Company and/or its subsidiaries, and restrictions with respect to change of control (including the possibility that calling for immediate repayment pursuant to one financing agreement will lead to other credit being called for immediate repayment, as set out in section 19.8 of the Report), could have material implications, such as a demand for early repayment of loans, disposal of properties and refinancing under less favorable terms. Also, a change (or anticipated change) in the credit rating of any of the subsidiaries could affect their access to financial markets and increase their borrowing costs.

Market conditions or other factors could affect the ability of the Company and its subsidiaries to effectively diversify its financing sources by obtaining finance from other sources. In addition, changes in the credit rating of these companies might affect the market price of their debentures as well as the tradability thereof and could have a negative effect on their raising debt or capital on stock exchanges and/or from financial institutions.

28.1.2. **Changes in exchange rates** –The Company has currency exposure of its equity, primarily to the Euro, the US dollar, the Brazilian real and the Canadian dollar, such that strengthening of the foreign currencies in comparison with the shekel increase its equity, and weaking of their exchange rates decreases its equity (when these influences are offset with the linkage-based swap transactions and swap and forward interest that the Company performs, and partially with respect to call options transactions). In addition, changes to the exchange rates influence the fair value of derivative financial instruments (primarily swap, forward, and call options), which are meant to provide protection from economic exposure. The Company's profitability could be influenced materially in a negative manner by the lack of protection or partial protection from exchange rate fluctuations.

Furthermore, the Company has currency and interest swap transactions, with respect to some of which the Company has entered into agreements that provide for mechanisms for the current settling of accounts in connection with the fair value of the swap transactions. Consequently, the Company could be required, from time to time, to transfer material amounts to the banking institution based on the fair value of the aforesaid transactions.

28.1.3. **Changes in capital markets** – Part of the Company's assets comprises shares of CTY, a public company held by the Company, and most of them are being used as guaranties for lines of credit of the Company. In addition, the Company has investments in marketable securities (as detailed in section 11.2 of this report) and accordingly, changes in the capital markets and volatility in share prices in the wake of changes in market conditions and other conditions which the Company cannot control, could affect the price of the Company's and Group companies' shares, and affect the Company's performance and its business results, which might, inter alia, expose the Company to the possibility of non-compliance with the financial covenants stipulated in its credit agreements and limit the ability to raise further capital. Furthermore, the Company's debentures (Series P) are secured by a lien over G Europe shares held by the Company, and in the event of occurrence of certain events, the Company could be required to provide additional collateral to the debenture holders depending on the carrying amount of G Europe shares. Upon delisting of G Europe (as set out in section 7 of the report), the Company's holdings of securities of public companies decreased substantially.

28.1.4. **Macro-economic conditions that affect geographical regions** – The properties of the Group are widely distributed in various cities worldwide, and by nature are exposed to different macro- and microeconomic conditions that affect the operations and value of the properties. A material proportion of the Group's leasable spaces are located mainly in Helsinki, Stockholm, São Paulo, Warsaw, Prague, Boston, Miami, New York, the metropolitan area of Tel Aviv, in a manner that increases risk that the Group could be materially adversely affected, to a significant degree, by a downturn in the economic conditions in these regions or in one of them. Among other things, the Russia-Ukraine war and the sanctions imposed as a result may impair the value of G City Europe's properties in Russia and therefore, the revenues from them. In addition, there is public concern that the judicial reform planned in Israel will adversely affect the economy in Israel, as set out in section 5.4 of the Report.

28.1.5. **Risk of war, terror attacks, natural disasters and uninsured risks** – Terror attacks and war could adversely affect the Group's properties. Among other things, as aforesaid G Europe holds properties in Russia, which are exposed to the effects of the Russia-Ukraine war and the resulting sanctions imposed on Russia, as set out in sections 5.1 and 7.3 of the Report. Furthermore, the Israeli economy as well as the economy in Poland and elsewhere in general, and the shopping center operations in particular, are impacted by the prevailing security and political situation. Political instability in the Middle East (as well as other regions where the Group operates) may have a significant adverse impact on the state of the economy, which may lead to impairment of the Company's business results in Israel and other relevant territories. In addition, some of the Group's properties are in regions exposed to risk from natural disasters, climate changes and other risks that are liable to be detrimental to the group's tenants or to visitors of the complexes, which are uninsurable or are not fully covered under the Group's insurance policy. The availability of certain insurance policies for these risks and others could be reduced, and the cost of the premium for them could increase, in a manner that would lead to a decrease in the insurance coverage for the Group's companies. In addition, some of the Group's assets are located in areas exposed to natural disasters, climate change and other risks that may adversely affect the Group's lessees or visitors to its malls, and which are not insurable or are not fully covered by the Group's insurance policies. The availability of insurance coverage for these and other risks could decrease, and its premium cost could increase, in a manner that could lead to limited insurance coverage of Group companies.

28.1.6. **Pandemics and the ongoing COVID-19 crisis** – Widespread epidemics that generate high morbidity rates have an adverse effect on demand and consumption for some of the businesses in the commercial centers, and they could adversely affect the income of the Company and the Group's companies, the current cash flows, and the Company's financing ability and debt refinancing. The outbreak of the Coronavirus, as well as the uncertainty regarding the spread of the virus and the various countries' guidelines with respect to dealing with the epidemic, have led to a global economic crisis, which is reflected by a sharp decline in stock exchanges around the world, changes in interest rates in several countries and volatility in foreign currencies. As at date of publication of the Report, and in view of the developments in managing the Covid-19 pandemic, there have not been any material effects of the pandemic on the Company's areas of operation. The Company estimates that prolongation of the economic crisis caused by the Covid pandemic has a significant, lasting and cumulative negative effect on the retail real estate industry and the Group's operations, among other things, due to the risk of closing the Company's commercial compounds, a decrease in the number of visitors to the properties, a decline in consumption and impairment of the economic strength of the tenants (in the short- and long-term), which will lead to a downturn in the Company's revenues, current cash flow, occupancy rate and the value of its assets, all of which may affect the Company's accessibility to capital and debt markets.

28.1.7. **Investment in developing countries** – some of the Group's investments are in developing markets, mainly in Central and Eastern Europe and in Russia (through G Europe) and in Brazil. The Group's investments in emerging markets are exposed to higher risks compared with its investments in markets in North America and in Northern and Western Europe; this includes also legal, economic, and political risks to which the Company's investments in these countries are exposed (including due to the Russia-Ukraine war, as set forth above).

28.2. <u>Sector risks</u>

28.2.1. **Changes in consumer habits** – Most of the Group's properties are shopping centers, which are based on food, pharma, fashion and service stores including mostly medical services, gyms and movie theaters. Changes in the buying habits in the regions surrounding those shopping centers, such as a move toward buying in different types of centers or platforms or a move toward buying over the internet (e-commerce), have a material impact on the lessee mix, on commercial areas allocated for the consumer and entertainment sectors, and on the Company's income from various lessees. These trends also impact the mechanisms for setting rent in future lease agreements and the total of their impacts could be detrimental to the Company's operations. Within the main consumption trends in recent years, Group companies are witnessing an increasing growth in the volumes of online purchases, and believe that this increase will continue to an extent that could reduce the sale volumes of some tenants and affect the demand for commercial areas by these tenants. This trend significantly increased during the COVID pandemic and led to a material increase in e-commerce during 2021, however slowed down subsequently. In addition, such changes could reduce proceeds received by Group companies, which are based on the sales volume in the property.

28.2.2. **Financial strength of tenants, including key tenants** – Among the factors affecting the Group's revenues is the financial strength of the tenants of its properties, and particularly key tenants, including anchor tenants. Factors such as deterioration in the economic conditions in the Group's operating regions, changes in consumer buying habits, increased competition in the Group's operating regions and the return of financial recession in the Group's markets of activity, as well as the risk of disease outbreak, such as the Coronavirus, war and supple chain disruptions may impact the business activity and the financial strength of anchor tenants and other tenants in the Group's properties, which could in turn lead to non-renewal of lease agreements, delays in of the shopping center where the anchor tenant had rented premises and on the drawing power of the shopping center, and thus also on the Group's income from that shopping center. This is true even if the anchor tenant continues to pay the rent with respect to the closed premises. In addition, if an anchor tenant leaves, occupying the property again at attractive terms could be difficult, and probably the number of visitors in the property will decline, which could adversely affect other tenants of the property.

28.2.3. **Changes in the rental policy of retail chains and key tenants** – A large proportion of the major tenants of the Group are retail chains. The Group's business results could be adversely affected by a change in the retail chains' policy regarding the operating framework for their stores (such as the size of their stores) and the regions where they operate or the expansion of the e-commerce platforms of the retail chains or major tenants instead of physical stores.

28.2.4. **Demographic changes -**The Group focuses on densely populated urban areas in major cities, and the Group's properties are designed to serve the needs of the population in the area of the property. Demographic changes in the area in which the property is located, in terms of the socio-economic characteristics of the relevant population as well as the density of the population in the vicinity of the property may affect the degree of attractiveness of the property, with regard to tenants as well as visitors to the property, and accordingly may harm the Company's income from the property.

28.2.5. **Statutory and regulatory requirements with respect corporate law, securities laws and Centralization Law** – The Company and some of the companies in the group (CTY, G Europe) are traded on different stock exchanges worldwide and are subject to the relevant securities laws governing each stock exchange (including corporate governance rules). Compliance with these requirements entails substantial costs for the Company as well as for the aforesaid Group companies, and, in addition, their breach could lead to the companies being fined and even to expose them to a criminal offense and could therefore adversely affect the Group. The Company has a plan for the enforcement of the securities laws, aimed at identifying and preventing violation of such laws.

Additionally, the Competition Law, 2013, which includes, inter alia, reference to control issues in a pyramid holdings structure and separation between significant real corporations and significant financial corporations, was approved by the Knesset. For information, refer to Section 21 of the Report. Furthermore, within the provisions of the Law, the Minister of Finance and the Bank of Israel Governor were tasked with setting forth provisions for limitations on credit extended to a corporation or a business group by financial bodies, in accumulate, taking into consideration, inter alia, the liability of each corporation or all companies of the business group. Such limitation could impede the ability of the Group to obtain credit to repay loans and for the cash flow required for its activity and harm its operating results. In addition, the Company is controlled by Norstar Holdings INC., which is a public company, and as such is considered a second-tier company. As a result thereof, the Company is prevented from controlling other Israeli public companies, in a way that could prevent the Company from exploiting business opportunities.

28.2.6. **Statutory and regulatory requirements, including with respect to the environment and business licensing** - Group companies, including those involved in construction, development and redevelopment activity, are subject to statutory and regulatory environmental protection requirements (environmental hazards, underground and above-ground pollution, toxic waste, etc.), business licensing provisions, and provisions requiring the adaptation of buildings to provide convenient access for the people with disabilities, and are responsible for bearing the costs involved in complying with such requirements, to the extent that this could affect them. The Company's liability and its exposure to damages and costs (e.g., with regard to tax, environmental protection and regulatory aspects) could also result from actions or oversights related to the time in which the relevant property was owned by previous owners and held by other holders, including activity that is not in line with the provisions of the law, as well as those resulting from tests that were conducted by the Company in preparation for the purchase of a property being incomplete or insufficient. For a description of the main risks involving breaches of the laws relating to environmental protection, refer also to Section 21 above.

28.2.7. **Property renovation and development operations** – The Group operates, inter alia, in the property development field, by way of initiation of development projects, by way of purchasing properties for development, and by way of expanding and developing existing properties. There is no certainty that the Group's forecasts with regard to the development of one or more of its properties will materialize. The Group's liabilities with regard to the development of its properties are subject to the risks that are generally involved in such activity and include, inter alia: delays in construction and time and expenses overruns (or complete failure to complete construction) and the ensuing costs; cost overruns, including the raw materials element, labor, financing (including an increase in interest rates), delays and costs related to regulatory approvals and other costs; natural and climatic disasters at the development sites; difficulties entailed in land conditions; technical risks related to the construction plans, the construction activity and environmental aspects; construction flaws (including as a result of the use of defective construction methods, raw materials or products that are acquired by the Company from third parties); failure to find suitable tenants or tenants who are supposed to take space in the property under the initial leases failing to move in or finding low-rent tenants than expected; properties occupied for lower than planned rental tariffs; and so on. The inability to complete the development or redevelopment of the properties, or failing to complete them on schedule, due to the reasons listed above or for other reasons, could have an adverse effect on the Company's business, its financial position and its operating results. Furthermore, due to the Covid pandemic and due to the war in Ukraine, in certain regions and periods, there is a shortage of labor and raw materials in a manner that may affect development costs.

28.2.8. **Risks inherent in the management of the Group's properties** – The Group is exposed to risks entailed in the provision of management services by the Group to its tenants, including third party liability. Should the Company fail to efficiently manage a property or properties, increased costs could result with respect to the said maintenance and improvement of the properties, loss of opportunities to improve income and yield and a decline in the value of the properties. In addition, with respect to management services for the Group's properties, provided by third parties, the quality of services rendered by the said third parties (as well as the Group's ability to locate and enter into agreements with qualified third parties) could have a significant effect on the Group's relations with its tenants, as well as on the Group's yields from its investments.

28.2.9. **Competitive environment** – The Company is exposed to substantial competition in the acquisition of properties. Increased competition with respect to the acquisition of properties and attracting new tenants could reduce the number of properties available for acquisition, increase the acquisition prices of properties designated for acquisition, reduce the ability to attract tenants and decrease rental fees, decrease occupancy rates, increase operating costs and impair the yield obtained from the group's properties. In addition, the Group's competitors could hold an advantageous position compared with the Company derived, inter alia, from lower cost of credit, more efficient operations and higher risk robustness (refer to Section 14 above for a description of the competition in the Company's fields of operation.

28.2.10. **Increase in operating expenses and other expenses** – Increase in operating expenses and other expenses without an offsetting increase in revenues or payments made by tenants, could result, inter alia, from an increase in the costs of external service providers, an increase in the burden of real estate taxes and other levies, an unanticipated increase in maintenance costs (including due to unanticipated malfunctions and an increase in energy costs), changes in legislation, regulation or governing policy, and an increase in insurance costs.

28.2.11. **Risks inherent in the impact of external factors on the value of the Group's properties and its operations** – The Company is exposed to risks derived from the fact that the valuation of real estate properties is subjective and uncertain by nature, as well as risks derived from the fact that the value of the properties might be affected by external factors that are outside the Group's control, including overall market conditions – including in the real estate markets, commercial real estate in general and real estate in the Group's fields of operation in particular, the absence of liquidity in real estate investments, national, regional or local financial conditions, political conditions and events (as set out in sections 5.1 and 5.6 of the Report), including surplus of areas for lease, demographic conditions, consumer behavior, unemployment rates, proximity and accessibility of competing properties, access to public transportation, changes in legislation (including retroactive changes), expropriation, property and transfer taxes and other taxes and payments, and an increase in operational expenses (including energy expenses). These and other risks could lead to leasing at lower than planned rental rates and to expenses higher than planned. Lower occupancy rates, non-renewal of leases or their renewal at less advantageous terms from the lessor's point of view (including with regard to anchor tenants), negative side effects resulting from the departure of small tenants, the possibility of having to bear the costs with respect to properties that the Group fails to lease and bearing unplanned costs with respect to realty brokering operations and finding new tenants.

28.2.12. **Absence of liquidity in real estate investments** – Investment in real estate is usually an investment with no liquidity, compared with investment in securities. The absence of liquidity could lead to the Company selling real estate properties in response to changes in the economy, in the real estate market or due to other conditions, other than at the desired time or price. In addition, some of the anchor tenants in the Company's properties have the right of first refusal or right of first offer to acquire the properties, which could make it more difficult for the Company to sell the properties in response to a change in market conditions.

28.3. <u>Company specific risks</u>

28.3.1. **Change in the tax burden with respect to the operations of the Company's subsidiaries** – the Group is exposed to possible changes in the tax burden with respect to the operations of the Company and the Group companies, including due to changes in the governing tax law in the regions where Group companies operate, or due to non-realization of the assumptions of the Company with respect to the tax applicable to the Group's income.

28.3.2. **Dependence on management** – The Company is dependent on the continued activity of the Deputy Chairman of the Board of Directors and CEO, Mr. Chaim Katzman. In addition, the Company and its subsidiaries have a number of highly reputable executive officers, which may receive, from time to time, other employment offers from competitors of the Company.

28.3.3. **Control of the Company** – The controlling shareholder of the Company, Norstar Holdings Inc. and its controlling shareholder, Mr. Chaim Katzman, who also serves as CEO of the Company, can pass binding resolutions at the general meeting of the shareholders of the Company, as their interests in the Company are sufficient for the purposes of adopting certain resolutions at the Company's general meeting without the need for the agreement of the other shareholders, including with regard to the appointment of directors of the Company (which are not external Directors). Nevertheless, under the provisions of the Companies Law, their ability to act as controlling shareholders is limited, both in view of their duties to the Company and to the minority interests as well as in view of the need to obtain the consent of the minority interests on certain issues in which the controlling shareholders have personal interest, all as set out in the provisions of the law.

Furthermore, some of the shares of the Company that are owned by Norstar, are mostly pledged to the bodies that finance its operations. Breach of the provisions of these financing agreements by Norstar in a manner that will entitle the lenders to exercise the pledges on the Company's shares, could adversely affect the Company's investors, including in the event that the lenders wish to sell the Company's shares. In addition, in part of the Company's financing agreements, including its traded debentures, a change of control (as defined in these agreements) may constitute a ground for an immediate repayment of the relevant credit. In addition, in some of the employment agreements of Company managers, in the event that their employment is terminated due to a change in control of the Company, they will be eligible for favorable retirement conditions.

Therefore, the control of the Company, and the consequences of any change in control of the Company, may deter third parties from trying to take over the Company, in a way that may affect the Company's share price

28.3.4. **Commencement of operations in new fields and regions** – The Group's commencement of operations in new fields and regions where it does not have vast experience, entails costs and risks deriving, inter alia, from the need to learn and become familiar with the various aspects relating to operations in said fields and regions, including regulatory aspects, the business and macro-economic environment, a new currency exposure, etc., as well as the establishment of new systems and administrative headquarters at substantial costs and their integration in the Group. Moreover, many years may elapse before the results desired from entry to a new field and/or region of activity are attained, in light of the need to obtain regulatory approvals and construction permits, determining the correct mix of tenants, recruiting the appropriate management team, and the purchase of a sufficient number of properties to generate income that will cover the establishment and management costs. Among other things, the Company's entry into the rental housing sector involves risks inherent in the development, operation and management of the properties.

28.3.5. **Failure to implement acquisition strategy** – The Company and its subsidiaries have a strategy to acquire additional properties and companies. The implementation of this strategy may not be successful and might not generate the expected return; and is dependent upon the availability for purchase of suitable properties and the availability of convenient financing for the acquisition, development and redevelopment of the acquired properties. It also requires the assimilation of the businesses, systems and manpower, which could consume management resources and distract management from attending to current operations, as well as expose the Company and its subsidiaries to legal and regulatory risks with regard to the acquired properties.

28.3.6. **Structure of interests in the Group** – The Company operates, inter alia, through companies that are not wholly-owned by it and as at the publication date of the report, CTY is a significant part of its share capital owned by the public, as well as by other significant shareholders. Until February 2022, a substantial part of G Europe's share capital was held by the public and presently, its debentures are held by the public and listed on the Luxembourg Stock Exchange. As reporting corporations, these companies are subject to legal and regulatory limitations that are customary for public companies and reporting corporations. The Company, despite being the controlling shareholder in CTY, may find itself unable to take specific courses of action without the required approval from other shareholders in the above subsidiary (whether by law or by virtue of shareholders' agreements or incorporation documents). To date, pursuant to the provisions of the Finish law, the Company may not increase its holdings in CTY without issuing a tender offer for the rest of CTY shares. The existence of other shareholders in the said company could limit the Company's ability to take certain actions, including to increase the percentage of its interests in that company, consolidate similar activities, produce synergies that may exist between the various companies or reorganize the Group's structure. In addition, the Company may not be able to determine the date and scope of dividends paid by some of its subsidiaries, which could reduce the Company's cash flows and impede its ability to repay its debt. The Group is also exposed to risks inherent in shared ownership in properties with third parties, including the need to obtain the agreement of the Group's partners in the said properties in order to make decisions, and the possibility of disagreements between the Group and said partners, as well as risks derived from the said partners becoming insolvent, exposure to financing the partner's investment in the shared properties, and the implications of these risks on the operation of the shared properties. The properties are consolidated in the financial statements in accordance with IFRS, based on the effective or legal extent of control. Changes in the Company's control of the subsidiaries could lead to change in the presentation of the investment in the subsidiaries in the Company's financial statements, as well as affect the way in which investors perceive the Company. In addition, in order to comply with the reporting obligations as a public company, the company relays on the information it receives from its consolidated subsidiaries. The Company believes that it receives the material information it requires from the subsidiaries. In addition, CTY is listed on the Nasdaq Helsinki, Finland (OMX) and is subject to reporting obligations that are not uniform. Therefore, it is possible that the Company might not be able to present certain information as is presented by other real estate companies in certain regions.

28.3.7. **Legal proceedings** – The Group companies are involved in several legal proceedings in their ordinary course of business, including proceedings vis-à-vis the tax authorities, as set out in Note 24 to the financial statements. If such proceedings as specified in Note 24 to the financial statements (or any of the same) are decided against the Company, this could adversely affect the Company's operating results.

28.3.8. **Cyber and information security risks** – Hacking, disruptions, damage or collapse of the Group's IT and IS infrastructures by an internal or external hostile factor to access the Company's computer systems may adversely affect the Company's activity and business, including on its ongoing activity, theft of or damage to business and personal information, harm to its reputation, leak of information from the Group's system or from the systems of external service suppliers supporting the group's activities, damage to the Group's disclosure and financial reporting ability, collection activities and the ongoing operation of its properties, etc. The information in the Company's information systems, including information about transactions, financial information and other information regarding the operations and properties of the Group may be exposed to significant cyber and information security risks. The Group believes that its information systems have been and will continue to be the target of attacks by malware and other cyberattacks, including terror attacks due to being an Israeli company. To the best of the Group's knowledge, as of the reporting date, the Group has not experienced loss or disruption of information or other significant harm due to a cyberattack on its operations and systems.

The Group companies regularly invest in securing systems and updating them, backup mechanisms, monitoring and recovery procedures, with the aim of reducing the risk they pose. Furthermore, the Group companies adopt measure to backup all their information, with the aim of reducing the impact of potential harm from cyberattacks on their systems and to increase the Company's ability to recover from a disaster. Furthermore, from time to time, the Company examines new advanced protective measures required against these risks and acts to adapt them to the existing risks. Also, the Company acts to increase the awareness of its employees to this issue. However, the nature of cyberattacks and breaches of information systems by unauthorized parties is constantly changing and becoming ever-more sophisticated, especially after the Covid outbreak, and the ability of the Company to fully deal with a sophisticated cyberattacks reduces. Therefore, it may be that despite the security measures taken by the Company it will not be able to protect itself fully and prevent all of the damage that could be caused from a breach of its systems or the financial implications of such a breach. The Company acts to improve its ability to respond to cyber attacks by constantly improving the defense system, increasing awareness, allocating dedicated resources and strengthening its IT system in order to maintain the integrity of the information, its reliability and availability while minimizing business damage. Among other things, the Company conducted a cyber risk survey, presented the conclusions to the Company's board of directors and implemented it in 2022, it engaged in an agreement with a cyber crisis management company to assist the Company and its preparedness for a cyber crisis, and also engaged with an external company to monitor the Company's operations 24/7 and detect suspicious security incidents. The Company also appointed a designated Board of Directors committee on cyber issues and the Company's board of directors discusses its recommendations once in each period.

28.4. The following table presents the Group's risk factors according to their nature and their effect (taking into account the measures taken by the Group to mitigate the exposure to them) on the Company's business, in the opinion of Company management:

Risk factor	Major effect	Moderate effect	Minor effect
Macro risks			
Financing	+		
Changes in exchange rates	+		
Changes in capital markets	+		
Economic conditions that affect geographical regions		+	
Risk of natural disasters, terror attacks and uninsured risks	+		
Pandemics	+		
Investment in developing countries		+	
Sector-specific risks			
Changes in consumer buying habits	+		
Financial strength of tenants, including anchor tenants	+		
Changes in the rental policy of retail chains and major tenants		+	
Legal and regulatory requirements with regard to the Companies Law and Securities Law		+	
Legal and regulatory requirements with regard to protection of the environment			+
Property renovation and development activities		+	
Risks inherent in the management of the Company's properties			+
Competitive environment	+		
Increase in operating expenses and other expenses			+
Risks inherent in the impact of external factors on the value of the Group's properties and its operations	+		
Absence of liquidity in real estate investments		+	
Demographic changes in the area surrounding the property			+
Company-specific risks			
Change in the tax burden with respect to the operations of the Company's subsidiaries		+	
Dependence on management	+		
Control of the Company			+
Commencement of operations in new fields and regions		+	
Implementation of strategic acquisitions			+
Holdings structure of the Group		+	
Legal proceedings			+
Cyber and information leak risks		+	

CHAPTER B

DIRECTORS' REPORT ON THE STATE OF THE COMPANY'S AFFAIRS

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G CITY LTD.

Directors' Report to the Shareholders
For the year ended December 31, 2022

The Board of Directors of Gazit-Globe Ltd. (the "Company") is pleased to present the Directors' Report of the Company for the year ended December 31, 2022 (the "Reporting Date"):

1. **The Company and its Operations**

1.1. **Overview**

The Company, directly and through its public and private investees[1] (collectively: the "**Group**"), engages in acquisition, improvement, development and operating of income-producing properties for mixed-use, including retail, office and residential located in in North America, Israel, Brazil, Northern, Central and Eastern Europe with the focus on densely populated urban cities. In addition, the Company evaluates opportunities within its core business and similar fields in other regions.
The Group's strategy is to lower its holdings in public companies and focusing on properties which have a potential to for value appreciation and cash flows growth by proactive management, improvement, addition of uses, development and redevelopment, while simultaneously, the Group also takes measures to sell non-core properties which it believes have a limited growth potential and/or are in regions in which the Company wishes to reduce its activity, whether by selling an individual property and/or group of properties, and/or via selling part of its holdings in the companies that own properties in these areas.

In accordance with the foregoing strategy, in recent years the Company made efforts to increase the rate of its private real estate (i.e., operations not held through public companies). As part of this, in February 2022, the Company completed a transaction to buy out the minority interests in G City Europe Ltd. (formerly: (Atrium European Real Estate Limited) ("**G Europe**")[2], which was a public company controlled by the Company, and to delist its shares from trading on the stock exchanges in Vienna and Amsterdam. Since February 2022, the Company holds 100% of G City. For further information, see section 7.1 of the Report.

The Group operates in Israel directly through the Company and in the other countries through its wholly owned private subsidiaries, in which the Company plans strategy and oversees their management: G Europe, that operates in Central and Eastern Europe, its subsidiaries in Brazil ("**Gazit Brazil**"), Gazit Horizons Inc. in the United States ("**Gazit Horizons**") and a subsidiary operating in Canada ("**Gazit Canada**"), including through Partnership Gazit Tripllle. Furthermore, the Company operates in Northern Europe through Citycon Oyj ("**CTY**"), a public company controlled by the Company that has adopted a strategy similar to the Company and in which the Company is the largest shareholder.

The Company's operations in Israel, G Europe, Gazit Brazil, Gazit Horizons and CTY are consolidated in the Company's financial statements, each one constituting a separate operating segment.

On May 18, 2022, the Company changed its name from Gazit Globe Ltd. to G City Ltd.

As part of the Group's strategy to focus on urban properties, while strengthening equity and lowering leverage, during the reporting period the Company proactively adopted several significant measures, as follows:

A. Disposal of non-core assets or assets that the Company has accomplished their improvement. As part of this, in the reporting period and up until date of publication of this Report, the Company and its wholly owned subsidiaries engaged in binding agreements for the sale of properties to the total value of NIS 1.9 billion. For further information concerning the Company's strategic plan to dispose of properties, refer to section 1.2. below.

B. The Company executed a private equity placement in an amount of NIS 468 million in the reporting period and an additional private equity placement in an amount of NIS 148 million subsequent to reporting date. Several leading institutional investors, the parent company and the controlling shareholder of the Company (through a company under his control) took part in these placements.

C. On March 28, 2023, the Company's Board of Directors decided not to distribute a dividend to the Company's shareholders in the first quarter of 2023. The Company's Board of Directors will convene and review the Company's dividend distribution policy for the following quarters of 2023, including based on progress in the execution of the plan for disposal of properties announced by the Company on October 25, 2022 and as updated on December 19, 2022, and additional considerations, subject to the distribution tests set out in the Companies Law, 1999.

[1] Reference to investees includes, unless stated otherwise, companies that are fully consolidated by the Company and companies that are presented according to the equity method.

[2] For details regarding the acquisition of G Europe's minority shareholders and its transformation into a private company, in February 2022, refer to Note 8c1 to the financial statements.

1.2. On October 25, 2022 the Company published a plan for the disposal of Group non-core assets, that was updated on December 19, 2022, to a total value of NIS 5.3 billion (the "Plan for Disposal of Properties"). Under the plan for disposal of properties, the Company intends to sell properties to a total value of NIS 5.3 billion in Europe, Brazil, USA and Israel. The pace of disposal of the properties and the Group's progress in executing them as aforesaid, including the pace of placing the properties up for sale according to the various countries in which the Group operates is dynamic and is carried out according to the market conditions in each country in which the Group operates, and at the discretion of the Company's management, by taking into account macro-economic and Company specific considerations and the balance between the needs of the Company and achieving the value of these properties.

Below is a breakdown of the status of the plan for the disposal of properties (NIS million)

1.3. In addition, the Company acts to obtain financing secured by specific assets (mainly assets in Europe) to replace unsecured financing, and as at date of publication of this Report, non-binding letters of intent have been received with respect to a number of properties to a cumulative amount of EUR 250 million.

The Company's estimates regarding the sale of properties, as well as the scope of properties that will be sold, the consideration to be received for them and the dates of sale and receipt of financing for them, constitute forward-looking information as defined in the Securities Law, 1968. The foregoing estimates are uncertain, may not materialize and mostly are not within the control of the Company, and are dependent, among other things and as set out above, on the state of the economy and the real estate market in the various countries in which the properties are located and in which the Company operates. If the foregoing market conditions change it is possible that changes and/or delays will occur in the disposal of the properties, over and above as described above.

1.4. <u>The impact of the Covid-19 virus and Russia and Ukraine Conflict on the group's activities</u>

a. **The Russia and Ukraine conflict**- Starting February 2022, fighting is taking place between the Russian and Ukrainian armies. As part of this, Western countries banded together and imposed a series of different financial and economic sanctions on Russia and Belarus, as well as on Russian companies, individuals and businessmen. These new sanctions join international sanctions that were already in force, but currently it is characterized by a substantial, almost unprecedented aggravation, creating a new economic, commercial and political reality in Europe.

As part of this, sanctions were imposed on trade with Russia, restrictions on the financial system in Russia, including disconnection of Russian banks from the clearing system (Swift) and a ban on transactions with the Central Bank of Russia (CBR), restrictions on technology exports to Russia and transportation restrictions, including "Closing the sky" in Europe to the Russian national airline. At the same time, many private entities (including banks and credit card companies) have announced the severance or termination of commercial relations with entities in Russia and Belarus. The Russian government also imposed various restrictions on capital movements from Russia (including restrictions on dividend distribution, a ban on repaying foreign currency debt). Further sanctions may be imposed in the future. There is also a concern the war will lead to the involvement of other countries.

The Group has properties in Russia, held through G Europe, amounting EUR 305 million (2.7% of the Company's total properties) which in 2021 and during the reporting period, generated NOI amounting EUR 28.4 million and EUR 23.3 million, respectively. Russia's occupancy as the reporting date was 91.8% and the collections for the reporting date was 95.0%. During the reporting period, G Europe's activity in Russia were marginally impacted.

G Europe has performed a full external valuation of its income producing assets in Russia as of March 31 2022 and as of June 30 2022, which resulted in an increase of EUR 21.1 million in the reporting period. Due to the Russia- Ukraine conflict and impact of sanctions, a high degree of judgment has been applied in determining the estimated cash flows used in Russia. The fair value as detriment by external, independent real estate valuation expert as of March 31 2022 and as of June 30 2022, have used all available information from reliable sources in developing appropriate assumptions to determine the fair value of investment properties. Also, based on stable operating results of G Europe in Russia during the quarter, there was no change in Russia's property value.

Nevertheless, in the Company's view, in the event the war between Russia and Ukraine continues and economic sanctions continue, even worsen, as described above, they are highly likely to adversely affect the value of the Group's assets in Russia (including due to the increase in the interest rate), as well as G Europe's ability to transfer receipts outside Russia. In addition, the sanctions imposed on Russia, could lead to an economic crisis in Russia, and adversely affect the rate of revenue in assets, and accordingly the expected revenues from them.

b. **The Covid- 19 Virus**- At the beginning of 2020, the Covid-19 virus spread to many countries across the globe, including those where the Company holds commercial assets, and the World Health Organization declared it a pandemic. Many countries dealt with rapid outbreak of the virus in various ways, mainly by imposing a partial or complete lockdown on the population. The directive of the governments in those countries, together with the response of the capital, oil, interest and foreign currency markets to such extreme uncertainty led to extreme uncertainty that brought about a global economic crisis. During the first quarter of 2022, there was a sharp increase in the incidence of morbidity in Corona, but in light of the high immunization rates and the improvement in the ability to cope with the epidemic, their impact on economic activity in the economy was more moderate. In addition, at the end of the first quarter of 2022 and thereafter, there was a significant decrease in the volume of morbidity, although during the second quarter of the year there was a certain increase in the volume of morbidity, though it seems its effect on the population decreased significantly and throughout the entire period of the report and as of the date of publication of the report all the Group's compounds in the world open to full trade, without significant restrictions. A renewed aggravation of the extent of the disease, however it may be, may adversely affect the Group's operations and its business and financial condition. For further details regarding the impact of the epidemic on the Group's activities, see section 1.2 of the Company's Board of Directors' Report for 2021.

The Company’s estimates regarding the impact of the Covid-19 Pandemic and global economic crisis on between Russia-Ukraine conflict on its business, revenue, profits and financial position are forward-looking information, as defined in the Israel Securities Law, 1968. These estimates are based on assumptions and assessments of the Company and the Group companies, but they are uncertain, may not materialize and are largely beyond the Company’s control. If the global economic crisis continues and even worsens, and if the Covid-19 pandemic or new variants of the virus occur, and/or the conflict between Russia and Ukraine and the effect of the sanctions should worsen, there could be a significant deterioration in the Group’s actual business and financial results.

1.5. Group Properties as of December 31, 2022

Other accessible data concerning the Group, including presentations, supplemental information packages regarding assets, liabilities and other information (such information does not constitute part of this report and is not included by way of reference), are available on the Company website – www.gazitglobe.com, and the websites of the Group's investees.

	Country of operation	Holding interest	Income-producing property	Properties under development	Other assets	GLA (sq.m thousands)
CTY	Finland, Norway, Sweden, Estonia and Denmark	52.1%	33	1	-	1,013
G Europe	Poland, Czech Republic, and Russia	100.0%	21	-	-	640
Gazit Brasil	Brazil (Sao Paulo)	100.0%	7	-	1	176
G Israel	Israel	100.0%	13	-	-	161
Gazit Horizons	USA	100.0%	11	3	1	67
Gazit Canada	Canada	100.0%	1	-	-	18
Total carrying amount			**86**	**4**	**2**	**2,075**
Jointly controlled properties (proportionate consolidation)			9	-	-	102
Total			**95**	**4**	**2**	**2,177**

		Investment property and investment property under development			
		Income-producing property	Properties under development [1]	Land	Total
	Country of operation	NIS millions			
CTY	Finland, Norway, Sweden, Estonia and Denmark	13,528	1,634	-	15,162
G Europe	Poland, Czech Republic, and Russia	7,704	663	563	8,930
Gazit Brasil	Brazil (Sao Paulo)	2,457	-	60	2,517
G Israel	Israel	3,667	280	510	4,457
Gazit Horizons	USA	1,527	875	165	2,567
Gazit Canada	Canada	185	-	-	185
Total carrying amount		**29,068**	**3,452**	**1,298**	**33,818**
Jointly controlled properties (proportionate consolidation)		2,136	202	-	2,338
Total		**31,204**	**3,654**	**1,298**	**36,156**

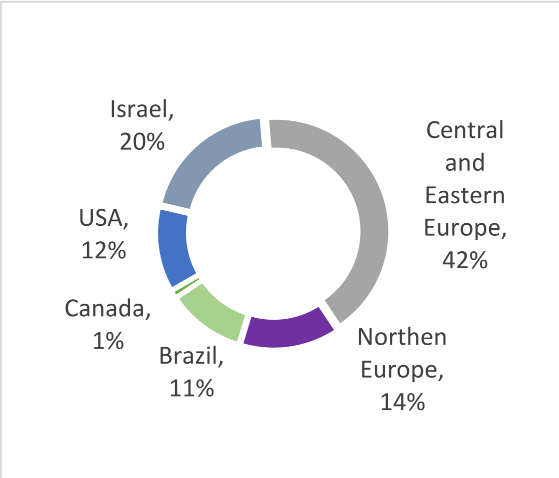
1. Including the expansion of income-producing properties

Below is a breakdown of the properties classified as assets held for sale included in the group properties as of December 31, 2022:

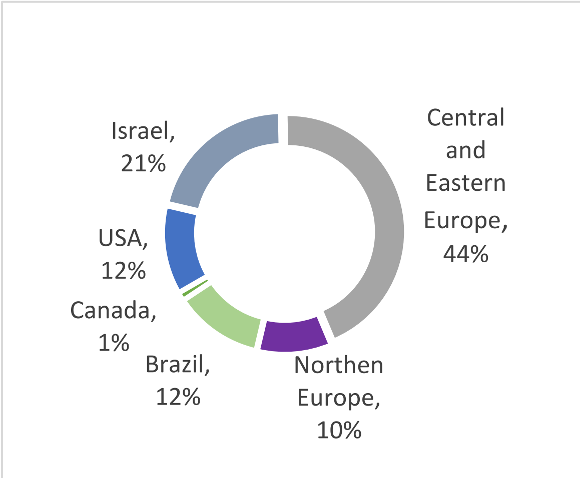
	Country	Number of Properties	Carry amount in NIS
G Europe	Poland	1	638
	Czech Republic	1	
G Brasil	Brazil (Sao Paulo)	1	34
Gazit Horizons	USA	1	517
G Israel	Israel	1	152
Total carrying amount		**5**	**1,341**

1.6. Breakdown of the Company's investments by regions (on an expanded Solo basis) as of December 31, 2022:

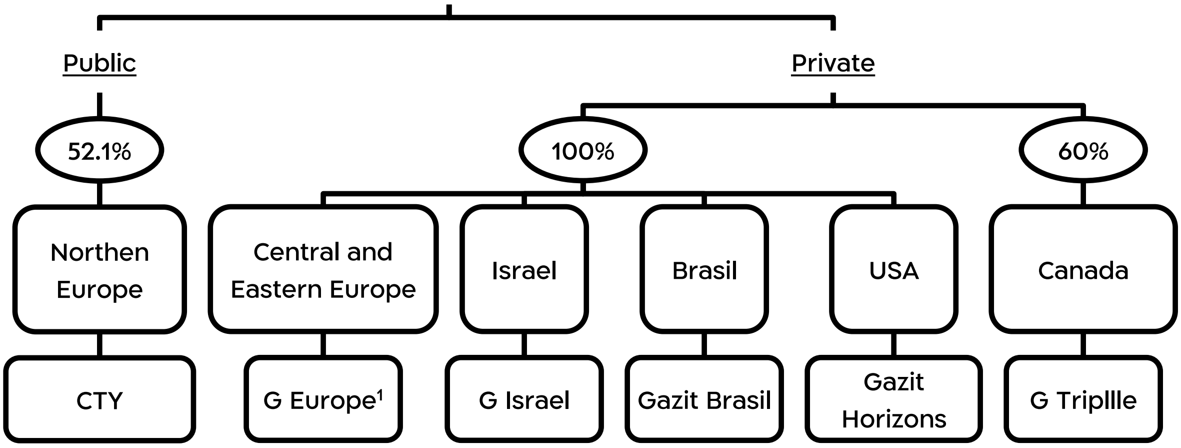
Carrying amount



Market Value



1.7. The Company's Major Holdings (holding structure and interests as of December 31, 2022):



[1] On February 2022, the merger of a wholly owned subsidiary of the company and G Europe was completed, after the merger the company holds full shares in G Europe (100%).

1.8. Highlights– 2021 (the "Reporting Period")

(NIS millions, other than per share data)	December 31		
	2022	2021	
Net debt to total assets (Expanded Solo)	67.6%	63.2%	-
Net debt to total assets (Consolidated)[1]	60.0%	53.3%	-
Equity attributable to equity holders of the Company	5,016	5,307	-
Equity per share attributable to equity holders of the Company (NIS)	30.1	35.0	-

	For the year ended December 31		
	2022	2021	Change
Rental income and others	2,303	2,296	0.3%
NOI[2]	1,583	1,582	0.1%
NOI adjusted for exchange rates changes	1,583	1,499	5.6%
Proportionately consolidated NOI[3]	1,301	1,101	18.2%
Proportionately consolidated NOI adjusted for exchange rates	1,301	1,052	23.7%
Cash flows from operating activities per share - expanded Solo (NIS)[4]	2.33	2.84	(18.0%)
Economic FFO[5]	399	417	(4.3%)
Diluted economic FFO per share (NIS)[5]	2.43	2.75	(11.6%)
Economic FFO adjusted for exchange rates	399	402	(0.7%)
Economic FFO per share adjusted for exchange rates changes (NIS)	2.43	2.65	(8.3%)
Number of shares used in calculating the diluted FFO per share (in thousands)	164,362	151,976	8.1%
Acquisition, construction and development of investment property[6]	1,359	1,972	-
Disposal of investment property[6]	1,918	1,492	-
Fair value gain (loss)_from investment property and investment property under development, net	(450)	621	-
Net income (loss) to shareholders of the Company	(1,340)	646	-
Diluted net earnings (loss) per share (NIS)	(8.15)	4.25	-
Cash flows from operating activities	648	461	-

1 For details regarding the net debt to total assets (consolidated), which includes the accrued interest, refer to section 7i below.
2 Refer to section 2.5 below.
3 NOI ("Net Operating Income") – Rental income, net of property operating expenses.
4 The Company's proportionate share in the NOI of the Group's companies in accordance with its interest in the equity of each of the Group companies, refer to section 2.4 below.
5 Refer to section 2.2 below.
6 The Economic FFO is presented according to the management approach and in accordance with the EPRA rules. For the Economic FFO calculation, refer to section 2.3 below.

1.8. Highlights– 2022 (the "Reporting Period") (cont.)

- As of December 31, 2022, the Company and its subsidiaries have liquidity including revolver undrawn credit facilities available for an immediate drawdown of NIS 4.6 billion (of which NIS 2.3 billion in the Company and wholly-owned subsidiaries which includes cash and cash equivalents, trade securities and short-term deposits of NIS 1.4 billion).
- In 2022, the company issued 14.5 million shares and 7.25 million options for the company's shares to three institutional entities and Norstar in consideration of NIS 468 million.
- The equity attributable to Company shareholders in 2022 wasn't significantly affected as a result of the exchange rate changes of the US dollar, Canadian dollar, Euro and Brazilian real against the NIS.
- In general, fluctuations in the exchange rates of the US dollar, the Canadian dollar, the Euro and the Brazilian real against the shekel have the following effect:
  - The appreciation of these currencies against the shekel has a positive effect on the Company's assets, shareholders' equity, NOI and economic FFO due to the translation of the foreign currency into shekels at higher rates. On the other hand, the appreciation will result in a negative impact on the Company's net income through the increase in financing expenses due to the revaluation loss on the hedging instruments (the financial derivatives) which is reflected in the income or loss statements through an increase in financing expenses.
  - A devaluation of these currencies against the shekel has a negative effect on the on the Company's assets, shareholders' equity, NOI and Economic FFO and, on the other hand, a positive effect on the Company's net income through the decrease in financing expenses due to the revaluation gain on the hedging instruments which is reflected in the income or loss statements through a decrease in financing expenses.

1.9. Highlights– Fourth Quarter of 2022 (the "Quarter")

(NIS millions, other than per share data)	For the 3 months ended December 31		
	2022	2021	Change
Rental income and others	601	583	3.1%
NOI	400	377	6.1%
NOI, adjusted for exchange rates changes	400	380	5.3%
Proportionately consolidated NOI[1]	331	270	22.6%
Proportionately consolidated NOI adjusted for exchange rates	331	268	23.5%
Cash flows from operating activities per share - expanded Solo (NIS)[2]	0.35	0.62	(43.5%)
Economic FFO[3]	71	98	(27.6%)
Economic FFO per share (NIS)[3]	0.43	0.65	(33.8%)
Economic FFO adjusted for exchange rates changes	71	104	(31.7%)
Diluted Economic FFO per share adjusted for exchange rates changes (NIS)	0.43	0.68	(36.8%)
Number of shares used in calculating the diluted FFO per share (in thousands)	166,573	152,143	9.5%
Acquisition, construction and development of investment property [4]	300	864	-
Disposal of investment property [4]	940	377	-
Fair value gain (loss) from investment property and investment property under development, net	(858)	517	-
Net income (loss) attributable to shareholders of the Company	(929)	320	-
Diluted net earnings (loss) per share (NIS)	(5.75)	2.10	-

1 The Company's proportionate share in the NOI of the Group Companies in accordance with its interest in the equity of each of the Group companies, refer to section 2.4 below.

2 Refer to Section 2.2 below.

3 The Economic FFO (Funds from Operations) are presented according to the management approach and EPRA guidelines. For the Economic FFO calculation, refer to section 2.3 below.

- As a result of the exchange rate changes of the of the US dollar, Canadian dollar, Euro and Brazilian real against the NIS, the equity attributable to Company shareholders increased in the Quarter by NIS 145 million (net of the effect of hedging transactions).

2. Additional Information Concerning the Company's Assets and Liabilities

2.1. Summary of the Company's holdings as of December 31, 2022:

Name of company/Region	Type of security/ property	Quantity (millions)	Holding interest (%)	Carrying amount (NIS millions)	"Market value as of 31.12.2022 (NIS in millions)"
CTY	Shares (OMX)	87.6	52.1	3,113	2,055
Israel	Income-producing property and land	-	-	4,299	-
Brazil	Income-producing property and land	-	-	2,483	-
USA	Income-producing property and land	-	-	2,542	-
Canada	Income-producing property	-	-	228	-
Europe	Income producing property and land	-	-	9,010	-
Total assets				**21,675**	

The Company's monetary balances (including balances of its privately-held subsidiaries and G Europe) ("expanded Solo") as of December 31, 2022 (NIS millions):

	NIS in millions
Debentures of the company	8,099
Debentures of G Europe	2,610
Debts to financial institutions	6,926
Total debentures and debts to financial institutions (*)	17,635
Other monetary liabilities	1,115
Total monetary liabilities	18,750
Less - monetary assets[2]	3,933
Less - other invetments[3]	158
Total liabilities, net[4]	**14,659**

The Company's monetary balances (including balances of private subsidiaries) ("expanded Solo") as of December 31, 2022 (NIS million):

Year	Debentures	Debentures of G Europe	Financial Institutions	Mortgages	Total	%
2023	998	-	973	566	2,537	14
2024	1,216	-	1,104	112	2,432	14
2025	1,124	1,506	197	163	2,990	17
2026	1,154	-	48	704	1,906	11
2027	1,319	1,104	234	753	3,410	19
2028	1,162	-	29	245	1,436	8
2029	798	-	35	137	970	6
2030	-	-	42	818	860	5
2031 onwards	328	-	356	410	1,094	6
Total	**8,099**	**2,610**	**3,018**	**3,908**	**17,635**	**100**

1 Includes investment in properties through a joint venture presented in the financial statements using the equity method.
2 Including cash and cash equivalents, shirt term traded securities and deposits in the amount of NIS 1.4 billion, properties held for sale in the amount of NIS 1.3 billion, advances on investment properties and loans in the amount of NIS 0.5 billion and from derivatives financial instruments in the amount of NIS 0.3 billion.
3 Comprises primarily the investment in participation units in private equity funds and other investments.
4 Excludes G Europe's hybrid debentures in the amount of NIS 1,258 million, deferred tax liability in the amount of NIS 529 million with respect to investment property and other investments and NIS 213 million in non-controlling interestsin part of the company's properties.

2.2. Cash flows from operating activities - expanded Solo:

Following the completion of the merger with G Europe in February 2022, cash flow from operating activity (expanded solo) includes the cash flow from operating activity of G Europe and not only the Company's share in G Europe's dividends.

	Year ended December 31		For the 3 months ended December 31	
	2022	2021	2022	2021
	NIS millions (other than per share data)			
Dividends from public investees	158	*434	40	*75
EBITDA from private companies, net of Capex**	799	476	169	111
Total income	**957**	**910**	**209**	**186**
General and administrative expenses	(71)	(72)	(16)	(21)
Interest expenses, net	(487)	(363)	(129)	(91)
Taxes	(16)	(44)	(5)	20
Total expenses	**(574)**	**(479)**	**(150)**	**(92)**
Cash flows from operating activity	**383**	**431**	**59**	**94**
Cash flows from operating activity per share (NIS)	**2.33**	**2.84**	**0.35**	**0.62**

* Including dividend in the amount of NIS 37 million (0.24 NIS per share) from G Europe in respect of the fourth quarter of 2021, which was distributed to G Europe's shareholders in February 2022 in accordance with the merger agreement with G Europe (refer to Note 8c1 to the financial statements).

** Including capital expenditures (CAPEX) in the amount of NIS 48 million and NIS 28 million for the years 2022 and 2021, respectively, NIS 12 million and NIS 7 million in the quarter and the correspondent quarter last year, respectively.

2.3. **FFO (EPRA Earnings):**

As is the practice in the real estate industry, the Company customarily publishes information regarding the results of its operating activities in addition to, and without detracting from, the income statement prepared according to accounting principles. In European countries where the financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”), it is customary for income-producing property companies to publish a measure for presenting the operating results of a company that are attributable to its equity holders, in line with the position paper of the European Public Real Estate Association (“EPRA”), the objective of which is to promote greater transparency, uniformity and comparability of the financial information reported by property companies (“EPRA Earnings”). This measure is not based on generally accepted accounting principles. Furthermore, pursuant to the draft securities regulations for anchoring the disclosure provisions for investment property activity, issued by the Israel Securities Authority in December 2013, FFO (Funds from Operations) is to be presented in the “Description of the Company's Business” section of the annual report of investment property companies, similar to the manner of calculating FFO under EPRA rules.

EPRA Earnings (or “Nominal FFO”) are calculated as the net income (loss) attributable to the equity holders of a company after excluding non-recurring income and expenses (including gains or losses from revaluations of properties to their fair value), changes in the fair value of financial instruments through profit and loss, gains or losses on the disposition of properties, and other types of gains and losses.

The Economic Adjusted EPRA Earnings (or “Economic FFO according to the management approach”) is calculated as EPRA Earnings with such additional adjustments being made as a company considers necessary in order to present an operating income measure that is comparable with previous periods and with the results of similar companies This measure is customarily used to review the performance of income-producing property companies. The required adjustments to the accounting net income (loss) are presented in the table below.

The Company believes that the Economic Adjusted EPRA Earnings measure fairly reflects the operating results of the Company, since it provides a better basis for the comparison of the Company’s operating results in a particular period with those of previous periods and provides a uniform financial measure for comparing the Company’s operating results with those published by other European property companies.

As clarified in the EPRA position papers, the EPRA Earnings and the Economic Adjusted EPRA Earnings measures do not represent cash flows from operating activities according to accepted accounting principles, nor do they reflect the cash held by a company or its ability to distribute that cash, and they are not a substitute for the reported net income (loss). Furthermore, it is clarified that these measures are not audited by the Company’s independent auditors.

The table below presents the calculation of the Company's Economic FFO and its Economic FFO per share, calculated according to the recommendations of EPRA and the draft securities regulations for investment property activity, for the stated periods:

	For the year ended December 31			For the 3 months ended December 31	
	2022	2021	2020	2022	2021
	(NIS millions, other than per share data)				
Net income (loss) attributable to shareholders of the Company for the period	**(1,340)**	**646**	**(653)**	**(929)**	**320**
Adjustments:					
Fair value loss (gain) from investment property and investment property under development, net	450	(621)	1,533	858	(517)
Capital loss (gain) on disposition of investment property	116	43	21	84	17
Changes in the fair value of financial instruments, including derivatives, measured at fair value through profit or loss	988	(580)	161	219	(276)
Adjustments with respect to equity-accounted investees	47	(15)	57	45	(13)
Deferred taxes and current taxes with respect to disposal of properties	(340)	629	(119)	(236)	431
Acquisition costs recognized in profit or loss	1	4	21	1	2
Loss from early redemption of interest-bearing liabilities and financial derivatives	(37)	39	35	(9)	14
Non-controlling interests' share in above adjustments	(86)	83	(567)	(145)	100
Nominal FFO (EPRA Earnings)	**201**	**228**	**489**	**(112)**	**78**
Additional adjustments:					
CPI Linkage and exchange rate differences	539	212	(38)	96	22
Amortization and depreciation	20	20	17	5	6
The Company's share in Economic FFO of FCR	-	-	6	-	-
Other adjustments[1]	139	29	26	106	16
Economic FFO according to the management approach (Economic Adjusted EPRA Earnings)	497	489	500	95	122
Economic FFO per share adjusted for exchange rates according to the management approach (NIS)	3.02	3.23	3.00	0.57	0.81
Coupon for hybrid bonds	(98)	(72)	(31)	(24)	(24)
Economic FFO according to the management approach (Economic Adjusted EPRA Earnings)	**399**	**417**	**469**	**71**	**98**
Economic FFO per share according to the management approach (in NIS)	**2.43**	**2.75**	**2.81**	**0.43**	**0.65**
Economic FFO adjusted for exchange rates according to the management approach (NIS)	**399**	**402**		**71**	**104**
Economic FFO per share adjusted for exchange rates according to the management approach (NIS)	**2.43**	**2.65**		**0.43**	**0.68**
Number of shares used in calculating the diluted Economic FFO per share (in thousands)[2]	**164,362**	**151,976**	**167,414**	**166,573**	**152,143**

1 Income and expenses adjusted against the net income (loss) for the purpose of calculating FFO, which include non-recurring expenses including expenses arising from the termination of engagements with senior Group officers, share-based compensation expenses and the adjustment of expenses and income from extraordinary legal proceedings not related to the Reporting Periods (including a provision for legal proceedings).

2 Weighted Average for the period.

2.4. Additional information is presented below regarding the Company's pro rata share in the value of income-producing properties owned by the Group as of December 31, 2022, based on capitalization of net operating income ("**NOI**"). The information below is based on a methodology that is generally accepted in the markets in which the Group operates and is intended to provide an additional method of analyzing the value of the Company's properties on the basis of the Company's financial results for the Quarter. This information is not intended to represent the Company's estimate of the present or future value of its assets or shares.

	For the 3 months ended December 31		For the year ended December 31	
	2022	2021	2022	2021
	NIS in millions			
Rental income	601	583	2,303	2,296
Property operating expenses	201	206	720	714
NOI for the period	400	377	1,583	1,582
Less - minority's share in NOI	(88)	(116)	(345)	(530)
Plus- Company's share in NOI of associated and jointly controlled companies	19	9	63	49
NOI for the period - the Group's proportionate share	**331**	**270**	**1,301**	**1,101**
Annual NOI - the Group's proportionate share	**[1]1,342**	**[1]1,080**	**1,301**	**1,101**

1) Calculated by multiplying the NOI for the Quarter by four. For clarification, the data is not an NOI forecast.

New properties, properties under development and land, which have not yet started producing income and which are presented at their fair value in the Group's books (according to the proportionate consolidation method) as of December 31, 2022, amounted to NIS 4,170 million.

The Group's financial liabilities monetary properties (by way of relative consolidation) as of December 31, 2022, amounted to NIS 21,902 million.

2.5. Net asset value (EPRA NAV and EPRA NNNAV)

As is customary in the European countries in which the Group operates, and in line with the EPRA position paper, the objective of which is to promote greater transparency, uniformity and comparability of the financial information reported by real estate companies, the Company publishes net asset value data (EPRA NRV), which is a measure that reflects the net asset value of the Company, as reflected by the Company's statement of financial position with certain adjustments, e.g., the exclusion of deferred taxes with respect to the revaluation of investment properties and investment properties under development to their fair value and the exclusion of the fair value of financial derivatives (with the exception of financial derivatives used for currency hedging with respect to which the difference between the fair value and intrinsic value is excluded); the Company also publishes EPRA NTA data, which is another measure reflecting net asset value (assuming the company buys and sells properties), adjusted for certain adjustments to the provision for deferred taxes with respect to the revaluation of investment properties and investment properties under development to their fair value, and certain additional adjustments to the fair value of the above-referenced financial derivatives; and EPRA NDV, which is another measure reflecting net assets value adjusted for the fair value of financial liabilities.

The Company considers that the presentation of the EPRA NRV, EPRA NTA and the EPRA NDV data enables the Company's net asset value data to be compared to those of other European real estate companies. At the same time, such data does not constitute a valuation of the Company and does not replace the data presented in the financial statements; rather, such data provides an additional mechanism for evaluating the Company's net asset value (NAV) in accordance with the EPRA recommendations. Such data is not audited by the Company's independent auditors.

Presented below is the calculation of the EPRA NAV and EPRA NNNAV:

	December 31	
	2022	**2021**
	NIS in millions	
EPRA NRV		
Equity attributable to the equity holders of the Company, per the financial statements	5,016	5,307
Exclusion of deferred tax liability on revaluation of investment property to fair value (net of minority's share) [1]	988	1,306
Fair value asset adjustment for derivatives, net[2]	(221)	(207)
EPRA NRV	**5,783**	**6,460**
EPRA NRV per share (in NIS)	**34.7**	**42.0**
EPRA NTA		
Equity attributable to the equity holders of the Company, per the financial	5,016	5,307
Exclusion of deferred tax liability on revaluation of investment property to fair value (net of minority's share) [1]	559	731
Goodwill adjustment attributable to assets	(226)	(267)
Fair value asset adjustment for derivatives, net[2]	(221)	(207)
EPRA NTA	5,128	5,564
EPRA NTA per share (in NIS)	30.7	36.5
EPRA NDV		
Equity attributable to the equity holders of the Company, per the financial statements	5,016	5,307
Goodwill adjustment attributable to assets	(226)	(267)
Fair value asset adjustment for derivatives, net	2,705	(1,082)
EPRA NDV	7,495	3,958
EPRA NDV per share (in NIS)	44.9	26.0
Issued share capital of the Company used in the calculation (in thousands of shares)[3]	**166,864**	**152,290**

1. Net of goodwill generated in business combinations against deferred tax liability. In EPRA NTA calculation 50% of the tax reserve is taken.
2. Represents the fair value less the intrinsic value of currency hedging transactions.
3. Represents the diluted number of issued shares (in thousands), excluding treasury shares held by the Company.

3. **Discussion by the Board of Directors for the Company's Business Position, its Results of Operations, its Equity and its Cash Flows**

3.1. **Investments and realizations of investment real**

- During March 2022, the company won a tender for the purchase of Beit ICL in the Korazin Givatayim complex, on an area of 7 acers, on which a 3-story office building in an area of 9,000 square meters is located, in exchange for NIS 336 million plus VAT and improvement levies. The complex is subject to an approved back / 418 plan from 2017, which stipulates building rights for 2 27-story towers, with a scope of rights of 4,500 main square meters for commerce, 39,000 main square meters for employment, 4,000 square meters main residential (58 Housing units) and 1,550 square meters main for public buildings. In June 2022, the Givatayim local committee decided on a plan (subject to adjustments) to increase the building rights in the Korazin complex. The new plan increases the building rights of Beit ICL to 40 floors, adds 4,000 square meters for residentials, increases the housing units to 180 and adds 11,000 square meters for commerce. The total building rights will be about 90,000 square meters.
- During March 2022, Gazit Horizons received approval from the authorities to increase its residential rental project in Miami, Brickell Gateway, from 364 units to 504 units. Gazit Horizons also purchased an 840-square-meter commercial property from the project for about USD 20.1 million, which is now fully leased, on 1.3 acres of land and is expected to produce additional flexibility for the Brickell Gateway project during development and lease.
- During April 2022, Gazit Horizons entered into an agreement with an American partner to develop a luxury residential rental in Tampa Bay, Florida, USA. The total expected investment in the project is USD 175 million. The project will include 334 apartments in a 31-story building located on the riverfront The city's growing artists in front of the Hall of Culture and adjacent to the Tampa Art Museum.
- During the reporting period, CTY sold four properties in Norway that are not at the core of its business for 266 million euros and also purchased a residential building for rent in Sweden that includes 200 housing units for rent amounting EUR 70 million.
- In June 2022, G Europe sold the "Optima" shopping center located in the city of Kosice in Slovakia and which is not in the core of its business, in consideration of EUR118 million (NIS 422 million).
- In December 2022, G Europe sold the "Copernicus" shopping center and the adjacent land (the "Property") located in the city of Torun in northern Poland, for gross amount of EUR 127 million (NIS 449 million).
- In December 2023, the company signed a binding agreement for the sale of property it owns in New York, located in the northeastern part of Manhattan (upper east side), on First Avenue, for USD 153 million (NIS 527 million), additionally the property was used as collateral for a debt in the amount of USD 134 million, the debt will be written off to the buyer.
- In January 2023, the company signed a binding agreement for the sale of G Yavne shopping center in the amount of NIS 154 million.
- In December 2022, G Europe sold two properties that are not core assets, located in the city of Plock in Poland, in the amount of EUR 17 million (NIS 59 million).

The effect of the above investments and disposals on the results of the company and its consolidated companies will be reflected in full in 2023 onwards.

Property activities

1) **Highlights of operational data:**

	Income producing properties[1]	GLA (in thousands of square meters)	Occupancy rate in core properties	
			31.12.2022	31.12.2021
G Israel	13	161	98.1%	97.6%
Gazit Brasil	7	176	95.2%	95.5%
Gazit Horizons	13	81	92.5%	93.3 %
CTY	34	1,059	94.5%	93.4%
G Europe	22	662	94.1%	93.9%

	Average basic monthly rent per square meter		Change in same property NOI [2]		NOI (million)	
	31.12.2022	31.12.2021	Reporting period	Quarter	Q4. 2022	Q4. 2021
G Israel	NIS 117.6	NIS 109.5	29.9%	34.2%	NIS 49.2	NIS 30.0
Gazit Brasil	R$ 73	R$ 69	42.8%	22.6%	R$51.5	R$ 43.5
Gazit Horizons	$ 57.9	$51.7	8.1%	17.5%	$ 5.0	$ 4.3
CTY	€ 23.7	€ 22.6	6.6%	11.9%	€ 51.2	€ 49.3
G Europe	€ 15.9	€ 14.4	6.4%	4.7%	€ 32.2	€ 33.9

1 Includes jointly controlled properties.

2 Change in same property NOI in the reporting period and in the quarter compared with the corresponding period last year.

2) **Effect of the Macro-economic Environment on the Group's operations**

The Group’s activity is also affected by the macro-economic environment (inter alia, an increase/decrease in population, private consumption volumes, the unemployment rate and the level of demand) in the various countries in which it operates. These parameters to a certain degree impact the occupancy rates at properties, the level of rents, the Group’s ability to increase its revenues over time, and the scope and potential of the investments and development.

For details regarding the macro-economic data in the countries where the Group operates, see the Description of the Company’s Business chapter.

International debt rating of subsidiaries:

Rating Agency	G City	CTY	G Europe
Moody's	[1]ilA3/ Negative	Baa3/ Negative	B1/ Stable
S&P	[1]ilA-/ Negative	BBB-/ Stable	-

1. The Company's debentures (Series O), secured by lien, rated by S&P Maalot and Midroog at a rating level of 'ilA' and 'A2.il', respectively.

The company's income from rent in the group's active countries, with the exception of the USA, is mostly linked (over 90%) to the increase in the consumer price index and contributes to the growth of its income as well as the value of its assets, respectively. At the same time, most of the company's debt is not linked to the consumer price index (after the effect of the exchange transactions), 66% of the total debt. The increase in the index increases the Group’s part of the debt linked to the index financing expenses. The rent linking mechanisms are a long-term financial protection against the increase in the company's financing expenses due to the index linking, when in relation to the debt balance linked to the index (against which there is no income linked to the consumer price index in Israel) the company carries out protection in currency exchange transactions that also include index protection. Additionally, most of the Group’s debt is long-term debt with fixed interest rate (88.6% of the total debt, after hedging transactions) and therefore, in the short term, the company does not expect the economy rise in interest rates will significantly affect the company'sfinancing expenses. At the same time, the company estimates the debt raising costs will grow in line with the growth in economy interest rates. The company is unable to assess the future effects of the macroeconomic changes on its activities, and to the extent that such changes lead to a global recession, they may have a negative impact on the group's activities and results. For further details, see the risk factors chapter in the company's periodic report for 2021.

3.2 Material Events in the Group in the Reporting Period

A. For details regarding the completion of the acquisition of the minority shares in G Europe, by way of merger, refer to Note 8c1 to the financial statements.

B. During the reporting period, the Company issued 14.5 million shares and 7.25 million options for the Company's shares to three institutional entities and Norstar, in consideration of NIS 468 million.

C. For details regarding debt raising, by the company, by series expansion (Series P) in the amount of NIS 174 million, refer to Note 3a3 to the financial statements.

D. For details regarding the purchase of G Europe's debentures in the amount of EUR 92 million, refer to Note 3a1 to the financial statements.

E. On April 24, 2022, Norstar received a non-binding offer on behalf of Israel Canada (TR) Ltd., which is interested in it, to enter into negotiations for the purchase of all Norstar shares not held by it, as detailed in the immediate report of Norstar dated April 24, 2022 (2022-01-050194). In addition, Norstar subsequently received another non-binding offer to purchase all of its shares from Hidan Kidan Dahari and Tiron Adiv as specified in Norstar's immediate report dated April 25, 2022 (2022-01-050719).
In May, Israel Canada decided to hold the purchase negotiations of Norstar shares in light of the situation in the markets. Also, as of this date, no negotiations are taking place between H.H. Dehari and Kach Dion.

F. On April 30, 2022, the term of office of Mr. Roni Bar-On as an external director of the Company ended, after 9 years.

3.3 Dividend Distribution Policy

Pursuant to the Company’s policy, the Company announces every year the anticipated annual dividend.
In March 2022, the Board of Directors approved that the anticipated quarterly dividend for 2022 of NIS 0.32 per share (NIS 1.28 per year, compared to a dividend of NIS 1.20 per share distributed in 2021). The above is subject to the existence of sufficient distributable income at the relevant dates and is subject to the provisions of any law relating to dividend distributions and to decisions that the Company is permitted to take. This includes the appropriation of its income for other purposes and the revision of this policy. The Company periodically reviews the implementation of its dividend policy in accordance with the economic environment in which it operates.
On March 28, 2023, the Company’s Board of Directors decided not to distribute a dividend to the Company's shareholders in the first quarter of 2023. The Company's Board of Directors will convene and review the Company’s dividend distribution policy for the following quarters of 2023, including based on progress in the execution of the plan for disposal of properties announced by the Company on October 25, 2022 and as updated on December 19, 2022, and additional considerations, subject to the distribution tests set out in the Companies Law, 1999.

3.4 Financial Position

Current assets

The balance of current assets, as of December 31, 2022, total NIS 3.7 billion, compared with NIS 5.6 billion as of December 31, 2021. The decrease in current assets derives mainly from a decrease in cash and cash equivalents following the completion of the acquisition of the minority shares in G Europe in the Reporting period. The aforesaid decrease was offset by an increase in assets held for sale in the amount of NIS 0.8 billion, mainly in Poland, Czech Republic, the U.S. and Israel

Equity-accounted investees

The balance of equity-accounted investees amounted to NIS 1.7 billion as of December 31, 2022, compared to NIS1.5 billion as of December 31, 2021. The balance of equity-accounted investees includes the investments in property through joint ventures as recorded in the books of CTY, G Europe, Gazit Horizons and Gazit Canada.

Non-current financial derivatives

The balance of financial derivatives primarily arises from cross-currency swap transactions, entered into as part of the Group’s policy to correlate as closely as possible the currency in which properties are acquired and the currency in which the liabilities are undertaken to finance the respective acquisitions of such properties are incurred (on a proportionately consolidated basis), and are presented at fair value (refer to Section 4). The balance of the financial derivatives is presented net of amounts received under CSA (Credit Support Annex) agreements entered into with certain financial institutions that establish settlement mechanisms between the Company and the banking institution with which the swap transaction is being carried out with respect to the value of the financial derivatives (CSA agreement). As of December 31, 2022, the aforesaid balance of financial derivatives amounted to NIS 186 million, compared to NIS 200 million as of December 31, 2021.

Investment property and investment property under development

The balance of investment property and investment property under development (including properties held for sale presented in current assets), as of December 31, 2022, amounted to NIS 33.8 billion, compared with NIS 33.2 billion as of December 31, 2021.

The increase in these balances during the reporting period is mainly due to the acquisition of income-producing properties, the development of income-producing properties and the renovation of existing income-producing properties in consideration of NIS 1.4 billion and from fluctuation in exchange rates (mainly the euro and the Brazilian real against the NIS) in a net amount of NIS 1.6 billion. The aforementioned increase was offset by the acquisition of none core investment property in consideration of NIS 1.9 billion and the decrease in the fair value of investment property and investment property under development in the amount of NIS 450 million.

Presented below are the average Cap rates (%) implied in the investment property valuations in the main regions in which the Group operates:

	Northern Europe	Central-Eastern Europe	Israel	Brazil	USA
December 31, 2022	5.5	7.0	6.4	7.7	5.0
December 31, 2021	5.4	6.8	6.4	7.2	4.6

Intangible assets, net

The balance of intangible assets, net, as of December 31, 2022, totaled NIS 433 million, compared with NIS 512 million as of December 31, 2021. The balance of intangible assets mainly consists of goodwill attributable to properties in Norway held by CTY.

Current liabilities

The balance of current liabilities, as of December 31, 2022, totaled NIS 4.4 billion, compared to NIS 3.1 billion as of December 31, 2021. The balance primarily includes credit from banking institutions and others, and current maturities for long-term liabilities in the amount of NIS 3.0 billion, compared to NIS 2.0 billion as of December 31, 2021. Additionally, the balance includes liabilities attributed to assets held for sale in the amount of NIS 482 million.

Non-current liabilities

The balance of non-current liabilities, as of December 31, 2022, totaled NIS 23.0 billion, compared to NIS 24.4 billion as of December 31, 2021. The decrease in non-current liabilities is primarily due to repayment of debentures and a decrease in deferred taxes.

Equity attributable to equity holders of the Company

Equity attributable to the shareholders of the Company, as of December 31, 2022, amounted to NIS 5,016 million, compared with NIS 5,307 million as of December 31, 2021.

The decrease is mainly due to a loss attributed to the company's shareholders in the amount of NIS 1,340 million, and by dividend declared in the amount of NIS 212 million. The aforementioned decrease was offset by the issuance of the company's shares and options for the company's shares in the amount of NIS 468 million and an increase in the capital reserves in the amount of NIS 793 million mainly from foreign currency translation reserve).

The equity per share attributable to the shareholders of the Company as of December 31, 2022 totaled NIS 30.1 per share, compared with NIS 35.0 per share as of December 31, 2021, after a dividend distribution of NIS 1.28 per share in the Reporting Period.

Non-controlling interest

The balance of non-controlling interests, as of December 31, 2022, amounted to NIS 7.0 billion, compared with NIS8.2 billion as of December 31, 2021. The balance mainly comprises of interests of CTY's other shareholders at a rate of 47.9% of CTY's equity as well as CTY's and G Europe's hybrid debentures.

The decrease in non-controlling interests in the quarter is primarily due the acquisition of the minority shares in G Europe (refer to Note 8c1 to the financial statements) in the amount of NIS 1.1 billion, by the portion of other shareholders in dividends declared by the subsidiaries in an amount of NIS .04 billion. The decrease is offset by a gain attributed to non-controlling interests in the amount of NIS 0.5 billion.

3.5 Operating Results

A. Following are the summary results of operations for 2020-2022:

	Year ended December 31,		
	2022	2021	2020
	NIS in millions		
Rental and other income	2,303	2,296	2,406
Property operating and other expenses	720	714	760
Total gross profit	1,583	1,582	1,646
Fair value gain (loss) from investment property and investment property under development, net	(450)	621	(1,534)
General and administrative expenses	(374)	(342)	(352)
Other income	14	16	18
Other expenses	(130)	(58)	(36)
Company's share in earnings (losses) of equity-accounted investees, net	(51)	41	(78)
Operating income (loss)	592	1,860	(336)
Finance expenses	(2,263)	(1,017)	(806)
Finance income	117	886	109
Income (loss) before taxes on income	(1,554)	1,729	(1,033)
Taxes on income (tax benefit)	(318)	690	(147)
Net income (loss)	(1,236)	1,039	(886)
Attributable to:			
Equity holders of the Company	(1,340)	646	(653)
Non-controlling interests	104	393	(233)
	(1,236)	1,039	(886)
Net earnings (loss) per share attributable to equity holders of the Company (NIS):			
Total basic net earnings (loss)	(8.15)	4.26	(3.91)
Total diluted net earnings (loss)	(8.15)	4.25	(3.92)

Statement of Comprehensive Income for 2020-2022:

	Year ended December 31,		
	2022	**2021**	**2020**
	NIS in millions		
Net income (loss)	(1,236)	1,039	(886)
Other comprehensive income (loss) (net of tax effect):			
Amounts that will not be reclassified subsequently to profit or loss:			
Net losses on financial assets at fair value through other comprehensive income	2	27	(74)
Amounts that will be or that have been reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	1,008	(1,862)	(1,175)
Net losses on cash flow hedges	146	57	(41)
Total other comprehensive income (loss)	1,156	(1,778)	(1,290)
Comprehensive income (loss)	(80)	(739)	(2,176)
Attributable to:			
Equity holders of the Company	(553)	(222)	(1,974)
Non-controlling interests	473	(517)	(202)
	(80)	(739)	(2,176)

B. Analysis of operating results for 2022

Rental income and others

Excluding the change in the average exchange rates, the rental income and others in 2022 increased by 5.9% compared with 2021. The increase is primarily due to the restrictions imposed by governments in countries which the company operates following the Covid-19 pandemic from the sale of non-core properties during the past 12 months.

Rental income and others increased by 0.3% to NIS 2,303 million in 2022, compared with NIS 2,296 million in 2021.

Property operating and other expenses

Property operating and other expenses and others totalled NIS 720 million in the Reporting Period, representing 31.3% of total rental and other income, compared to NIS 714 million, representing 31.61 of total rental and other income, in 2021.

Net operating income (NOI)

Excluding the change in the average exchange rates the net operating income in 2022 increased by 5.6%, compared with 2021. The increase in net operating income is due to the reasons described in income from rental income and others above. Net operating income increased by 0.1% to NIS 1,583 million in 2022 (68.7% of rental income), compared with NIS 1,582 million (68.9% of rental income) in 2021.

Fair value gain (loss) from investment property and investment property under development, net

The Group applies the fair value model, as prescribed in IAS 40 (Revised), Investment Property. As a result of implementing this standard, in 2022 the Group recognized a fair value loss on its properties in a gross amount of NIS 450 million, compared to fair value gain of NIS 621 million in 2021. The fair value loss in 2022 is mainly due to the increase in discount rate of properties following the increase in interest rates in the US, Europe and Israel which was offset by the increase in the cash flow of properties following the increases in price indices in Europe and Israel.

General and administrative expenses

General and administrative expenses totaled NIS 374 million (16.2% of total income) in 2022, compared to NIS 342 million (14.9% of total income) in 2021. The increase in administrative and general expenses is due to one-time expenses related to the merger with G Europe. The aforementioned amounts include management and general expenses at the level of the company and its wholly owned subsidiaries which was included in the FFO calculation (excluding management and general expenses of operational private subsidiaries) which in 2022 amounted to NIS 68 million, similar to 2021.

Company’s share in earnings of equity-accounted investees, net

In 2022, this item amounted to a loss of NIS 51 million (gain of NIS 41 million was recorded in 2021) and primarily comprised of the Group’s shares in a net gain of CTY, Gazit Horizons, ATR and Gazit Canada (Gazit Tripllle) which mainly results from a negative valuation of the in the aforementioned companies properties.

Financing expenses

Financing expenses amounted to NIS 2,263 million in 2022, compared with NIS 1,017 million in 2021.

The increase in financing expenses in 2022 compared to 2021 is mainly due to a loss from the revaluation of financial derivatives in 2022 in the amount of NIS 707 million compared to a gain from the revaluation of financial derivatives in 2021 and from the expenses in respect of linkage differences to the CPI in Israel (which increased during the reporting period at a rate of 5.3% compared to an increase of 2.4% in 2021) in the amount of 528 million NIS in 2022, compared to the expenses of linkage differences to the CPI in Israel in the amount of 213 million NIS in 2021.

The average interest rate on the interest-bearing liabilities of the Company level on expanded Solo basis is 3.38% compared with 3.41% as of December 31, 2021.

Financing income

Financing income totaled NIS 117 million in 2022, compared with NIS 886 million in 2021. The financing income in 2022 primarily comprises of dividend income in the amount of NIS 30 million (an income of NIS 261 million in 2021 which includes a gain revaluation of securities), and interest income in the amount of NIS 49 million (income in the amount of NIS 42 million in 2021) and income from early redemption of interest-bearing debt in the amount of NIS 38. Additionally, financing income comprised from revaluation of financial derivatives in the amount of NIS 581 million in 2021.

Taxes on income (tax benefit)

Tax expenses totaled NIS 318 million in 2022, compared with tax income of NIS 690 million in 2021. Tax expenses in 2022 mainly comprises of deferred tax income of NIS 349 million, arising primarily from net changes in the temporary differences between the tax base and the fair value of investment property, investment property under development, including disposal of properties as well as a structural change in the group and losses for tax purposes (net deferred tax income of NIS 520 in 2021 million relating primarily to the net changes in the balances of the temporary differences between the tax base and the fair value of investment property and investment property under development, including the disposal of properties).

In 2022, the Group companies recorded current tax expenses of NIS 61 million compared to current tax expenses of NIS 197 in 2021. In addition, tax income of NIS 30 million was recognized in 2021, compared with tax income of NIS 27 million in respect of previous years in 2021.

C. Operating results for 2022, on a quarterly basis:

	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Total 2022
	NIS in millions					
Rental income and others	**583**	557	580	565	**601**	2,303
Property operating expenses and others	**206**	177	171	171	**201**	720
Total gross profit	**377**	380	409	394	**400**	1,583
Fair value gain (loss) from investment property and investment property under development, net	**517**	45	331	32	**(858)**	(450)
General and administrative expenses	**(87)**	(98)	(91)	(80)	**(105)**	(374)
Other income	**-**	4	26	-	**(16)**	14
Other expenses	**(20)**	(52)	(6)	(4)	**(68)**	(130)
Company's share in earnings (loss) of equity- accounted investees, net	**26**	8	(6)	6	**(59)**	(51)
Operating income	**813**	287	663	348	**(706)**	592
Finance expenses	**(229)**	(721)	(678)	(369)	**(634)**	(1,236)
Finance income	**332**	57	25	107	**67**	117
Profit (loss) before taxes on income	**916**	(377)	10	86	**(1,273)**	(1,554)
Taxes on income (tax benefit)	**421**	(131)	8	39	**(234)**	(318)
Net income (loss)	**495**	(246)	2	47	**(1,039)**	(1,236)
Attributable to:						
Equity holders of the Company	**320**	(321)	(74)	(16)	**(929)**	(1,340)
Non-controlling interest	**175**	75	76	63	**(110)**	104
	495	(246)	2	47	**(1,039)**	(1,236)

Comprehensive income for 2022 on a quarterly basis:

	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Total 2022
			NIS in millions			
Net income (loss)	**495**	(246)	2	47	**(1,039)**	(1,236)
Other comprehensive income (loss) (net of tax effect):						
Amounts that will not be reclassified subsequently to profit or loss:						
Net gain (losses) on financial assets at fair value through other comprehensive income	**8**	(1)	2	-	**2**	2
Amounts that will be or that have been reclassified to profit or loss:						
Exchange differences on translation of foreign operations	**(1,017)**	572	277	(625)	**784**	1,008
Net gain (loss) for cash flow hedges	14	59	44	36	**7**	146
Total other comprehensive income (loss)	(995)	630	323	(589)	**792**	1,156
Total comprehensive income (loss)	(500)	384	325	(542)	**(247)**	(80)
Attributable to:						
Equity holders of the Company	**(184)**	214	139	(292)	**(614)**	(553)
Non-controlling interest	**(316)**	170	186	(250)	**367**	473
	(500)	384	325	(542)	**(247)**	(80)

D. Analysis of operating results for the fourth quarter of 2022

Rental income and others

Excluding the average exchange rates, the rental income and others in the Quarter increased by 2.6% compared with the corresponding quarter last year. The increase is primarily due to the restrictions imposed by governments in countries which the company operates following the Covid-19 pandemic and from the sale of non-core properties during the past 12 months.

Rental income and others decreased by 3.1% to NIS 601 million in the Quarter, compared with NIS 583 million in the corresponding quarter last year.

Property operating expenses and others

Property operating expenses and others totaled NIS 201 million in the Quarter, representing 33.4% of total rental income and others, compared with NIS 206 million, representing 35.3% of total rental income and others in the corresponding quarter last year.

Net operating income (NOI)

Excluding the change in the average exchange rates, the net operating rental income in the Quarter increased by 5.3% compared with the corresponding quarter last year. The increase in net operating income is due to the reasons described in income from rental income and others above.

Net operating rental income increased by 6.1% to NIS 400 million in the Quarter (66.6% of total rental income), compared with NIS 377 million (64.7% of rental income) in the corresponding quarter last year.

Fair value gain (loss) from investment property and investment property under development, net

The Group applies the fair value model, as prescribed in IAS 40 (Revised), *Investment Property*. As a result of implementing this standard, the Company and its subsidiaries recognized a fair value loss on its properties in a net amount of NIS 858 million in the Quarter, compared to fair value gain of 517 million in the corresponding quarter last year.

The decrease in fair value in the quarter is mainly due to an increase in the capitalization rate of the properties following the interest rate increases in Europe and Israel.

General and administrative expenses

General and administrative expenses totaled NIS 105 million (17.5% of total income) in the Quarter, compared with NIS 87 million (14.9% of total revenues) in the corresponding quarter last year.

Company’s share in earnings (losses) of equity-accounted investees, net

This item amounted to a loss of NIS 59 million in the quarter (gain of NIS 26 million was recorded in the corresponding quarter last year) and is primarily comprised of the Group’s shares in the net loss of comprehensive companies ATR, Gazit Horizons, CTY and Gazit Canada (Gazit Tripllle) which mainly results from a negative valuation of the in the aforementioned companies properties.

Financing expenses

Financing expenses totaled NIS 634 million in the Quarter, compared with NIS 229 million in the corresponding quarter last year. The increase in financing expenses primarily arises from compare with loss from revaluation of financial derivatives in the amount of NIS 240 million compared with earnings from revaluation of financial derivatives in the corresponding quarter last year and from the expenses in respect of linkage differences to the CPI in Israel (which increased during the reporting period at a rate of 0.8% compared to an increase of 0.2% in the corresponding quarter last year) in the amount of 86 million NIS in the quarter, compared to the expenses of linkage differences to the CPI in Israel in the amount of 42 million NIS in the corresponding quarter last year.

Financing income

Financing income in the Quarter totaled NIS 67 million, compared with NIS 332 million in the corresponding quarter last year. Financing income in the Quarter primarily comprises of loss from revaluation of financial derivatives in the amount of NIS 18 million (income from revaluation and realization of securities and dividends in the amount of NIS 55 million in the corresponding quarter last year), interest income of NIS 13 million (income of NIS 6 million in the corresponding quarter last year) and income from early redemption of interest-bearing debt in the amount of NIS 36 million. Additionally, financing income comprised from revaluation of financial derivatives in the amount of NIS 269 million in the corresponding quarter last year.

Taxes on income (tax benefit)

Tax income totaled NIS 234 million in the Quarter, compared with tax expenses of NIS 421 million in the corresponding quarter last year.

Tax income was recorded in the Quarter by deferred tax income of NIS 228 million arising primarily from net changes in the temporary differences between the tax base and the fair value of investment property, investment property under development and disposal of properties (deferred tax expenses of NIS 321 million arising primarily from net changes in the temporary differences between the tax base and the fair value of investment property, investment property under development and disposal of properties, in the corresponding quarter last year). Current tax income in the Quarter was recorded by the Group's companies of NIS 1 million compared with current tax expenses of NIS 127 million in the corresponding quarter last year.

In addition, tax income of NIS 5 million was recorded in the Quarter regarding prior years, compared with NIS 27 million the corresponding quarter last year.

3.6 Liquidity and sources of finance

The Company and its subsidiaries have a policy of maintaining an adequate level of liquidity that enables the pursuit of business opportunities in its activities, as well as flexibility in accessibility to sources of finance.

The sources of liquidity in the Company and its subsidiaries are cash generated from its income-producing properties, issuing of debentures, hybrid debentures, capital raising, credit facilities, mortgages and long-term loans, which is used primarily for the acquisition, development and redevelopment of income-producing properties, the settlement of liabilities, investments in investees and other investments.

As of December 31, 2021, the Company and its subsidiaries have liquidity, including undrawn[1] long-term credit facilities available for immediate drawdown and liquid balances totaling NIS 4.6 billion (of which NIS 2.3 billion of the Company and it’s wholly-owned subsidiaries) which includes cash and cash equivalents, tradable securities and short-term deposits of NIS 1.7 billion (of which NIS 1.4 billion of the Company and it’s wholly-owned subsidiaries) and have binding undrawn long term credit facilities available for immediate drawdown of NIS 2.9 billion.

Additionally, as of December 31, 2022, the Company and its subsidiaries have unencumbered investment property and investment property under development, which is carried on the financial statements at a fair value of NIS 22.4 billion (66.3% of the total investment property and investment property under development).

Furthermore, the company has unencumbered properties in an expanded solo to the of nis 9.1 billion (NIS 6.9 billion in G Europe, NIS 0.8 billion in Brazil, NIS 1.0 billion in the USA and NIS 0.4 billion in Israel) and the company is working to obtain guaranteed financing for some of these properties.

For further details regarding the strategy of disposal of properties to increase liquidity, see section 1.2 above.

As of December 31, 2021, the Company had a negative working capital balance of NIS 0.7 billion under its separate reports (solo), and NIS 2.0 billion, respectively, and positive cash flow from operating activities, in addition, the Company's (expanded solo) has a positive cash flow from operating activities, refer to Section 2.2 above. On the other hand, the Company has approved long-term credit facilities[1], available for immediate drawdown on a consolidation basis and on an expanded solo basis (including in companies that are fully owned by the Company), in the amount of NIS 2.9 billion and NIS 0.9 billion, respectively, and held for sale properties of the company’s wholly owned subsidiaries in the amount of NIS 1.2 million. The policy of the Company is to finance its operations with revolving credit facilities and by raising long-term debt from time to time, depending on market conditions. The Board of Directors has concluded that, in view of the resources that are available to the Group and to the Company, including non-pledged assets, as described above, and considering the positive cash flow from operating activities on consolidation and on expanded solo, including forecast cash flow, its existence is not indicative of a liquidity problem in the Company or its subsidiaries.

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[1] Signed credit lines with financial institutions pursuant to which these institutions are obligated to provide the Group with the foregoing credit subject to complying with the terms prescribed in the agreements and regarding which the Group Companies pay various commissions, including a credit allocation fee.

3.7 Cash Flows

Cash flows from operating activities in 2022 totaled NIS 648 million, compared with NIS 461 million in 2021.

In 2022, the Company and its subsidiaries financed their operations through issuance of shares and share options in net amount of NIS 468 million and through disposal of investment properties in a net amount of NIS 559 million. These cash flows were primarily used for acquisition of G Europe's minority shares in the amount of NIS 1,100 million, for dividend payments by the Groups' Companies in the amount of NIS 583 million, for repayment of debentures in net amount of NIS 1,932 million and for investments in financial properties through joint venture in the amount of NIS 215 million.

3.8 Purchase plan

A. On March 28, 2023, the Company's Board of Directors resolved to adopt a new buyback program for the Company's debentures (in place of the previous program) with a par value of up to NIS 450 million, in relation to all the outstanding series of debentures, the program is in effect until March 31, 2024. Purchases will be made under the program from time to time and at the discretion of the Company's Management. The program is in place of the previous program.

B. On March 28, 2022, the Company's Board of Directors resolved to adopt new buyback program for the Company's shares in an amount of up to NIS 250 million, the program is in effect until March 31, 2023. Purchases will be made from time to time, at the discretion of the Company's management, so long as the stock exchange price of the share reflects a significant discount on the Company's NAV, as shall be from time to time. The program was not renewed.

4. Reporting of Exposure to Market Risks and their Management

4.1. The individuals responsible for managing and reporting the Company's market risks are the Company's CEO and Executive Vice President and CFO (for related details, refer to Regulations 26 and 26a in the Additional Details about the Company chapter).

4.2. For details regarding the market risks to which the Company is exposed, refer to Note 34a to the financial statements.

The Company defined the following risks material: Liquidity risks, currency risks, interest and inflation risks, fair value risk, credit risks and price risk. For details and further explanations, refer to this section and to Note 34a to the financial statements. The control and management of the financial and operational risks is based on a uniform methodology at the level of the Company and wholly-owned subsidiaries:

a. **Liquidity risks:** The Company has a policy of maintaining a level of liquidity at all times and in accordance with the Company's needs, so as to enable it to take advantage of business opportunities in its operating segments, also at times of crisis in the equity and debt markets, both in Israel and worldwide. The Company engages in cash flow management on an ongoing basis and also prepares cash flow forecasts and conducts stress testing to identify possible liquidity risks and the Company's sensitivity to such risks. The Company has a policy of maintaining a significant volume of signed and approved credit facilities with local and international financial institutions, while striving to diversify its sources of finance with emphasis on entering equity and debt markets across the globe, to reduce the risk of debt refinancing.

b. **Currency risks:** The Company maintains a correlation between the mix of its properties in the various functional currencies and the exposure of its equity to those currencies, by conducting hedging transactions to manage the currency exposure, in order to protect its economic capital. Also, the company's management examines the currency linkage balance on an ongoing basis and reacts accordingly to developments in the exchange rates. As part of the company's liquidity risk management and in light of the relatively high volatility of the exchange rates of the NIS against the US dollar and the euro, the company has recently worked to reduce the sensitivity of the derivatives portfolio to the possibility of cash deposits due to the necessity of CSA agreements by entering into forward transactions, with a greater exposure of the equity to the euro and the US dollar.

For details regarding the scope of the Company's exposure to each of the functional currencies (the euro, the U.S. dollar, the Canadian dollar, the NIS and the Brazilian real), with respect to which linkage basis and cross-currency swaps have been transacted and loans taken in the various currencies, and regarding the scope of the remaining exposure after transacting cross-currency swaps, as of December 31, 2022, refer to the table attached as Appendix A of the Directors' Report.

c. **Interest and inflation risks:** The Company has CPI-linked NIS-denominated liabilities and thus has an exposure to CPI changes. This exposure is more limited in economies where rent is usually linked to the CPI. The Company routinely conducts swap transactions for some of the CPI-linked liabilities, replacing the CPI linkage with fixed interest. So as to mitigate the risks arising as a result of interest rate changes, the Company usually elects to raise debt with a long-term maturity and balancing the spread of the repayments over the debt period.

d. **Fair value risk:** The Company has an exposure with respect to changes in the fair value of financial derivatives which affect the Company's profit or loss and equity. The Company's policy is to enter into financial derivatives solely for hedging purposes.

e. **Credit risks:** As of December 31, 2022, the overall fair value of the Company's portfolio of financial derivatives is positive in favor of the Company. It is thus exposed to the risk that the counterparty might not meet its obligations to the Company. The Company's policy is to perform transactions in financial derivatives with financial institutions with high financial strength (according to external credit ratings). In addition, most of the activity is executed under ISDA and CSA (Credit Support Annex) agreements, in which accounts are settled weekly over a certain threshold and cash is provided as collateral against the value of financial instruments derivatives, in order to reduce the exposure to credit risks. As of December 31, 2022, banks have deposited to the Company NIS 844 million (in U.S. dollar /Euro currencies) that constitutes collateral.

f. **Price risk:** As of December 31, 2022, the Company has investments in tradable financial instruments, in respect of which it is exposed to risk resulting from fluctuations in the security price, which is determined by market prices. As part of its risk management policy, the Company reviews hedging transactions from time to time to reduce the price risk exposure.

During 2022, there were no significant changes to the Company's market risks management policy.

4.3. As to the derivatives portfolio, refer to Note 34a to the financial statements.

4.4. Changes in foreign currency exchange rates – From January 1, 2022 through December 31, 2022, the NIS appreciated against the Euro, the U.S. dollar, the Brazilian Real and the Canadian Dollar by 6.6%, 13.2%, 19.5% and 6.3%, respectively. With regard to the effect of exchange rate changes on the Company's equity as of December 31, 2022, refer to Appendix A of the Directors' Report. In addition, from December 31, 2022 until immediately prior to the date of approval of this report, the NIS appreciated against the Euro, the U.S dollar and the Brazilian Real, by 1.9% ,0.4% and 1.9%, respectively and the NIS depreciated against the Canadian dollar by 0.5%/

In addition, some of the Company's liabilities are linked to changes in the Israeli consumer price index (primarily with respect to operations in Israel). From January 1, 2022 through December 31, 2022, the (known) consumer price index rose by 5.3%. In addition, from December 31, 2022 until immediately prior to the date of approval of this report, the (known) consumer price index rose by 1.1%.

4.5. Inspection methods and policy implementation:

The persons responsible for risk management in the Company regularly examine all of the Company's exposures and risks. The Board of Directors approves major aspects of market risk management policy quarterly (and, in the same manner, future changes, if any, in the policy on this topic will require the approval of the Board of Directors). From time to time, the Board of Directors also holds separate meetings at which the Company's market risks as a whole and how to mitigate them are discussed.

4.6. In the period from January 1, 2022 through the date of approval of the financial statements, the individuals responsible for reporting and managing the Company's market risks (the Company's CEO, Executive Vice President and CFO) held and continue to hold regular weekly discussions concerning the exposure to market risks, including changes in exchange rates and interest rates. In the above period, the Company's Board of Directors also discussed the foregoing risks and the Company's policy regarding them at meetings in which the financial statements as of December 31, 2021, March 31, 2022, June 30, 2022, September 30, 2022 and December 31, 2022 were approved.

5. Corporate Governance Aspects

5.1. Contributions

The Company considers itself committed to assisting the communities in which it operates, in accordance with the social investment policy approved by its management.

In 2022, the Group contributed to various educational, welfare, health and cultural entities in the different countries in which it operates. The majority of the social investment was directed to education, as follows:

A. Supporting the South initiative – 2022 was the eleventh operating year of the initiative. During the year, the Company invested NIS 1 million in the education projects in the cities Kiryat Malakhi and Yeruham, as part of which the Company assisted in financing the operation of youth centers and provided support to elementary and high schools, kindergartens and day care centers.
The support is provided in cooperation with the Ministry of Health, the local authorities, other philanthropic parties and professional entities.

B. The G- City Real Estate Institute – The Company has established and supports a real estate research institute at the Interdisciplinary Center (IDC) Herzliya, Israel, including support to their MBA program, This year the institute held a series of online events and continued to publish a quarterly index for apartment prices.
The company committed to a donation to Reichman University for the G City Institute for Real Estate Research for the years 2017 to 2022 in the total amount of 1.25 million dollars.

C. Contribution to the community - The Company and its subsidiaries contribute to various welfare, health and culture organization. In the Reporting Period, it continued supporting social organizations, including the Organization for the Promotion of Education in Tel Aviv-Jaffa and Larger than Life which Mr. Chaim Katzman, Vice Chairman of the Board and CEO of the Company, serves as Global President.

D. In addition to the contributions in the Reporting Period, the Group's employees take part in voluntary activities, the Organization for the Promotion of Education in Tel Aviv-Jaffa and other programs.

The total contributions of the Company and its private subsidiaries in 2022 amounted to NIS 3.8 million.

5.2. Disclosure regarding the Internal Auditor

The Company's internal auditor:
Mr. Doron Cohen has been serving as the internal auditor of the Company since July 22, 2019. Mr. Cohen is a Certified Accountant, a Certified Internal Auditor and is a partner of Fahn Kanne Control Management Ltd.
Is the internal auditor an employee of the Company or a person who provides internal audit services on behalf of an external party:
The internal auditor provides internal audit services in the format of an external service provider, through the company Fahn Kanne Control Management Ltd.
Legal requirements met by the internal auditors:
The internal auditor meets the requirements of Section 146(b) of the Companies Law and Section 8 of the Internal Audit Law.
Holding of securities of the Company or of a related party:
As of the date of this report, neither the internal auditor nor any of his employees held securities of the Company or of any related party.
The internal auditor's relationship with the Company or with a related party:
The internal auditor also serves as the internal auditor of Norstar Holdings, Inc., the controlling shareholder of the Company, although, in the opinion of the Company and the internal auditor, this does not give rise to a conflict of interests with his role as internal auditor of the Company.

Other duties of the internal auditor within the Company:

Apart from his duties as the internal auditor of the Company, the internal auditor is not otherwise engaged by the Company and does not provide any other services to the Company.

Other duties of the internal auditor outside the Company:

The internal auditor serves as a partner of Fahn Kanne Control Management Ltd., which provides internal audit services, internal control services, etc. to various companies and entities.

Method of the internal auditor's appointment:

Mr. Cohen was appointed as the Company's internal auditor pursuant to a resolution of the Company's Board of Directors dated July 22, 2019 (in accordance with the recommendation of the Company's Audit Committee dated May 19, 2019).

Identity of the person to whom the internal auditor reports within the organization:

Within the organization, the internal auditor reports to the Chairman of the Audit Committee.

The internal auditor's work plan:

The internal auditor's annual work plan for 2022 is based on a risk survey since January 2022. The plan took into account the subjects examined and expected to be examined over the years in accordance with a multiannual plan. The plan was established in coordination with the Audit Committee of the Board of Directors and the Company management. The work plan was discussed and approved by the Audit Committee.

The annual audit plan reflects the activities of the private companies owned by the Company abroad and the order of priority of the subjects by important or urgency, as determined by the Audit Committee at the recommendation of the internal auditor. It is possible to deviate from the work plan with the approval of the Audit Committee.

Examination of the Company's material transactions in 2022 by the internal auditor:

In the reporting period, the internal auditor reviewed material transactions, including transactions with interested parties and controlling shareholders, as defined in the Companies Law.

Audit abroad and audit of investees:

Private subsidiaries – The internal audit reports also relate to the Company's private subsidiaries abroad. In 2022, the internal auditor conducted an internal audit of the activity of the private companies Gazit Horizons and Gazit Brasil, according to the work plan approved by the Company's Audit Committee.

Public subsidiaries – With regard to the audit of the Company's public subsidiaries listed abroad, such entities are subject to the restrictions of the law applicable to them. With regard to the internal audit at CTY and G Europe (formerly ATR), and as of 2022 other internal auditors serves these companies in accordance with a work plan established for them by the relevant authorized organs of the companies and also work in conformity with professional international internal auditing standards. During 2022, G Europe served as an external internal auditor who acted according to a work plan adopted by the aforementioned relevant authorized body. Following the completion of the merger with G Europe, starting in 2023, the company's audit plan will apply to G Europe and will be carried out by the company's internal auditor.

The auditor maintains a communication channel with the internal auditors of those companies, as part of a general oversight their work, including examining the existence and completion of an annual and multi-annual work plan, conducting a risk survey update, discussions on the audit reports submitted and implementation of recommendations.

Scope of the internal auditor's engagement:

The scope of the internal auditor's engagement varies in accordance with the annual audit plan. In 2022, 2,500 hours were spent on internal audit activity, in accordance with the breakdown presented in the table below.

	Work hours
Internal audit in Israel	1,290 hours
Internal audit of the Company's private subsidiaries abroad	1,210 hours
Total	**2,500 hours**

The number of the auditor's work hours was set at 2,500 hours, based on the audit subjects that were determined for examination in 2022, compared with 2,225 internal audit hours in 2021. It should be noted that the scope of the internal auditor's engagement is flexible, meaning that, as 2021 progressed and as the various audit reports were discussed, the Audit Committee was empowered to permit the internal auditor to increase the number of audit hours that had been decided upon at the outset in the annual audit program.

The professional standards in accordance with which the internal auditor performs his audit:

The audit is performed in conformity with professional international standards generally accepted for internal audit. To the best of the Company's knowledge, based on information provided by the internal auditor, he complied with the requirements of the foregoing standards.

Freedom of access for the internal auditor:

With regard to the information and documents of the Company and its private subsidiaries abroad, the internal auditor is given free access to all IT systems of those companies, including financial data.

Reports of the internal auditor:

a. In May 2022, the internal auditor submitted an audit report on the subject of "signature rights" in the company
b. In May 2022, the internal auditor has submitted an audit report on the subject of " Security of payments means " in the company.
c. In May 2022, the internal auditor submitted an audit report on the subject of "signature rights in the real estate division" of the company.
d. In August 2022, the internal auditor submitted an audit report on "insurance" in the company.
e. In August 2022, the internal auditor submitted an audit report on "Management of Development Projects in the Real Estate Division" of the Company.
f. In August 2022, the internal auditor submitted an audit report on " Communication with Tenants" at Gazit Brasil.
g. In August 2022, the internal auditor submitted an audit report on " Contract management" at Gazit Brasil.
h. In August 2022, the internal auditor has submitted an audit report on "project development management" at Gazit Horizons.
i. In December 2022, the internal auditor submitted an audit report on "transactions with interested parties and material transactions" in the company.
j. In December 2022, the internal auditor submitted an audit report on the subject of "use of the aircraft" in the company.
k. In December 2022, the internal auditor submitted an audit report on "ongoing management of properties in the real estate division" of the company.
l. In January 2023, the internal auditor submitted an audit report on "senior expenses management" of the company.
m. In January 2023, the Internal Auditor has submitted an audit report on "Procurement and contracts" at Gazit Brasil.
n. In January 2023, the Internal Auditor submitted an audit report on "ongoing asset management" at Gazit Brasil.
o. In January 2023, the internal auditor submitted a report on " Control Risk Survey" at G Europe.
p. In January 2023, the Internal Auditor submitted a report on "Monitoring the activity of internal auditors in the group".
q. In January 2023, the internal auditor submitted a report on "Update on the Control Risk Survey" at the Company.
r. In January 2023, the Internal Auditor submitted a report on "Correcting deficiencies and monitoring the implementation of recommendations."
s. In March 2023, the Internal Auditor submitted an audit report on "ongoing asset management" at Gazit Horizons.
t. In March 2023, the internal auditor submitted an audit report on " Communication with Tenants" at Gazit Horizons.

The Audit Committee discussed the foregoing reports in its meetings on May 19 2022, August 18 2022, December 5 2022, January 25, 2023 and March 28 2023.

The audit reports on "Information Security and Cyber" and "Mapping Knowledge Centers in the Real Estate Division" of the Company, and the Audit Report on "Salary" at Gazit Brasil, for which the audit work was performed, mainly in 2022, were submitted to the Company and discussed by the Audit Committee on May 2023.

Opinion of the Company's Board of Directors concerning the internal auditor's activities:

In the opinion of the Company's Board of Directors, the scope, nature, continuity of the internal auditor's activities and his work plan are reasonable under the circumstances and are sufficient to attain the internal audit objectives of the Company.

Compensation of the internal auditor:

The internal auditor's fees are determined based on the number of work hours actually invested in performing his assignments, within a budget approved in advance by the Company's Audit Committee. In the Company's opinion, the payment of such compensation does not influence the professional judgment of the internal auditor.

5.3. Auditor's fees

Independent auditors of the Company: Kost Forer Gabbay & Kasierer, Certified Public Accountants (member of Ernst & Young Global)
The fees of the independent auditors that audit the financial statements of the Company and its subsidiaries are as follows:

A. Ernst & Young Israel (the Company and its wholly-owned subsidiaries):

	For the year ended December 31	
	2022	2021
	NIS thousands	
Fees for audit and related services	2,552	3,061
Other fees	1,002	771
Total	**3,554**	**3,898**

The data include the fees and hours for the Company's wholly-owned companies in Canada, USA and Germany.

B. Ernst & Young Finland (CTY):

	For the year ended December 31	
	2022	2021
	NIS thousands	
Fees for audit and related services	3,184	3,648
Other fees	354	1,078
Total	**3,538**	**4,726**

C. Ernst & Young Canada (Gazit Canada Inc. and Gazit America):

	For the year ended December 31	
	2022	2021
	NIS thousands	
Consulting fees and tax services	146	150
Total	**146**	**150**

D. Ernst & Young Brazil:

	For the year ended December 31	
	2022	2021
	NIS thousands	
Fees for audit and related services	340	303
Consulting fees and tax services	130	119
Total	**470**	**422**

E. PWC Poland (ATR):

	For the year ended December 31	
	2022	**2021**
	NIS thousands	
Fees for audit and related services	4,132	3,193
Others	1,443	1,166
Total	**5,575**	**4,358**

The fees of the Company's independent auditors are determined on an hourly basis, according to tariffs and time-frames approved by the Board of Directors.

6. Disclosure Regarding the Financial Reporting of the Company

6.1. Additional information and events subsequent to the reporting date

A. For details regarding private capital offer to institutional entities and Norstar Holdings Inc., the controlling owner of the company, in the amount of NIS 148 million, refer to Note 25i to the financial statements, as well as to Aurora Capital Ltd., a company controlled by Mr. chaim Katzman, the controlling owner of the company, in the amount of approximately NIS 148 million, refer to Note 25j to the financial statements.

B. For details regarding the acquisition of the Group's debentures by the Group's Companies, refer to Note 19 to the financial statements.

7. Details Concerning the Company's Publicly-Held Commitment Notes

A. As of December 31, 2022, there were six series of listed debentures issued by the Company as follows:

	Issue date	Par value Date of issue	Par value of debentures as of 31/12/2022	Par value of debentures, plus linkage differences as of December 31, 2022	Total accumulated interest as of December 31, 2022	Presented in the financial statements as of December 31, 2022	Market value as of December 31, 2022	Interest type and rate	Principal payment date	Interest payment date	Basis linkage and linkage terms (Principal + interest)
		NIS in thousands		NIS in millions							
Debentures (Series K)	September 2011 (1)	2,896,407	678,783	757.9	10.2	767	702.4	Fixed 5.35%	5 installments with the first installment in September 2018 at the rate of 10%, the second installment in September 2020 at the rate of 15%, the third, fourth and fifth installments in September of the years 2022-2024 each at the rate of 25%	Paid twice a year on March 31 and September 30 of each of the years from 2012 through 2024.	The principal and the interest are linked to the increase in the consumer price index
Debentures (Series L)	October 2013 (2)	2,957,801	2,932,477	3,154.9	-	3,187	2,310.8	Fixed 4.00%	5 installments with the first installment in June 2023 at the rate of 10%, the second and third installments in June 2024-2025 at the rate of 15% each, and the fourth and fifth installments in June of the years 2026-2027 at the rate of 30% each.	Paid twice a year on June 30 and December 31	The principal and the interest are linked to the increase in the consumer price index
Debentures (Series M)	February 2018 (3)	1,801,110	1,514,895	1,654.5	-	1,679	1,143.6	Fixed 3.28% (7)	6 installments with the first installment in June 2021 at the rate of 5%, the second installment in June 2022 at a rate of 10%, the third installment in June 2023 at a rate of 5%, the fourth installment in June 2025 at a rate of 30%, the fifth installment in June 2026 at a rate of 10% and the sixth installment in June 2028 at a rate of 40%.	Paid twice a year on June 30 and December 31	The principal and the interest are linked to the increase in the consumer price index
Debentures (Series N)	January 2020 (4)	1,272,890	1,034,171	1,108.3	3.6	1,084	748.2	Fixed 1.79%(7)	5 installments with the first installment in September 2022 at the rate of 17.5%, the second installment in September 2023 at a rate of 15%, the third installment in September 2024 at a rate of 15%, the fourth installment in September 2029 at a rate of 25% and the fifth installment in September 2031 at a rate of 27.5%.	Paid twice a year on March 31 and September 30 of each of the years from 2012 through 2024.	The principal and the interest are linked to the increase in the consumer price index
Debentures (Series O)	October 2020 (5)	328,000	328,000	354.0	1.0	354	332.8	Fixed 1.33%(7)	4 installments with the first installment in March 2024 at the rate of 8%, the second installment in March 2025 at a rate of 15%, the third installment in March 2027 at a rate of 30% and the fourth installment in March 2028 at a rate of 47%.	Paid twice a year on March 31 and September 30 of each of the years from 2012 through 2024.	The principal and the interest are linked to the increase in the consumer price index
Debentures (Series P)	August 2021(6)	957,395	957,395	1,012.9	3.2	1,028	693.3	Fixed 1.75%(7)	4 installments with the first installment in March 2024 at the rate of 12/5%, the second installment in March 2027 at a rate of 25%, the third installment in March 2028 at a rate of 20% and the fourth installment in March 2029 at a rate of 42.5%.		

(1) Debentures (Series K) were first issued in September 2011, pursuant to a shelf offering, when NIS 451 million par value were issued in September 2011. As part of the issuance of debentures (Series D) in January 2012, 1.85 million options (Series J), which are exercisable through February 29, 2012, were issued. Through the expiration date, 1.84 million options had been exercised into NIS 221 million par value of debentures (Series K) As part of the issuance of debentures (Series J) in May 2012, 2.6 million options (Series J), which are exercisable through June 14, 2012, were issued. By the expiration date, 0.6 million options had been exercised into NIS 60 million par value of debentures (Series L) In December 2012, the Company closed an offering to institutional investors of NIS 883 million par value of debentures (Series K), by means of extending the series. In June and December 2013, the Company closed a public offering of NIS 731 million par value and NIS 308 million par value of debentures (series K), respectively, by means of extending the series.

(2) Debentures (Series L) were first issued in October 2013, pursuant to a shelf offering, when 451 million par value were issued. In April 2014, January 2015, April 2015 and August 2015, the Company issued NIS 414 million par value, NIS 752 million par value, NIS 621 million par value and NIS 720 million par value of debentures (Series L), respectively, pursuant to a shelf offering, by means of expansion of the series.

(3) Debentures (Series M) were first issued in February 2018, pursuant to a shelf offering, when NIS 860 million par value were issued. In September and October 2018, the Company issued, by means of extending the series, NIS 400 million par value And NIS 541 million par value, respectively pursuant to a shelf offering.

(4) Debentures (Series N) were first issued in January 2020, pursuant to a shelf offering, when NIS 600 million par value were issued. In April 2020 the Company issued, by means of extending the series, NIS 400 million par value of debentures (Series O) and NIS 273 million par value, reptively..

(5) Debentures (Series O) were first issued in October 2020. The debentures (Series O) secured by properties in Israel, refer to Section I above.

(6) Debentures (Series P) were first issued in August 2021, pursuant to a shelf offering, when NIS 453 million par value were issued. In October 2021, the Company issued, by means of extending the series, NIS 327 million par value. In March 2022, the company issued NIS 177 million pare values by way of series expansion.

(7) Refer to section N below

B. Details concerning the trustees of the Company's debentures (to the best of the Company's knowledge):

	Trustee	Contact person at the trustee	Trustee's address	Fax	Email
Debentures (Series K)	Mishmeret Trust Services Company Ltd.	Rami Sebti	48 Menahem Begin Road, Tel-Aviv	03-6374344	ramis@mtrust.co.il
Debentures (Series L)	Mishmeret Trust Services Company Ltd.	Rami Sebti	48 Menahem Begin Road, Tel-Aviv	03-6374344	ramis@mtrust.co.il
Debentures (Series M)	Reznik Paz Nevo Trustees Ltd.	Yossi Resnik	14 Yad Haharutzim Street, Tel-Aviv	03-6389222	yossi@rpn.co.il
Debentures (Series N)	Strauss Lazar Trust Company (1992) Ltd.	Ori Lazar	Yigal Alon St 94, Tel Aviv-Yafo	03-5613824	ori@slcpa.co.il
Debentures (Series O)	Reznik Paz Nevo Trustees Ltd.	Yossi Resnik	14 Yad Haharutzim Street, Tel-Aviv	03-6389222	yossi@rpn.co.il
Debentures (Series P)	Reznik Paz Nevo Trustees Ltd.	Yossi Resnik	14 Yad Haharutzim Street, Tel-Aviv	03-6389222	yossi@rpn.co.il

C. Rating of the debentures:

	Issue date	S&P Maalot's rating close to issue date	Midroog's rating close to issue date	S&P Maalot's rating at the periodic report approval date (*)	Midroog's rating at the period report approval date (*)	Date and reference of the immediate report about the latest S&P Maalot rating (**)	Date and reference of the immediate report about the latest Midroog rating (**)
Debentures (Series D)	September 2006	AA	Aa2	A-/ Negative	A3/ Negative	24/11/2022 Ref: 2022-01-113238	25/12/2022 Ref: 2022-01-154741
Debentures (Series K)	September 2011	A+/ Positive	Aa3	A-/ Negative	A3/ Negative	24/11/2022 Ref: 2022-01-113238	25/12/2022 Ref: 2022-01-154741
Debentures (Series L)	October 2013	AA-/Stable	Aa3	A-/ Negative	A3/ Negative	24/11/2022 Ref: 2022-01-113238	25/12/2022 Ref: 2022-01-154741
Debentures (Series M)	February 2018	AA-/Stable	Aa3/Stable	A-/ Negative	A3/ Negative	24/11/2022 Ref: 2022-01-113238	25/12/2022 Ref: 2022-01-154741
Debentures (Series N)	January 2020	AA-/Stable	Aa3/Stable	A-/ Negative	A3/ Negative	24/11/2022 Ref: 2022-01-113238	25/12/2022 Ref: 2022-01-154741
Debentures (Series O)	October 2020	AA/ Negative	Aa2/ Negative	A-/ Negative	A3/ Negative	24/11/2022 Ref: 2022-01-113238	25/12/2022 Ref: 2022-01-154741
Debentures (Series P)	August 2021	AA-/Watch Negative	Aa3/ Negative	A-/ Negative	A3/ Negative	24/11/2022 Ref: 2022-01-113238	25/12/2022 Ref: 2022-01-154741

(**) Between the issue date of the debt series until immediately prior to approval of the periodic report, further ratings were determined for the above series at the dates stipulated in the following table (all foregoing interim ratings applied to all debentures series that were in circulation at the rating date).

(**) The information contained in the immediate reports listed in this column is hereby presented by means of this reference.

(***) The debentures (Series O) secured by properties in Israel. The debentures (Series O), rated by S&P Maalot and Midroog at a rating level of 'ilA' and 'A2.il', respectively.

(****) The debentures (Series P) are secured by a lien on G Europe shares owned by the subsidiaries, wholly owned by the company.

D. Details concerning the credit rating history:

S & P Maalot		Midroog	
Date	**Rating**	**Date**	**Rating**
29/04/03	A+	25/10/04	Aa3
21/01/04	AA-	06/02/05	Aa3
10/05/04	AA-	14/04/05	Aa3
14/12/04	AA-	19/05/05	Aa3
03/02/05	AA-	21/11/05	Aa2
15/05/05	AA	17/05/06	Aa2
31/05/06	AA	11/06/06	Aa2
10/09/06	AA	10/09/06	Aa2
29/10/06	AA	21/11/06	Aa2Developing
20/11/06	AA/Negative	13/12/06	Aa2Developing
07/12/06	AA/Negative	28/02/07	Aa2Stable
28/02/07	AA/Stable	10/07/07	Aa2Stable
18/06/07	AA/Stable	20/12/07	Aa2Stable
11/10/07	AA/Stable	7/01/08	Aa2Stable
23/03/08	AA/Stable	23/03/08	Aa2Stable
3/08/08	AA-/Stable	9/09/08	Aa3Stable
12/02/09	AA-/Negative	15/02/09	Aa3Stable
03/05/09	A+/Negative	09/07/09	A1 Negative
26/11/09	A+/Negative	29/11/09	A1 Negative
01/07/10	A+/Stable	12/04/10	A1 Stable
02/08/11	A+/Positive	19/05/11	Aa3 Stable
25/08/11	A+/Positive	25/08/11	Aa3 Stable
23/01/12	A+/Positive	23/01/12	Aa3 Stable
15/05/12	A+/Stable	06/05/12	Aa3 Stable
12/12/12	A+/Stable	13/12/12	Aa3 Stable
13/05/13	AA-/Stable	03/06/13	Aa3 Stable
03/06/13	AA-/Stable	24/10/13	Aa3 Stable
24/10/13	AA-/Stable	24/12/13	Aa3 Stable
24/12/13	AA-/Stable	24/04/14	Aa3 Stable
23/04/14	AA-/Stable	19/10/14	Aa3 Stable
14/08/14	AA-/Stable	26/01/15	Aa3 Stable
26/01/15	AA-/Stable	25/08/15	Aa3 Stable
20/08/15	AA-/Stable	22/11/16	Aa3 Stable
04/08/16	AA-/Stable	21/11/17	Aa3 Stable
02/08/17	AA-/Stable	14/2/18	Aa3 Stable
14/02/18	AA-/Stable	25/11/18	Aa3 Stable
07/03/18	AA-/Stable	29/12/19	Aa3 Stable
19/07/18	AA-/Stable	12/10/20	Aa3 Stable
25/7/19	AA-/Stable	27/07/21	Aa3 Stable
8/08/21	AA-/Watch Negative	24/03/22	A1 stable
20/01/22	A+/Stable	25/12/22	A3 Negative
30/06/22	A+/Negative		
24/11/22	A-/Negative		

E. On December 31, 2022 and during 2021, the Company complied with all of the terms and commitments under the deeds of trust for each of the above debenture series of the Company. No conditions existed that required the Company to immediately redeem the above debenture series under the foregoing deeds of trust, and no notices were received from any of the trustees in this regard.

F. The Company's commitments pursuant to the debentures (Series O) are secured by a first fixed charge on the rights relating to properties, as set out in section 4.6 of the Company's shelf prospectus published on October 22, 2020 (reference no. 2020-01-106162) with the information contained therein being hereby presented by means of this reference. The value of the foregoing pledged property as of December 31, 2022 is NIS 556 million. The valuation of the pledged properties as of December 31, 2022 is attached to the Periodic Report.

For details regarding the Company's right to issue additional debentures from the series and to exchange, sell or release the pledged assets for the benefit of Series O debenture holders subject to certain conditions being met, including compliance with a weighted ratio, as defined in the trust deed (Series O), which is lower or equal to -1, and everything as specified in sections 5.6 to 5.9 of the trust deed, attached to the Company's shelf prospectus published on October 22, 2020 (Reference No. 2020-01-106162), which is stated therein, is included below by way of reference.

For further details regarding the foregoing pledged properties, as required pursuant to the regulations of the Israel Securities Authority regarding investment property activity, see Appendix B of this report.

The trust deeds, by virtue of which the debentures were issued, do not impose any restrictions on the Company regarding the creation of further charges on the Company's assets or regarding the Company's powers to issue additional commitment certificates other than the negative charge undertaking in the deed of trust of debentures (Series M, N and O).

G. The Company's commitments pursuant to the debentures (Series P) are secured by a first-degree fixed lien on account of the pledged shares (G Europe shares) and all the rights of the lien company in the account of the pledged shares which as of this date holds 146 million G Europe shares. For details regarding a parallel debt agreement between the Company and the Trustee, as well as a control agreement signed between the Company, the Trustee and the custodian in connection with the account of the pledged shares, as well as further details regarding the Treasury Trust Fund's provisions, as set out in sections 5.6-5.11 of the trust deed attached to the Company's shelf offer report published on August 22, 2021 (Reference No. 2021-01-068740) in which the information contained herein is hereby incorporated by reference. The trust deed also includes mechanisms for adding, removing, selling or exchanging liens and delisting the pledged shares from trading as well as the Company's right to issue additional debentures (Series P) as detailed in sections 5.6-5.11 to the trust.

For further details regarding G Europe, refer to G Europe 's financial statements published on March 23, 2023 (Reference No. 2023-01-026578) in which the information contained herein is hereby incorporated by reference and section 8 to the corporation's business description chapter.

H. As of December 31, 2022, the total commitments of the Company, pursuant to each series: debentures (Series L) (as presented in the separate financial statements of the Company), accounts for more than 5% of the Company's total liabilities, and may thus be considered material.

I. For details regarding the issuance of debentures (Series P) secured by a pledge of G Europe shares by way of expansion in the amount of NIS 174 million, refer to Note 19c1 to the financial statements.

J. On March 24, 2022, the Midroog rating agency degraded the issuer rating and the credit rating of all the outstanding series of debentures of the Company, which are not secured by a pledge, to a rating level of 'ilA1' with a stable outlook and the credit rating of the Company's debentures (Series O), which are secured by a pledge, at a rating level of 'ilAa3', with a stable outlook.

K. On December 25 2022, the Midroog rating agency degraded the issuer rating and the credit rating of all the outstanding series of debentures of the Company, which are not secured by a pledge, at a rating level of 'Aa3.il' with a negative outlook and the credit rating of the Company's debentures (Series O), which are secured by a pledge, at a rating level of 'A2.il', with a stable outlook.

L. On June 30, 2022, S&P Maalot rating agency reaffirmed the company's issuer rating to A+ rating level though changed the credit level to negative outlook from stable outlook.

M. On November 24 2022, S&P Maalot rating agency degraded the issuer rating and the credit rating of all the outstanding series of debentures of the Company, which are not secured by a pledge, at a rating level of 'ilA-' with a negative outlook and the credit rating of the Company's debentures (Series O), which are secured by a pledge, at a rating level of 'ilA', with a megative outlook.

N. As a result of the aforementioned in sections 11 and 13, there is an additional interest for some of the company's debentures series, in accordance with the provisions of the trust deeds as follows:

Debentures (Series M) starting with the next interest period on January 1, 2023, an interest rate of 0.5% will be added to the debentures interest. The updated annual interest after the interest increase will be 3.28%.

Debentures (Series N) Starting with the next interest period on April 1, 2023, an interest rate of 0.5% will be added to the interest of the debentures. The updated annual interest, after adding interest, will be 1.79%.

Debentures (Series O) Starting with the next interest period on April 1, 2023, an interest rate of 0.25% will be added to the interest of the debentures. The updated annual interest, after adding interest, will be 1.33%.

Debentures (Series P) starting with the next interest period on April 1, 2023, an interest rate of 0.5% will be added to the interest of the debentures. The updated annual interest, after adding interest, will be 1.75%.

The interest rate for all the series mentioned above will remain in effect until the full repayment of the unliquidated principal balance of the debentures or until the beginning of the first interest period after the rating increase to the 2A rating or a similar high rating of a similar rating agency, in accordance with the provisions of the trust deed.

O. The principal covenants attaching to the debentures (Series K, L, M, N, O and P) of the Company are as follows:

Financial ratio	Covenants	As of December 31, 2022
Minimum shareholders' equity (less non-controlling interests) (dollars in millions)	Series K-Higher than 500, during 4 consecutive quarters Series L-Higher than 650, during 3 consecutive quarters Series M-Higher than 800, during 3 consecutive quarters Series N, O and P -Higher than 850, during 3 consecutive quarters	1,425
Minimum shareholders' equity (less non-controlling interests) during one quarter (dollars in millions)	Series M,N,O - Higher than 400 Series P – Higher than 450	1,425
Ratio of net interest-bearing debt to total consolidated assets	Series K and L-lower than 80%, during 4 consecutive quarters Series M-lower than 75%	[1]60.3%
And Minimum rating of the debentures	Series K,L and M-'ilBaa3'/'ilBBB-'	'ilA3'/ 'ilA-'
Ratio of net interest-bearing debt to total consolidated assets	Series N,O and P -lower than 75%	60.0%
Minimum rating of the debentures	Series N,O -'ilBaa3'/'ilBBB-'	'ilA3'/ 'ilA-'

As of December 31, 2022, and as of the approval of the financial statements, the Company complied with the covenants in respect of all debentures.

March 28, 2023		
Date of Approval of Directors' Report	Ehud Arnon – Chairman of the Board of Directors	Chaim Katzman – Vice Chairman of the Board of Directors and CEO

[1] The ratio of net interest bearing debt to balance sheet, the net interest bearing debt includes the accrued interest as presented in the financial statements.

Appendix A to the Directors' Report
Additional Information regarding Currency Exposure
as of December 31, 2022

Following are details with respect to the scope of the Company's exposure to each currency to which it is exposed (EUR, USD, CAD, NIS and BRL), in respect of which cross-currency swaps were transacted and regarding the scope of the remaining exposure after transacting the swaps, as of December 31, 2021. The following table presents the assets and the liabilities presented in the Company's statement of financial position (in the original currency and in NIS(1)) and the percentages that they represent of the total assets and liabilities, respectively, on a proportionate consolidation basis(2) and the total financial adjustments made by the Company by means of cross-currency swap transactions, to correlate, to the extent possible, the Company's equity to the Company's assets (from a currency perspective). As illustrated by the table, the assets and liabilities for each particular currency do not fully correlate, and the exposure to each such currency is reflected in the differences, as presented in the table.

Data presented in millions	NIS	U.S.$	EUR	C$	BRL	Total in NIS
Assets in original currency	4,804	974	4,891	130	4,122	-
Assets in NIS	4,804	3,429	18,357	336	2,780	29,706
% of total assets	16	12	62	1	9	100
Liabilities in original currency	10,022	463	2,567	75	801	-
Cross-currency swap transactions in original currency	(2,942)	(349)	663	-	1,830	-
Liabilities in original currency	7,080	114	3,230	75	2,631	-
Liabilities in NIS adjusted for swaps	7,080	401	12,122	195	1,774	21,572
% of total liabilities	33	2	56	1	8	100
Total equity in original currency	(2,276)	860	1,661	55	1,491	-
Total economic equity(3) in NIS3	(2,276)	3,028	6,235	141	1,006	8,134
% of total equity	(28)	37	77	2	12	100

(1) According to currency exchange rates as of December 31, 2022.
(2) The Company's statement of financial position presented on a proportionately consolidated basis was not prepared according to generally accepted accounting principles, but according to the Company's interest in each of the subsidiaries at the stated date.
(3) Represents the equity attributable to the shareholders of the Company, excluding deferred taxes.

Appendix B to the Directors' Report – Information about Pledged Properties

G Savyon

A. Presentation of the property

Information on 100% level (Company's share of property – 100%)	As of December 31, 2022
Name of property	G Savyon
Location of property	Real estate known as block 6691 parts 55 and 63 and block 6722 part 147 located at 1, Hashikma Street, Savyon.
Area of property – split by use (sq. m)	An area of 30,079 m and an area of 409.9 m, including a building used as shopping center, a building used as offices and a building with an area of 3,300 m used as clinics and offices.
Holding structure of property	Fully owned by G. Israel shopping centers, which is fully owned by Gazit Globe Ltd. [24] and the Company's rights in the said complex were transferred to it as part of the statutory merger dated April 20, 21.
Company's effective share in property	100%
Names of partners in property	-
Date of acquisition of the property	Acquisition contract dated August 21, 2018 between Gazit Israel and Savyon Offices and Super Gadol Savyon
Details of legal title to the property	As detailed below relating to recording of legal title
Material unused building rights	Main area of about 34,000 m for shopping and office use. In addition, it is possible to easily get additional main area of about 1,800 m. Company issued request for building permit for main area of 4,000 m of above area.
Financial statement presentation method	Fair value

[24] Except for an area of about 600 m, not part of the Savyon site and on which there is a 149 m building, which is rented to the State of Israel in accordance with an agreement signed between KKL and the State of Israel dated June 25, 1968. It will also be clarified that on 20.4.2021 G. Israel (which was a wholly owned subsidiary of the company) merged with and into the company Ltd. Statutory merger. As of this date, the transfer of rights in the name of the company at the Land Registry has not yet been completed.

Status of registration of legal rights	The ownership for the complete parts 55 and 63 in block 6691 is registered in the land registry office. The ownership rights to part 147 are shared between KKL, who are the registered owners of the 278,679 / 279,279 non-identified section of the rights to part 147 and the State of Israel, that is the registered owner of the 149 / 279,279 non-identified section of the rights to part 147 as well as the 41/ 25,389 non-identified section of the rights to part 147. Savyon Offices (as defined above) is registered in the Land Registry Office as the owner of the capitalized lease rights to parts 55 and 63 (completely) in block 6691 and the 27,838 / 279,279 non-identified section in part 147 in block 6722 due to a capitalized lease contract dated July 15, 2012 between the Israel Land Authority and Africa Israel Investments Ltd. for the lease until April 14, 2059. Savyon Offices acquired all Africa Israel Investment Ltd.'s rights due to the above lease contract after the date of Savyon Office's registration as lessee in the Land Registration Office. Unlimited second degree mortgages and caveat notices in accordance with section 126 of the Real Estate Law, 1969, are recorded in favor of Gazit Israel on Savyon Office's rights to parts 55 and 63 (completely) in block 1,969 as well as non-identified section 27,838 / 279,279 in part 147 in block 6722 due to the acquisition agreement of G Savyon. Super Gadol (as defined above) is registered in the Land Registry Office as owner of the capitalized lease rights to the non-identified 410 / 279,279 section of the rights to part 147. And this due to a acquisition contract dated February 17, 2015 between Super Gadol and Super Market E.M. shopping centers Savyon. Unlimited second degree mortgages and caveat notices in accordance with section 126 of the Real Estate Law, 1969, are recorded in favor of Gazit Israel on Super Gadol's rights to part 147 as detailed above, due to the acquisition agreement of G Savyon. The company are the owners of all the contractual rights, including the right to be registered as lessee, due to the acquisition contract dated August 21, 2018 between Gazit Israel and Savyon Offices and Trade, limited partnership 550259816 ("Savyon Offices") and Super Gadol Savyon, limited partnership 550259808 ("Super Gadol") for Gazit Israel's acquisition of all the rights of Savyon Offices and Super Gadol in the G Savyon real estate ("the G Savyon acquisition contract"). <u>In parts 55 and 63 of block 6691:</u> (1) On the rights of Savyon Offices in the plots, a first-degree and unrestricted mortgage is registered in favor of Reznik Paz Nevo Trusts Ltd. [2]. (2) G Israel registered a second degree mortgage and caveat notices on Savyon Office's rights to the above parts due to an acquisition contract dated August 21, 2018 between Gazit Globe, Savyon Offices and Super Gadol. (3) The transfer or transfer through inheritance of the leasing rights to the above parts are limited. (4) A non-adjustment section 29 notice is registered in favor of the local Mitpe Afek planning and building council. (5) On the plots is written a note about the land's designation according to regulation 27 for the benefit of the Mitzpe Afek local planning and construction committee.

	In part 147: (1) Various lessees and various mortgages are registered on the rights to part 147 that are not relevant to this document. (2) The transfer or transfer through inheritance of Savyon Office's leasing rights to part 147 is limited. (3) An unlimited second degree mortgage of Savyon Office's rights to part 147 and a caveat notice are registered in favour of Gazit Israel due to the acquisition contract. (4) The transfer or transfer through inheritance of Super Gadol's leasing rights to part 147 is limited and no limitation in inheritance. (5) On the rights of Savion Offices and an unlimited first degree mortgage of Super Gadol's rights to part 147 and a caveat notice are registered in favour of Gazit Israel due to the acquisition contract. (6) A section 27 notice for the designation of real estate is registered in favour of the Mizpe Afek planning and building council. (7) Two section 29 for prevention of change notices are registered in favour of the Mizpe Afek planning and building council. (8) At the request of the Mitzpe Afek Local Planning and Construction Committee, the company must register a note on the zoning of the land according to Rule 27 for the benefit of the aforementioned local committee. Due to a scribe's error, the aforementioned note was recorded on lot 197, and the company submitted a request to correct the scribe's error and record the note on lot 147. In the real estate area also known as parts 55 and / or 63 in block 66391 and / or part 147 in block 6722 there a Post Office branch in a 149 m building within an area of 600 m, which was leased to the State of Israel by a lease agreement dated June 25, 1968 between KKL and the State of Israel and a Post Office building of 149 m (together above and below: "the Post Office real estate"). The Post Office real estate is not included in the definition G Savyon even though they form part of the property. Refer to the details below regarding the pledge recorded on the Company's rights in the above property.

B. Disclosures of effect of Covid-19

As of the current date, the collection rate of G Savyon for the months January to December 2020 is 88% and NIS 418,000 was provided as doubtful debt for debts of tenants in 2020.

[2] Reznik Paz Nevo Trusts Ltd. serves as a trustee for the debentures (Series X) of the Company, which are secured by a lien on some of the Company's assets.

c. Principal data

	Year 2022	Year 2021	Year 2020	At property acquisition date	
Fair value at end of period (NIS thousands) Income-producing portion	81,148	77,340	74,100		
Fair value of land at end of period	118,306	67,340	46,000		
Total fair value (NIS thousands)	199,454	144,680	120,100	**Acquisition cost (NIS thousands) (including adjacent area and building rights)**	117,150
Revaluation profit (loss) – excluding amortization of paid acquisition tax (in NIS thousands)	34,307	(313)	(3,206)	**Acquisition date**	August 21, 2018
Average occupancy rates (%)	99.3%	94.3%	98.5%		
Actual areas leased (sq. meters)	3,227	3,071	3,217		
Total revenues (NIS thousands)	5,597	6,239	5,482		
Average annual rental per sq. meter (per month) (NIS)	145.8	129	125		
Average monthly rental per sq. meter for leases signed in the period (NIS)	114	-	104		
NOI (NIS thousands)	306,4	4,468	4,055		
Adjusted NOI[3] (NIS thousands)	4,582	4,497	4,473		
Actual rate of return – yielding section (%)	5.3%	5.8%	5.5%		
Adjusted rate of return – yielding section (%)	5.7%	5.8%	6.0%		
No. of tenants as at end of reporting year	30	28	32		
Average turnover (per month) per sq. meter[4]	3,607	-	-		

1 The property was acquired in August 2018
2 The value of an adjacent area, empty land, and capitalized development cost without existing building rights, as detailed in the valuation.
3 Including provision for doubtful debts in 2020.
4 The Company has no data relating to turnover or turnover per meter.

Analysis of revenues and cost structure

Data at 100% level	Year 2022	Year 2021	Year 2020
	NIS thousands		
Revenues:			
From rentals – Fixed	4,878	4,739	4,841
From management fees	674	608	641
From rentals - Variable	45	892	-
Total revenues	**5,597**	**6,239**	**5,482**
Costs:			
Management, maintenance and operation before head office allocation [1]	1,290	1,771	1,427
Total costs	1,290	**1,771**	**1,427**
NOI	**4,306**	**4,468**	**4,055**

1 Including provision for doubtful debts for debts of tenants for 2021.

D. Principal tenants in the property

	% of property area leased to tenant (%)	Does tenant constitute an anchor tenant?	Does tenant account for 20% or more of property's revenues?	Sector to which tenant belongs	Original lease period and period left (years)	Extension options (years)	Linkage of rentals	Details of collateral (if applicable)	Special dependency
Tenant A	12%	No	No	Offices	0.3/5	5	Linked to CPI	Bank guarantee	-
Tenant B	12%	Yes	No	Supermarket	0.5/3	6	Linked to CPI	-	-

E. Anticipated revenues from signed leases (assuming that tenants' option period is not exercised)

	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027 and after
	NIS thousands				
Fixed components	3,898	2,551	2,266	1,988	922
Variable components (estimate)	-	-	-	-	-
Total	**3,898**	**2,551**	**2,266**	**1,988**	**922**

F. Improvements and changes planned in the property

Essence of improvement		Addition of about 4,000 sq m main area and about 1,600 sq m service area for shopping and office purposes. After the addition, an area of about 1 hectare for future planning will remain.
Added area (in meter)		About 4,000 m main and 1,600 m service.
Statutory status		In July 2020, a building permit was obtained for the development of the area and the construction of the parking lot. In June 2021, a building permit was received for the addition of commercial and office space in an area of approximately 4,000 square meters and approximately 1,600 square meters of service. In February 2023, a change permit was received that allows occupancy in stages, without additional space.
Building budget	**Total (excluding cost of land)**	61 [1]
Share of added area for which rental agreements have been signed		67%
Anticipated increase in NOI (annualized) (in NIS millions)		9
Execution status		in process
Expected completion date		2023, subject to conclusion of procedures vis-à-vis the Israel Lands Authority.

1 As at December 31, 2022, NIS 47 million had been invested from this amount.

The above Company forecasts relating to the anticipated increases in NOI due to the additional agreements to rent areas and expected completion date, are forward-looking information as defined in the Securities Law, 1969. These forecasts are based on the Company's projections and assumptions but are not assured. These projections may not be achieved, wholly or partly, or may be achieved differently, including materially differently, due to factors that are not within the Company's control that could lead to a deferral and / or change and / or cancellation of new tenants and / or financial strength of the tenants and / or realization of all or part of the risks as detailed in the item.

G. Pledges and material legal restrictions on property

Type	Detail	Amount pledged by pledge as at December 31, 2022 (in NIS millions)
Limit on transfer and transfer through inheritance	Limit on transfer and transfer through inheritance of Savyon Offices' leasing rights to the real estate	
Limit on transfer	Limit on transfer of leasing rights of Super Gadol in the real estate	
Unlimited first degree mortgage	Limit on transfer of leasing rights of Savyon Offices' real estate and no limit in the amount in favor of Reznik Paz Nevo Trusts Ltd.	Unlimited
Unlimited first degree mortgage	Limit on transfer of leasing rights of Super Gadol real estate and no limit in the amount in favor of Reznik Paz Nevo Trusts Ltd.	Unlimited
Unlimited first degree mortgage	Unlimited first degree mortgage on Savyon Offices' rights in the real estate in favour of Gazit Israel.	Unlimited
Unlimited first degree mortgage	Unlimited first degree mortgage on Super Gadol's rights in the real estate in favour of Gazit Israel in accordance with note no. 60251/2020/2 dated December 24, 2020 .	Unlimited
First degree pledge	On April 20, 2021 pledge no. 95 was registered in the Companies' Register with November 19, 2020 as registration date in favour of Reznik Paz Nevo Nominees Ltd. (as detailed in pledge 95).	Unlimited
Caveat notices	On leasing rights of Savyon Offices in the real estate in favour of Gazit Israel	
Caveat notice	On leasing rights of Super Gadol in the real estate in favour of Gazit Israel	

H. Details regarding the valuation

		31/12/2022	31/12/2021	31/12/2020
The determined value as at the end of the period (NIS thousands)		199,454	**144,680**	120,100
Identity of appraiser		Sefi Raviv	Sefi Raviv	Sefi Raviv
Is the appraiser independent		Yes	Yes	Yes
Is there an indemnification agreement[25]		Yes	Yes	Yes
Effective date of valuation		31/12/2022	31/12/2021	31/12/2020
Valuation model		Income (DCF)	Income (DCF)	Income (DCF)
Main parameters taken into account for the valuation:				
Valuation according to the DCF (income approach)	Area available for renting (sq. meters) – all types of units excluding external ownership	7,876	3,258	3,241
	Occupancy rate in year +1 (%)	66.8%	93%	94%
	Occupancy rate in year + 2 (%)	100%	100%	100%
	Representative occupancy rate of area available for renting for valuation (%)	100%	100%	100%
	Basic average monthly rentals per sq. m leased (NIS) in year + 1 for valuation purposes – excluding units without metreage	143.4	130.8	129.4
	Basic average monthly rentals per sq. m leased (NIS) in year + 2 for valuation purposes – excluding units without metreage	143.6	129.0	129.8
	Basic average monthly rentals per sq. m leased (NIS) for valuation purposes – excluding units without metreage	143.6	129.0	129.8
	Weighted rate of return for valuation purposes (%)	6.4%	6.3%	6.5%
	Representative NOI	13,470	4,939	4,911

Sensitivity analyses of the value			Change in value in (NIS thousands)	
Occupancy rates		The property at 100%	The property at 100%	The property at 100%
	(10,468)	(4,762)	(4,615)	(10,468)
Cap rates	(7,831)	(2,992)	(2,798)	(7,831)
	8,464	(3,240)	3,022	8,464
Average rental per Sq. m	10,548	4,003	3,883	10,548
	(10,548)	(4,003)	(3,883)	(10,548)

Appendix B to the Directors' Report – Information about Pledged Properties

25 The indemnification to the valuer is for any financial liability that may be imposed on him relating to the valuation, except in the case of negligence and / or malice and / or lack of good faith. In the assessment of the Company, the valuer is independent from the Company, taking account of the valuer's representation that he has no interest in the valued property, that he is not dependent on Gazit Israel, that the results of his opinion do not affect his relationship with the party that requested the opinion and the lack of any effect of the results of the opinion on his fees.

G Rothschild

A. Presentation of the property

Information on 100% level (Company's share of property – 51%)	As of December 31, 2022
Name of property	G Rothschild
Location of property	Real estate known as block 3934 part 243 and parts 242 and 244 located at 45, Rothschild Street, Rishon LeTsiyon.
Area of property – split by use (sq. m)	Built area of 32,100 meter including four shopping floors, six levels of parking above and four floors allocated for offices.
Holding structure of property	51% owned by the Company
Company's effective share in property	51%
Names of partners in property	Reit 1 Ltd. (I.D. 513821488)
Date of acquisition of the property	Gazit Israel acquired the rights in G Rothschild through its share issue agreement dated June 1, 2005 and were transferred to the company as part of the statutory merger dated 20.4.2021
Details of legal title to the property	51/100 non-identified share in the undivided property – part 243 in block 3934. 51% (non-identified) in accordance with G Rothschild lease agreement for parts 242 and 244 in block 3934.
Material unused building rights	Unused building rights of main 560 m for shopping and office use.
Financial statement presentation method	Fair value
Status of registration of legal rights	The ownership rights in part 243 of block 3934 are registered undivided in the name of Gazit Israel (51/100 non-identified parts) and Reit 1 Ltd. – (49/100 in unidentified parts). The ownership rights in the real estate, parts 242 and 244 of block 3934, are fully registered in the name of the City of Rishon LeTsiyon. On December 1, 2020, an unlimited first-degree mortgage was registered in the amount of the ownership rights of G Israel in plot 243 in favor of Reznik Paz Nevo Trusts Ltd. according to Bill No. 50868/2020/1. The company is entitled to be registered as having 51% of the lease rights in parts 242 and 244 of block 3934. As at the current date, Gazit Israel is registered as owner of a 124/226 share in the leasing rights to part 242 of block 3934 (62 m of level -1 and 62 m of level -2) and a 120/127 share in the leasing rights to part 244 of block 3934 (120 m of level -1). There is a limitation in the transfer and transfer through inheritance on Gazit Israel's leasing rights to parts 242 and 244 of block 3934. There is a section 27 notice on the usage of the real estate in favor of the Rishon LeTsiyon planning and building committee, as detailed in note 11179/2020/2 dated March 5, 2020 following the request dated March 14, 2018 for additional underground parking for the shopping center in parts 242 and 244 of block 3934 in line with item 36/7/1/RS to the lease agreement with the City of Rishon LeTsiyon dated January 25, 1998. On March 7, 211, an unlimited first-degree mortgage was registered in the amount on the lease rights of G Israel in plots 242 and 244 according to Bill No. 11931/2021/1. Item (f) below details the mortgages and pledges registered on the Company's rights in the property.

B. Principal data

Data at 100% level (Company's share in property – 51%)	Year 2022	Year 2021	Year 2020	At property acquisition date	
Fair value at end of period (NIS thousands)	228,057	228,652	216,635		
Fair value of building rights (NIS thousands)	9,112	6,497	8,750		
Total fair value (NIS thousands)	237,169	235,149	225,385	117,150	
Revaluation profit (loss) (in NIS thousands) – Company's share	(2,224)	933	(13,230)	**Acquisition date**	June 1, 2005
Average occupancy rates (%)	94.6%	96.4%	97.5%		
Actual areas leased (sq. meters)	12,416	12,722	12,726		
Total revenues (NIS thousands)	20,738	18,900	17,902		
Average annual rental per sq. meter (per month) (NIS)	98.6	89	74		
Average monthly rental per sq. meter for leases signed in the period (NIS) [1]	53	89	106		
NOI (NIS thousands)	11,552	8,410	7,159		
Adjusted NOI (NIS thousands)	11,967	10,018	9,725		
Actual rate of return (%)	5.07%	3.7%	3.3%		
Adjusted rate of return (%) [2]	5.25%	4.4%	4.5%		
No. of tenants as at end of reporting year	85	87	91		
Average turnover (per month) per sq. meter [3]	1,286	1,414	1,429		

1 During the period, new agreements were signed for offices only.
2 Including, among other things, exclusion of provision for doubtful debts of tenants for the year 2020 and 2021.
3 The data for turnover of the tenants in the property is partial data for certain tenants, for about 39% of the property's area, that report their monthly turnover to the Company and that make up about 39% of the property's area.

Analysis of revenues and cost structure

Data at 100% level	Year 2022	Year 2021	Year 2020
	NIS thousands		
Revenues:			
From rentals – Fixed	14,161	12,050	11,195
From management fees	5,993	5,368	5,487
From rentals - Variable	584	1,482	1,220
Total revenues	**20,738**	**18,900**	**17,902**
Costs:			
Management, maintenance and operation before head office allocation [1]	9,187	10,490	10,743
Total costs	**9,187**	**10,490**	**10,743**
NOI	**11,552**	**8,410**	**7,159**

1 Including provision for doubtful debts for debts of tenants for 2020 and 2021.

C. Principal tenants in the property

Data at 100% level (Company's share of property – 51%)	% of property area leased to tenant (%)	Does tenant constitute an anchor tenant?	Does tenant account for 20% or more of property's revenues?	Sector to which tenant belongs	Original lease period and period left	Extension options (years)	Linkage of rentals	Details of collateral (if applicable)	Special dependency
Tenant A	4%	Yes	No	Fashion	3.5 / 5	15	Linked to CPI	Bank guarantee	-
7	11%	Yes	No	Sport and gym	7.8 /12	5	Linked to CPI	Bank guarantee	-
Tenant C	5%	Yes	No	Pharma	7 / 12.4	10	Linked to CPI	-	-

D. Anticipated revenues from signed leases (assuming that tenants' option period is not exercised)

	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027 and after
	NIS thousands				
Fixed components	12,514	9,866	7,033	3,777	8,182
Variable components (estimate)	212	77	71	32	97
Total	**12,726**	**9,943**	**7,104**	**3,809**	**8,279**

E. Improvements and changes planned in the property

Type	Detail	Amount pledged by pledge as at December 31, 2022 (in NIS millions)
Unlimited first degree pledge	On April 20, 2121, a permanent pledge number 70 was registered with the Registrar of Companies according to the creation date of January 4, 2010 in favor of Rit1 Ltd. ("Rit1") in connection with the acquisition of Rit1's rights in G Rothschild (all as specified in Pledge 70)	**Unlimited**
Mortgage unlimited first degree pledge	Unlimited first degree mortgage of the Gazit Israel's rights on part 243 of block 3934 in favor of Reznik Paz Nevo Nominees Ltd. through note 50868/2020/1 dated December 1, 2020.	
Mortgage unlimited first degree pledge	In plots 242 and 244 in block 3934, a first-degree mortgage is registered without an amount in the amount on the rights of G-Israel in favor of Reznik Paz Nevo Trusts Ltd. according to bill number 11931/2021/1 dated 7.3.2021	
Unlimited first degree pledge	On April 20, 211, a permanent pledge number 96 was registered with the Registrar of Companies according to the creation date from December 1, 2020, in favor of Reznik Paz Nevo Trusts Ltd. (all as specified in lien number 96)	
Unlimited first degree pledge	On April 20, 211, permanent lien number 102 was registered with the Registrar of Companies according to the creation date of March 7, 211 in favor of Reznik Paz Nevo Trusts Ltd. (all as specified in lien number 102)	
Limit on transfer and transfer through inheritance	There exists a limit on transfer and transfer through inheritance on Gazit Israel’s leasing rights in parts 242 and 244.	
Conditions of leasing contract	The leasing contract prevents Gazit Israel to transfer its rights to a third party. As a result, the recording of a pledge on the Company’s rights to parts 242 and 244 and the assessment that a pledge is not considered a transfer of the rights both require agreement by the City (as registered owners of the real estate). On February 28, 2121, the municipality's consent was obtained to register the liens in favor of Reznik Paz Nevo Trusts Ltd.	
Post Office agreement	In accordance with the Post Office service agreement between Israel Post and Gazit Israel of May 18, 2017, the Post Office needs to give its prior written agreement to any pledge. Such agreement to pledge was received on November 15, 2020.	

Type	Detail	Amount pledged by pledge as at December 31, 2022 (in NIS millions)
Limitations due to partner agreement with Reit 1	Any pledge of the rights due to the partner agreement between Gazit Israel and Reit 1 of December 4, 2009 requires a letter of agreement from the mortgage holder appointed for Reit 1 accepting that the pledge is subject to the partner agreement. Such written agreement to pledge was received from Reit on October 25, 2020.	
First right of refusal	The transfer of rights by either side in the partner agreement is subject to first refusal right of the other side to acquire the rights.	
Joining right	Reit 1 received the right to join Gazit Israel in case it wants to sell its rights in G Rothschild (if the first right of refusal is not used).	
Forced sale	Gazit Israel can force Reit 1 to join its sale of rights (if the first right of refusal is not used).	
Separation mechanism	Either side that wishes to separate will notify its intention to sell or acquire its rights to the other side and will include a price in its offer. If the other side does not accept a pricing process will start (45 days after receipt of the offer). In this process the other side can agree or can give a counteroffer – to acquire the first' rights for a price increased by multiples of NIS 400,000 (as adjusted for the sold side's share in the real estate – 49% or 51%) above the price in the offer. The first side can give a counteroffer and this will repeat until the other side accepts the offer.	

F. Details regarding the valuation

Data at 100% level (Company's share in property 51%)		31/12/2022	31/12/2021	31/12/2020
The determined value as at the end of the period (NIS thousands)		237,169	235,149	225,385
Identity of appraiser		Yehuda Zisser	Yehuda Zisser	Yehuda Zisser
Is the appraiser independent		Yes	Yes	Yes
Is there an indemnification agreement[1]		Yes	Yes	Yes
Effective date of valuation		31/12/2022	31/12/2021	31/12/2020
Valuation model		Income (DCF)	Income (DCF)	Income (DCF)
Main parameters taken into account for the valuation:				
Valuation according to the DCF (income approach)	Area available for renting (sq. meters) – all types of units excluding external ownership	13,121	13,193	13,057
	Occupancy rate in year +1 (%)	94%	94%	93%
	Occupancy rate in year + 2 (%)	100%	100%	100%
	Representative occupancy rate of area available for renting for valuation (%)	100%	100%	100%
	Basic average monthly rentals per sq. m leased (NIS) in year + 1 for valuation purposes – excluding units without metreage	88.0	87.0	82.9
	Basic average monthly rentals per sq. m leased (NIS) in year + 2 for valuation purposes – excluding units without metreage	90.8	88.7	92.8
	Basic average monthly rentals per sq. m leased (NIS) for valuation purposes – excluding units without metreage	95.2	93.5	96.8
	Weighted rate of return for valuation purposes (%)	7.15%	7.05%	7.2%
	Representative NOI	16,548	16,551	16,617

Sensitivity analyses of the value		Change in value in (NIS thousands)		
Occupancy rates		The property at 100%	The property at 100%	The property at 100%
	Fall of 5%	(11,400)	(11,348)	(11,111)
Cap rates	Rise of 0.25%	(7,819)	(8,040)	(7,745)
	Fall of 0.25%	8,385	8,631	8,302
Average rental per Sq. m	Rise of 5%	10,488	10,495	10,530
	Fall of 5%	(10,488)	(10,495)	(10,530)

1 The indemnification to the valuer is for any financial liability that may be imposed on him relating to the valuation, except in the case of negligence and / or malice and / or lack of good faith. In the assessment of the Company, the valuer is independent from the Company, taking account of the valuer's representation that he has no interest in the valued property, that he is not dependent on Gazit Israel, that the results of his opinion do not affect his relationship with the party that requested the opinion and the lack of any effect of the results of the opinion on his fees.

As discussed, as at today's date the refurbishment of the property has completed.

The difference between the NOI of the property in the first year of cash flows used for the valuation (NIS 14.3 million) and the representative NOI as shown in the assessment as at December 31, 2022 (NIS 16.5 million) is due to components detailed below:

NIS 1.1 million of the amount relates from the pricing of empty units in the property for which no rental contracts have yet been signed or to units which are undergoing refurbishment before occupation (and for which there are signed rental contracts) that do not earn in the relevant period, taking into account the end of the refurbishment;

An additional difference of NIS 0.4 million is due to the forecast of the adjustment of the rental rates per meter to the market rates at the end of the bonus period granted to tenants or due to the end of the rental contract, including for units where the rent is based on levels of turnover;

NIS 0.7 million relates to streamlining moves and savings in management costs for the property that the Company intends to undertake, as well as increases in management revenues from the increase in the occupancy rate of empty areas, mainly after stabilization of the property after the conclusion of the refurbishment and which will contribute to reduce the current management deficit.

G Kokhav HaTzafon

A. Presentation of the property

Information on 100% level (Company's share of property – 100%)	As of December 31, 2022
Name of property	G Kokhav HaTzafon
Location of property	Real estate known as part 28 of block 7186 located at 19-21, Yairi Meir Street, in the Kokhav HaTzafon neighborhood, Tel Aviv-Yafo.
Area of property – split by use (sq. m)	G Kokhav HaTzafon is a build up area of about 2,100 m at ground level and a build up area of 3,615 m (of which 114 m storage) in the basement floor, and includes a one-story building above the basement composed of three sections linked by a surrounding pergola
Holding structure of property	Fully owned by the Company [1]
Company's effective share in property	100%
Names of partners in property	-
Date of acquisition of the property	Gazit Israel acquired the rights from Thermosintex Ltd. (the "seller"), through a purchase agreement dated July 18, 2017. The rights of the seller in the property derive from a development contract between the City and the seller dated January 15, 2013. The company's rights in the said complex were transferred to it as part of the statutory merger dated April 20, 2021.
Details of legal title to the property	Gazit Israel is registered as the leaseholder of part 28 in block 7186, except in the area of the electricity room and the areas of 50 parking spaces which were allocated to the rights holders in plot 26, as defined below.
Material unused building rights	The Tel Aviv blueprint plan, TA / 5000 allows the addition of rights subject to the preparation of a detailed plan to the local council.
Financial statement presentation method	Fair value
Status of registration of legal rights	The ownership rights to the property in part 28 of block 7186 are registered in the Land Registry Office in the name of the City of Tel Aviv-Yafo. On December 2, 2020 Gazit Israel was registered in the Land Registry Office as leaseholder of the property due to a lease contract with the City dated May 20, 2020. At the same time an unlimited first degree mortgage on Gazit Israel's rights in favor of the nominee and a caveat notice in favor of the Israel Electric Company for a lease contract between Gazit Israel and the electric company dated March 11, 2019 according to which Gazit Israel leases the transformator room ("the electricity room") to the electric company, was registered. On June 12, 2014 the seller and Yasda Ltd. entered into a sub-lease ("the sub-lease" and "the sub-lessee", respectively). A blueprint was attached to this sub-lease showing the above parking places ("the part 26 parking places") according to which the seller leases the part 26 parking places to the sub-lessee for the sub-lease period. The seller committed to register the leasing rights of the sub-lessee in the Land Registry Office. The real estate rights include a public-usage note in favor of the public. Item (f) below details the mortgages and pledges registered on the Company's rights in the property.

1 Except for the rights of the Israel Electric Company Ltd. per the March 11, 2019 purchase agreement according to which it acquired real estate rights to an area of 51.93 m in the basement which is used as a transformer room and except for a group of 50 parking places in the underground car park which were leased to Yasda Ltd. through a sub-lease.

B. Principal data

Data at 100% level	Year 2022	Year 2021	Year 2020	At property acquisition date	
Fair value at end of period (NIS thousands)	105,090	104,000	103,200		
Revaluation profit (loss) (in NIS thousands) – excluding amortization of paid acquisition tax	(922)	664	(4,562)		
Average occupancy rates (%)	90.2%	90.9%	91.6%	**Acquisition costs (NIS thousands) (including adjacent lot and building rights)**	105,000
Actual areas leased (sq. meters)	2,097	2,113	2,100	**Acquisition date**	July 18, 2017
Total revenues (NIS thousands)	5,942	6,504	5,349[1]		
Average annual rental per sq. meter (per month) (NIS)	267.7	222	237		
Average monthly rental per sq. meter for leases signed in the period (NIS)	318	-	267		
NOI (NIS thousands)	4,537	4,781	3,197		
Adjusted NOI [2](NIS thousands)	5,158	4,645	3,790		
Actual rate of return – yielding section (%)	4.3%	4.6%	3.1%		
Adjusted rate of return yielding section (%)	4.9%	4.5%	3.7%		
No. of tenants as at end of reporting year	25	25	27		
Average turnover (per month) per sq. meter [3]	3,510	3,309	3,144[4]		

1 The compound was opened at the end of 2019 and is being occupied in 2020.
2 Including, among other things, the neutralization of VAT expenses in respect of the tenants' debts from 2020 and 2021.
3 The data for turnover of the tenants in the property is partial data for certain tenants, for about 31% of the property's area, that report their monthly turnover to the Company and that make up about 42% of the property's area.

C. Analysis of revenues and cost structure

Data at 100% level	Year 2022	Year 2021	Year 2020
	NIS thousands		
Revenues:			
From rentals – Fixed	4,962	5,406	4,478
From management fees	977	882	772
From rentals - Variable	4	216	99
Total revenues	**5,942**	**6,504**	**5,349**
Costs:			
Management, maintenance and operation before head office allocation [1]	1,406	1,723	2,152
Total costs	1,406	**1,723**	**2,152**
NOI	**4,537**	**4,781**	**3,197**

1 Including provision for doubtful debts for debts of tenants for 2020 and 2021.

D. Principal tenants in the property

	% of property area leased to tenant (%)	Does tenant constitute an anchor tenant?	Does tenant account for 20% or more of property's revenues	Sector to which tenant belongs	Original lease period and period left (years)	Extension options (years)	Linkage of rentals	Details of collateral (if applicable)	Special dependency
Tenant A	14%	Yes	No	Supermarket	1.6/5	19.9	Linked to CPI	-	-
Tenant B	12%	Yes	No	Catering	1.8/5	10	Linked to CPI	Bank guarantee	-

E. Anticipated revenues from signed leases (assuming that tenants' option period is not exercised)

	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027 and after
	NIS thousands				
Fixed components	6,093	4,099	575	92	-
Variable components (estimate)	-	-	-	-	-
Total	**6,093**	**4,099**	**575**	**92**	**-**

F. Improvements and changes planned in the property

Type	Detail	Amount pledged by pledge as at December 31, 2022 (in NIS millions)
Unlimited first degree mortgage	An unlimited first degree mortgage in favor of Reznik Paz Nevo Nominees Ltd. according to note no. 55286/2020/3 dated December 2, 2020 on Gazit Israel's rights in part 28, block 7186.	Unlimited
Unlimited first degree pledge	On April 20, 211, lien number 97 was registered with the Registrar of Companies according to the creation date of December 2, 2020, in favor of Resnik Paz Nevo Trusts Ltd. (all as specified in lien number 97)	Unlimited
Caveat notice in favor of Israel Electric Company	A caveat notice on Gazit Israel's rights in the property in favor of Israel Electric Company from December 2, 2020, relating to the electricity room that Gazit Israel leases to Israel Electric Company. The electric room is also known as room TT in Biluah Maoz 1-3, which is used as transformation station for two transformers.	
Rights of Yasda Ltd. in group of 50 underground car parking spaces	Yasda Ltd. has the right to register its ownership as a sub-lessee of a group of 50 underground car parking spaces. In addition, a non-exclusive right of way should be registered in its favor for the parking spaces that it has been allocated, in an access way that will be marked by the parties on a blueprint.	

G. Details regarding the valuation

Data at 100% level		**31/12/2022**	**31/12/2021**	**31/12/2020**
The determined value as at the end of the period (NIS thousands)		105,900	104,000	103,200
Identity of appraiser		Sefi Raviv	Sefi Raviv	Sefi Raviv
Is the appraiser independent		Yes	Yes	Yes
Is there an indemnification agreement[1]		Yes	Yes	Yes
Effective date of valuation		31/12/2022	31/12/2021	31/12/2020
Valuation model		Income (DCF)	Income (DCF)	Income (DCF)
Main parameters taken into account for the valuation:				
Valuation according to the DCF (income approach)	Area available for renting (sq. meters) – all types of units excluding external ownership	2,325	2,325	2,294
	Occupancy rate in year +1 (%)	90%	90%	89%
	Occupancy rate in year + 2 (%)	100%	100%	100%
	Representative occupancy rate of area available for renting for valuation (%)	100%	100%	100%
	Basic average monthly rentals per sq. m leased (NIS) in year + 1 for valuation purposes – excluding units without metreage	254.3	235.4	211.6
	Basic average monthly rentals per sq. m leased (NIS) in year + 2 for valuation purposes – excluding units without metreage	253.8	241.8	235.2
	Basic average monthly rentals per sq. m leased (NIS) for valuation purposes – excluding units without metreage	253.8	241.8	235.2
	Weighted rate of return for valuation purposes (%)	6.0%	6.0%	6.0%
	Representative NOI	6,575	6,521	6,498

Sensitivity analyses of the value			**Change in value in (NIS thousands)**	
Occupancy rates		The property at 100%	The property at 100%	The property at 100%
	Fall of 5%	(5,900)	(5,000)	(4,615)
Cap rates	Rise of 0.25%	(4,384)	(4,348)	(3,702)
	Fall of 0.25%	4,765	4,726	3,998
Average rental per Sq. m	Rise of 5%	5,900	5,622	4,980
	Fall of 5%	(5,900)	(5,622)	(4,980)

[1] The indemnification to the valuer is for any financial liability that may be imposed on him relating to the valuation, except in the case of negligence and / or malice and / or lack of good faith. In the assessment of the Company, the valuer is independent from the Company, taking account of the valuer's representation that he has no interest in the valued property, that he is not dependent on Gazit Israel, that the results of his opinion do not affect his relationship with the party that requested the opinion and the lack of any effect of the results of the opinion on his fees.

G Horev Center

A. Presentation of the property

Information on 100% level (Company's share of property – 50%)	As of December 31, 2022
Name of property	Horev Center
Location of property	Real estate known as block 10782 parts 134 (part), 140 (part), 67, 71, 74, 77, 83 (part)
Area of property – split by use (sq. m)	Block 10782 part 134 – registered area of 4,235 m in built up area of 28,870 m including seven floors above four basement floors for parking and storage, three floors for shopping (including a floor which has a gallery), one technical floor and three floors of offices / health center. Block 10782 part 140 – registered area of 534 m on which four basement floors are built below ground floor level which are used for 49.5 parking spaces on a total area of 1,898 m and an office with an area of 18 m on the first floor which is used as a taxi station. Block 10782 part 67 – registered area of 383 m. Not built on. Block 10782 part 71 – registered area of 881 m. Not built on. Block 10782 part 74 – registered area of 877 m. The part is used as a fixed building from concrete blocks partly covered by tiled roof. The building includes 4 levels (two of which are below Pika Street level) on a total area of 550 m. Block 10782 part 77 - registered area of 865 m. Not built on. Block 10782 part 83 - registered area of 96 m. Not built on.
Holding structure of property	50% owned by the Company.
Company's effective share in property	50%
Names of partners in property	N.T.M. Transport and Commercial Assets Ltd. – I.D.520036625.
Details of legal title to the property	As detailed below regarding registration of legal rights.
Material unused building rights	About 2,500 m main areas in additional parts. In addition, Haifa master plan HA/2000 allows for additional building rights subject to the preparation of a detailed plan to the local council.
Financial statement presentation method	Fair value

Status of registration of legal rights	All the Company's rights to the real estate known as block 10782, part of parts 134[26] and 140, on 15, Horev Street / corner Derekh Pika in the Ahuza Haifa neighborhood known as the "Horev Center Mall" on a 26,996 m build up area including seven floors above four basement floors for parking and storage, three floors for shopping (including a floor which has a gallery), one technical floor and three floors of offices / health center as well as all Gazit Israel's rights in the real estate known as a share in parts 67, 83, 71, 74 and 77 in block 10782 adjacent to the Horev Center Mall of which part is built in a four floor building on a total area of 550 m except for the real estate of the City of Haifa detailed below[5] are registered. The leasing rights to the real estate known as part 140 in block 10782 referring to four basement floors below ground level which are used for 49.5 parking spaces on a total area of 1,898 m and an office with an area of 18 m on the first floor below the Horev Center Square which is at ground floor level are registered. The Company's ownership rights in the 2121/4235 non-identified share in the sub-shares 1 and 20 in part 134 block 10782 as well as in the 303/605 non-identified share in the sub-parts 1 – 5, 7 and 8, 10 – 19, 22 – 97 and 99 in part 134 in block 10782 are registered in the Land Registry Office. The capitalized leasing rights for the lease period ending May 9, 2055 in the 1/2 non-identified shares of part 140 in block 10782 are registered in the name of Gazit Israel in the Land Registry Office. The ownership rights to the 1/2 non-identified shares of part 67 in block 10782 are registered in the name of Gazit Israel in the Land Registry Office. The ownership rights to the 1/4 non-identified shares of part 83 in block 10782 are registered in the name of Gazit Israel in the Land Registry Office. The ownership rights to the 1/2 non-identified shares of part 71 in block 10782 are registered in the name of Gazit Israel in the Land Registry Office. The ownership rights to the 1/2 non-identified shares of sub-parts 1 and 2 of part 74 in block 10782 are registered in the name of Gazit Israel in the Land Registry Office[4]. The ownership rights to the 1/2 non-identified shares of part 77 in block 10782 are registered in the name of Gazit Israel in the Land Registry Office. The ownership rights in the sub-parts of part 134 in block 10782 which are shared between Gazit Israel and N.T.M., except for sub-parts 6, 9, 21 and 98 of the above part 134 not owned by Gazit Israel and are not part of the pledged property but including sub-parts 100 and 101 that are fully owned by Gazit Israel are registered. The ownership in parts 67, 71, 74-77 in block 10782 which is shared between Gazit Israel and N.T.M. is registered. The ownership in part 83 in block 10782 which is shared between Gazit Israel, N.T.M. and third parties is registered. The ownership in part 140 in block 10782 is registered in the name of the City of Haifa in the Land Registry Office. Gazit Israel owns the capitalized lease rights (for the period ending May 9, 2055) in the 1/2 non-identified shares of part 140. There is a benefit order in favor of the City of Haifa as set out in note 3267/2015/1012 according to which a total area of 151.1 m of part 134 is pledged for pedestrian access rights to all the public. After their decision no.87 of December 18, 2017 Section 27 notes on designation of real estate according to note 21828/2018/1 were registered in favor of the City of Haifa for sub-parts 71, 74, 75 and 77 in part 134.

	Note 5362/1988 dated January 1, 1988 expropriated parts 67 and 83 in block 10782 according to Sections 5 – 7 of the Land (Purchase for Public Purposes) Ordinance, 1943. Note 1985/1958/100 dated April 29, 1958 registered benefit orders which allow access rights through part 83 block 10782 to part 67. Note 15/1962 of January 1, 1962 identified the leasing rights of all the owners in parts 71 and 77 in block 10782 an area of 125 m in a blueprint for use as a road for a period of 999 years. In addition, Note 47801/2015/1 dated October 13, 2015 registered additional leasing rights in an area of 40 m identified in the blueprint for use as a road in favor of the City of Haifa on a share of part 71 in bock 10782 for a period of 999 years (above and below: “City of Haifa Real Estate”). Note 6793/1997/3 dated February 11, 1997 and the Section 27 real estate designation notice according to note 6707/2015/1 dated February 9, 2015 in favor of the Haifa local planning and building council registered an expropriation notice in favor of the City of Haifa on all the rights of all the owners in a share of part 71. Note 6973/1976/1 registered a leasing right for a 165 m section of real estate for the widening of a road in favor of the City of Haifa for a period of 999 years on the shared ownership rights of the owners of part 74. Note 6707/2015/1 dated February 9, 2015, registered a Section 27 notice on the designation of real estate in favor of the local council for planning and building on part 77. As at the time of this note, the use of the real estate was in accordance with its designation. On July 14, 2010 N.T.M. and Gazit Israel signed an association agreement relating to parts 134, 67 and 83 of the Horev Center real estate (“the Horev association agreement”) that codifies the relationship between above parties in the Horev Center (parts 134, 67 and 83). Item (f) below details the mortgages and pledges registered on the Company’s rights in the property.

1 On April 20, 2121, G Israel was merged with and into the company in a statutory merger. As of this date, the transfer of rights in the name of the company at the Land Registry has not yet been completed.

2 Part 74 block 10782 is registered as a shared building in the Land Registration Office.

3 For the benefit of the Haifa Municipality, a lease is registered for part of Department 71 in Block 10782 according to method 4781/2015/1, dated 13.10.15, for a period of 99 years, in connection with a 40 sq.m.

B. Principal data

Data at 100% level (Company's share of property – 50%)	Year 2022	Year 2021	Year 2020	At property acquisition date	
Fair value at end of period (NIS thousands)	236,432	216,836	170,495		
Fair value of adjacent parts at end of period (NIS thousands)	25,500	25,500	25,500		
Total fair value (NIS thousands)	261,932	242,336	195,995		
Revaluation profit (loss) (in NIS thousands) – Company share	9,714	23,098	(2,420)	Acquisition date	July 26, 2006
Average occupancy rates (%)	94.7%	94.6%	94.5%		
Actual areas leased (sq. meters)[1]	12,103	11,905	11,952		
Total revenues (NIS thousands)	17,184	19,214	16,559		
Average annual rental per sq. meter (per month) (NIS)	116.7	104	99		
Average monthly rental per sq. meter for leases signed in the period (NIS)[3]	127	75	112		
NOI (NIS thousands)	13,984	9,240	9,249		
Adjusted NOI [4](NIS thousands)	16,778	12,572	10,417		
Actual rate of return (%)	5.9%	4.7%	5.4%		
Adjusted rate of return (%)	7.1%	5.8%	6.1%		
No. of tenants as at end of reporting year	25,500	51	58		
Average turnover (per month) per sq. meter	261,932	2,000	1,894[2]		

1 Including areas of 2,550 owned by third parties

2 The above refers to rented out areas of the property, for trade and offices.

3 Including, among other things, exclusion of provision for doubtful debts of tenants for the year 2020.

4 The data for turnover of the tenants in the property is partial data for certain tenants, for about 31% of the property's area, that report their monthly turnover to the Company and that make up about 31% of the property's area.

D. Analysis of revenues and cost structure

Data at 100% level (Company's share in the property - 50%)	Year 2022	Year 2021	Year 2020
	NIS thousands		
Revenues:			
From rentals – Fixed	12,738	12,034	11,177
From management fees	4,446	7,180	5,382
From rentals - Variable	-	-	-
Total revenues	17,184	**19,214**	**16,559**
Costs:			
Management, maintenance and operation before head office allocation [1]	3,200	9,974	7,310
Total costs	3,200	**9,974**	**7,310**
NOI	13,984	**9,240**	**9,249**

1 Including provision for doubtful debts for debts of tenants for 2020 and 2021.

E. Principal tenants in the property

Data at 100% level (Company's share of property – 51%)	% of property area leased to tenant (%)	Does tenant constitute an anchor tenant?	Does tenant account for 20% or more of property's revenues?	Sector to which tenant belongs	Original lease period and period left (years)	Extension options (years)	Linkage of rentals	Details of collateral (if applicable)	Special dependency
Tenant A	17%	Yes	No	Health	3.7/5	9.9	Linked to CPI	-	-
Tenant B	5%	Yes	No	Health	3.7/5	9.9	Linked to CPI	-	-
Tenant C	5%	Yes	Yes	Pharma	2.8/5	14.9	Linked to CPI	-	-

F. Anticipated revenues from signed leases (assuming that tenants' option period is not exercised)

	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027 and after
	NIS thousands				
Fixed components	11,808	10,668	8,934	4,781	5,037
Variable components (estimate)	490	122	109	109	166
Total	**12,298**	**10,790**	**9,044**	**4,890**	**5,203**

G. Pledges and legal restrictions on the property

Type	Detail	Amount pledged by pledge as at December 31, 2022 (in NIS millions)
Lease	In part 71, Note 15/1962 of January 1, 1962 registered the leasing rights in favor of the City of Haifa, all owners, for a period of 999 years with a restriction on transfer and a restriction on inheritance	
Lease	In part 71, Note 47801/2015/1 dated October 13, 2015 registered a limitation on the transfer and transfer through inheritance in favor of the City of Haifa for an area of 40 m for a period of 999 years.	
Lease	In part 74, Note 6973/1976/1 registered a lease of the part in favor of the City of Haifa	
Lease	In part 77, Note 15/1962 of January 1, 1962 registered the leasing rights in favor of the City of Haifa, all owners, for a period of 999 years with a restriction on transfer and a restriction on inheritance	
Mortgage unlimited first degree pledge	In part 71 block 10782, Note 58760/2020/1 dated November 9, 2020, registered an unlimited first degree mortgage on the Company's rights in favor of Reznik Paz Nevo Nominees Ltd.	unlimited
Mortgage unlimited first degree pledge	In sub-part 1 of part 74 block 10782, Note 58760/2020/1 dated November 9, 2020, registered an unlimited first degree mortgage on the Company's rights in favor of Reznik Paz Nevo Nominees Ltd.	unlimited
Mortgage unlimited first degree pledge	In sub-part 2 of part 74 block 10782, Note 58760/2020/1 dated November 9, 2020, registered an unlimited first degree mortgage on the Company's rights in favor of Reznik Paz Nevo Nominees Ltd.	unlimited
Mortgage unlimited first degree pledge	In part 77 block 10782, Note 58760/2020/1 dated November 9, 2020, registered an unlimited first degree mortgage on the Company's rights in favor of Reznik Paz Nevo Nominees Ltd.	unlimited
Mortgage unlimited first degree pledge	In sub-parts 1-5, 7-8, 10-20, 22-97 and 99-101 of part 134 block 10782, Note 58760/2020/1 dated November 9, 2020, registered an unlimited first degree mortgage on the Company's rights in favor of Reznik Paz Nevo Nominees Ltd.	unlimited
Mortgage unlimited first degree pledge	In part 67 block 10782, Note 58760/2020/1 dated November 9, 2020, registered an unlimited first degree mortgage on the Company's rights in favor of Reznik Paz Nevo Nominees Ltd.	unlimited
Mortgage unlimited first degree pledge	In part 83 block 10782, Note 58760/2020/1 dated November 9, 2020, registered an unlimited first degree mortgage on the Company's rights in favor of Reznik Paz Nevo Nominees Ltd.	unlimited
Mortgage unlimited first degree pledge	In part 140 block 10782, Note 58760/2020/1 dated November 9, 2020, registered an unlimited first degree mortgage on the Company's rights in favor of Reznik Paz Nevo Nominees Ltd.	unlimited
Unlimited first degree pledge	On April 20, 211, pledge number 93 was registered with the Registrar of Companies according to the creation date from November 9, 2020, in favor of Reznik Paz Nevo Trust Ltd. (all as specified in lien number 93)	unlimited
Unlimited first degree pledge	On April 20, 211, pledge number 94 was registered with the Registrar of Companies according to the creation date from November 9, 2020, in favor of Resnik Paz Nevo Trusts Ltd. (all as specified in lien number 94)	unlimited

Type	Detail	Amount pledged by pledge as at December 31, 2022 (in NIS millions)
Limit from association agreement	As condition for the registration of the pledge, the mortgagor needs to grant its letter of agreement to N.T.M. Transport and Commercial Assets Ltd. that the pledge is in accordance with the association agreement. N.T.M. provided such a letter of agreement on October 19, 2020.	
First refusal right	The transfer of rights of either side in the association agreement is subject to a first refusal right to the other side to purchase the rights.	
Limit on transfer and transfer through inheritance	Gazit Israel's rights in part 140 are subject to a limit on the transfer and transfer through inheritance.	

H. Details regarding the valuation

Data at 100% level		31/12/2022	31/12/2021	31/12/2020
The determined value as at the end of the period (NIS thousands)		261,887	242,336	195,995
Identity of appraiser		Yehuda Zisser	Yehuda Zisser	Yehuda Zisser
Is the appraiser independent		Yes	Yes	Yes
Is there an indemnification agreement[1]		Yes	Yes	Yes
Effective date of valuation		31/12/2022	31/12/2021	31/12/2020
Valuation model		Income (DCF)	Income (DCF)	Income (DCF)
Main parameters taken into account for the valuation:				
Valuation according to the DCF (income approach)	Area available for renting (sq. meters) – all types of units excluding external ownership	10,234	9,821	10,034
	Occupancy rate in year +1 (%)	93%	%93	%94
	Occupancy rate in year + 2 (%)	100%	%100	%100
	Representative occupancy rate of area available for renting for valuation (%)	100%	%100	%100
	Basic average monthly rentals per sq. m leased (NIS) in year + 1 for valuation purposes – excluding units without metreage	100.1%	96.1	98.8
	Basic average monthly rentals per sq. m leased (NIS) in year + 2 for valuation purposes – excluding units without metreage	102.0	99.1	100.6
	Basic average monthly rentals per sq. m leased (NIS) for valuation purposes – excluding units without metreage	103.2	104.7	105.6
	Weighted rate of return for valuation purposes (%)	7.25%	%7.1	%7.1
	Representative NOI	17,219	15,359	12,432

Sensitivity analyses of the value		Change in value in (NIS thousands)		
Occupancy rates		The property at 100%	The property at 100%	The property at 100%
	Fall of 5%	(8,745)	(9,859)	(9,859)
Cap rates	Rise of 0.25%	(7,916)	(7,358)	(5,956)
	Fall of 0.25%	8,482	7,895	6,391
Average rental per Sq. m	Rise of 5%	8,688	8,688	8,951
	Fall of 5%	(8,745)	(8,688)	(8,951)

1 The indemnification to the valuer is for any financial liability that may be imposed on him relating to the valuation, except in the case of negligence and / or malice and / or lack of good faith. In the assessment of the Company, the valuer is independent from the Company, taking account of the valuer's representation that he has no interest in the valued property, that he is not dependent on Gazit Israel, that the results of his opinion do not affect his relationship with the party that requested the opinion and the lack of any effect of the results of the opinion on his fees.

CHAPTER C

G CITY LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2022

INDEX

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AUDITORS' REPORT
To the Shareholders of G CITY LTD.

We have audited the accompanying consolidated statements of financial position of G City, Ltd. (the "Company") and subsidiaries as of December 31, 2022 and 2021 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2022. 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 did not audit the financial statements of certain subsidiaries, whose assets included in consolidation constitute approximately 27% and 29% of total consolidated assets as of December 31, 2022 and 2021, respectively, and whose revenues included in consolidation constitute approximately 30%, 31% and 32% of total consolidated revenues for the years ended December 31, 2022, 2021 and 2020, respectively. The financial statements of those companies were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for those companies, is based on the reports of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards in Israel, including those 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 and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and subsidiaries as of December 31, 2022 and 2021 and the consolidated results of their operations, changes in equity and their cash flows for each of the three years in the period ended December 31, 2022 in conformity with International Financial Reporting Standards ("IFRS") and with the provisions of the Israeli Securities Regulations (Annual Financial Statements), 2010.

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. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon. The communication of these matters 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 these matters or on the accounts or disclosures to which they relate.

Fair value of investment property

As described in Notes 2m, 11 and 12 to the consolidated financial statements, the Company's investment properties are measured at fair value and revaluation gains and losses are recognized in profit or loss. As of December 31, 2022, the Company's investment properties total approximately NIS 32,543 million, accounting for 82% of the Company's assets. The loss from the revaluation of investment property in the year ended December 31, 2022 amounted to NIS 450 million.

The fair value of investment property was measured as follows:

The fair value of commercial and industrial properties and land held for capital appreciation is determined using the DCF method and CUP method based on the expected future cash flows from the properties and comparable transactions in similar properties in the market with adjustment to the specific property features and use of discount rates that take into consideration the inherent risk of the properties.

The valuation of investment property requires those charged with governance and management to use judgment in making estimates and evaluations while maximizing the reliance on relevant observable parameters and minimizing the use of unobservable parameters. In measuring the fair value, the Company relies on significant estimates that involve uncertainty and subjective assumptions that cannot be observed in the market (Level 3).

Changes in these estimates and assumptions are likely to have a material impact on the estimated fair value of investment property disclosed in the Company's financial statements. We identified this matter as a key audit matter due to the extensive use of judgments and estimates by management and those charged with governance.

How we addressed the matter in our audit

In response to the process of determining the fair value of investment property, we mainly performed the followings procedures:

- Understanding the internal control environment for determining the fair value of investment property and auditing the effectiveness of the relevant internal controls for fair value measurement.
- Evaluating the competence and independence of the valuation experts hired by the Company.
- Examining the adequacy of the fair value measurement methodology and verifying its correspondence to the property being measured.
- Analyzing the key assumptions and matters that involve extensive judgment and understanding the methods used by the Company's valuation experts for fair value measurement.
- Examining on a test basis the accuracy and completeness of the information delivered by the Company to the valuation experts.
- Assessing the reasonableness of the basic assumptions applied in the valuations on a test basis which included variable rental income, capitalization rates and previous year's results.
- Maintaining direct communication with the Company's management and its hired valuation experts.
- Examining the proper application of assumptions in fair value measurement and testing the calculations in a sample of valuations.
- Assessment of the adequacy of the disclosures relating to the valuation methods and assumptions used by the valuation experts.

We have also audited, in accordance with Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel, "Audit of Components of Internal Control over Financial Reporting", the Company's components of internal control over financial reporting as of December 31, 2022, and our report dated March 28, 2022 expressed an unqualified opinion thereon.

Tel-Aviv, Israel
March 28, 2023

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AUDITORS' REPORT

To The Shareholders of G City LTD.

Regarding the Audit of Components of Internal Control over Financial Reporting

Pursuant to Section 9b(c) to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970

We have audited the components of internal control over financial reporting of G City Ltd. and subsidiaries (collectively, "the Company") as of December 31, 2022. Control components were determined as explained in the following paragraph. The Company's board of directors and management are responsible for maintaining effective internal control over financial reporting, and for their assessment of the effectiveness of the components of internal control over financial reporting included in the accompanying periodic report for said date. Our responsibility is to express an opinion on the Company and subsidiaries' components of internal control over financial reporting based on our audit.

We did not audit the effectiveness of the components of internal control over financial reporting of a certain subsidiary, whose assets and revenues constitute approximately 27 %and 29% of the related totals in the consolidated financial statements as of December 31, 2022 and for the year then ended, respectively. The effectiveness of the components of internal control over financial reporting of this company were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the effectiveness of the components of internal control over financial reporting of this company, is based on the report of the other auditors

The components of internal control over financial reporting audited by us were determined in conformity with Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel, "Audit of Components of Internal Control over Financial Reporting" ("Auditing Standard 911"). These components consist of: (1) entity level controls, including financial reporting preparation and close process controls and information technology general controls ("ITGCs"); (2) controls over the Treasury process; (3) controls over the valuation of investment properties process; (4) controls over the rental revenues process; (collectively, "the audited control components").

We conducted our audit in accordance with Auditing Standard 911. That Standard requires that we plan and perform the audit to identify the audited control components and obtain reasonable assurance about whether these control components have been effectively maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, identifying the audited control components, assessing the risk that a material weakness exists regarding the audited control components and testing and evaluating the design and operating effectiveness of the audited control components based on the assessed risk. Our audit of these control components also included performing such other procedures as we considered necessary in the circumstances. Our audit only addressed the audited control components, as opposed to internal control over all the material processes in connection with financial reporting and therefore, our opinion addresses solely the audited control components. Moreover, our audit did not address any reciprocal effects between the audited control components and unaudited ones and accordingly, our opinion does not take into account any such possible effects. We believe that our audit provides a reasonable basis for our opinion within the context described above.

Because of its inherent limitations, internal control over financial reporting as a whole, and specifically the components therein, may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, based on our audit and the report of other auditors, the Company effectively maintained, in all material respects, the audited control components as of December 31, 2022.

We have also audited, in accordance with generally accepted auditing standards in Israel, the consolidated financial statements of the Company as of December 31, 2022, and 2021 and for each of the three years in the period ended December 31, 2022 and our report dated March 28, 2023 expressed an unqualified opinion thereon based on our audits and the reports of the other auditors.

Tel-Aviv, Israel
March 28, 2023

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	Note	December 31, 2022	December 31, 2021
		NIS in millions	
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	1,374	3,373
Short-term investments and loans	4	128	30
Financial assets	10	172	855
Financial derivatives	34c	52	96
Trade receivables	5	122	169
Other accounts receivable	6	418	490
Income taxes receivable		52	8
		2,318	5,021
Assets classified as held for sale	7	1,341	534
		3,659	5,555
NON-CURRENT ASSETS			
Equity-accounted investees	8	1,667	1,453
Other investments, loans and receivables	9	590	298
Financial assets	10	194	153
Financial derivatives	34c	186	200
Investment property	11	28,236	28,903
Investment property under development	12	4,208	3,783
Fixed assets, net	13	161	153
Intangible assets, net	14	433	512
Deferred taxes	23f	61	63
		35,736	35,518
		39,395	41,073

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

	Note	December 31, 2022	December 31, 2021
		NIS in millions	
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Credit from banks and others	15	952	167
Current maturities of non-current liabilities	16	2,055	1,794
Financial derivatives	34c	2	36
Trade payables	17	168	181
Other accounts payable	18	655	792
Income taxes payable		44	117
		3,087	3,087
Liabilities attributed to assets held for sale	7	482	-
		4,358	3,087
NON-CURRENT LIABILITIES			
Debentures	19	15,865	16,723
Interest-bearing loans from banks and others	20	4,941	5,193
Financial derivatives	34c	198	83
Other liabilities	21	458	375
Deferred taxes	23f	1,530	2,057
		22,992	24,431
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	25		
Share capital		219	204
Share premium		4,529	4,078
Retained earnings		3,674	5,226
Foreign currency translation reserve		(4,702)	(5,352)
Other reserves		1,297	1,152
Treasury shares		(1)	(1)
		5,016	5,307
Non-controlling interests	25e	7,029	8,248
Total equity		12,045	13,555
		39,395	41,073

March 28, 2023			
Date of approval of the financial statements	Ehud Arnon Chairman of the Board	Chaim Katzman CEO And Vice Chairman of the Board	Adi Jemini Executive Vice President and CFO

	Note	Year ended December 31, 2022	2021	2020
		NIS in millions (except for per share data)		
Rental and other income	28	2,303	2,296	2,406
Property operating and other expenses	29	720	714	760
Total gross profit		1,583	1,582	1,646
Fair value gain (loss) from investment property and	11,12	(450)	621	(1,534)
General and administrative expenses	30	(374)	(342)	(352)
Other income	31a	14	16	18
Other expenses	31b	(130)	(58)	(36)
Company's share in earnings (losses) of equity-	8b	(51)	41	(78)
Operating income (loss)		592	1,860	(336)
Finance expenses	32a	(2,263)	(1,017)	(806)
Finance income	32b	117	886	109
Income (loss) before taxes on income		(1,554)	1,729	(1,033)
Taxes on income (tax benefit)	23g	(318)	690	(147)
Net income (loss)		(1,236)	1,039	(886)
Attributable to:				
Equity holders of the Company		(1,340)	646	(653)
Non-controlling interests		104	393	(233)
		(1,236)	1,039	(886)
Net earnings (loss) per share attributable to equity	33			
Total basic net earnings (loss)		(8.15)	4.26	(3.91)
Total diluted net earnings (loss)		(8.15)	4.25	(3.92)

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31,		
	2022	2021	2020
	NIS in millions		
Net income (loss)	(1,236)	1,039	(886)
Other comprehensive income (loss) (net of tax effect) *):			
<u>Amounts that will not be reclassified subsequently to profit or loss:</u>			
Net losses on financial assets at fair value through other comprehensive	2	27	(74)
<u>Amounts that will be or that have been reclassified subsequently</u>			
Exchange differences on translation of foreign operations	1,008	(1,862)	(1,175)
Net losses on cash flow hedges	146	57	(41)
Total other comprehensive income (loss)	1,156	(1,778)	(1,290)
Comprehensive income (loss)	(80)	(739)	(2,176)
Attributable to:			
Equity holders of the Company (1)	(553)	(222)	(1,974)
Non-controlling interests	473	(517)	(202)
	(80)	(739)	(2,176)
(1) Breakdown of total comprehensive income (loss)			
Net income (loss)	(1,340)	646	(653)
Exchange differences on translation of foreign	651	(940)	(1,223)
Net losses on cash flow hedges	135	46	(32)
Net gains (losses) on financial assets at fair value	1	26	(66)
	(1,340)	(222)	(1,974)

*) For further details regarding other comprehensive income (loss) and related tax impact, refer to Note 25d.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Company								
	Share capital	Share premium	Retained earnings	Foreign currency translation reserve	Other reserves	Treasury shares	Total	Non-controlling interests	Total equity
	NIS in millions								
Balance as of January 1, 2022	204	4,078	5,226	(5,352)	1,152	(1)	5,307	8,248	13,555
Loss	-	-	(1,340)	-	-	-	(1,340)	104	(1,236)
Other comprehensive income	-	-	-	651	136	-	787	369	1,156
Total comprehensive loss	-	-	(1,340)	651	136	-	(553)	473	(80)
Issuance of shares and warrants net of issuance expenses	15	431	-	-	22	-	468	-	468
Exercise and expiration of Company's share options into	*) -	20	-	-	(20)	-	*) -	-	*) -
Cost of share-based payment	-	-	-	-	7	-	7	9	16
BuyBack of hybrid debentures from non-controlling interests	-	-	-	-	4	-	4	(28)	(24)
Interest on hybrid debentures paid to non-controlling interests	-	-	-	-	-	-	-	(145)	(145)
Dividend declared **)	-	-	(212)	-	-	-	(212)	-	(212)
Acquisition of non-controlling interests	-	-	-	(1)	(4)	-	(5)	(1,149)	(1,154)
Dividend to non-controlling interests	-	-	-	-	-	-	-	(379)	(379)
Balance as of December 31, 2022	219	4,529	3,674	(4,702)	1,297	(1)	5,016	7,029	12,045

*) Represents an amount of less than NIS 1 million.
**) In the year ended in December 31, 2022 the Company declared a dividend in the amount of NIS 1.28 per share (in a total amount of NIS 212 million). NIS 53 million (NIS 0.32 per share) was paid on April 12, 2022, NIS 53 million (NIS 0.32 per share) was paid on June 14, 2022, NIS 53 million (NIS 0.32 per share) was paid on September 14, 2022 and NIS 53 million (NIS 0.32 per share) was paid on January 3, 2023.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Company								
	Share capital	Share premium	Retained earnings	Foreign currency translation reserve	Other reserves	Treasury shares	Total	Non-controlling interests	Total equity
	NIS in millions								
Balance as of January 1, 2021	204	4,063	4,761	(4,307)	842	(1)	5,562	7,017	12,579
Net income	-	-	646	-	-	-	646	393	1,039
Other comprehensive loss	-	-	-	(940)	72	-	(868)	(910)	(1,778)
Total comprehensive loss	-	-	646	(940)	72	-	(222)	(517)	(739)
Exercise and expiration of Company's share options into	*) -	15	-	-	(15)	-	*) -	-	*) -
Cost of share-based payment	-	-	-	-	9	-	9	10	19
Reclassification of share based payment to a cash settlement	-	-	-	-	-	-	-	(9)	(9)
Interest on hybrid debentures paid to non-controlling interests	-	-	-	-	-	-	-	(100)	(100)
Issuance of hybrid debentures to non-controlling interests	-	-	-	-	-	-	-	2,682	2,682
Dividend declared	-	-	(181)	-	-	-	(181)	-	(181)
Acquisition of non-controlling interests and equity	-	-	-	(105)	244	-	139	(582)	(443)
Dividend to non-controlling interests	-	-	-	-	-	-	-	(253)	(253)
Balance as of December 31, 2021	204	4,078	5,226	(5,352)	1,152	(1)	5,307	8,248	13,555

*) Represents an amount of less than NIS 1 million.

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

	Equity attributable to equity holders of the Company								
	Share capital	Share premium	Retained earnings	Foreign currency translation reserve	Other reserves	Treasury shares	Total	Non-controlling interests	Total equity
	NIS in millions								
Balance as of January 1, 2020	237	4,656	5,740	(3,077)	635	-	8,191	8,135	16,326
Loss	-	-	(653)	-	-	-	(653)	(233)	(886)
Other comprehensive loss	-	-	-	(1,223)	(98)	-	(1,321)	31	(1,290)
Total comprehensive income (loss)	-	-	(653)	(1,223)	(98)	-	(1,974)	(202)	(2,176)
Exercise and expiration of Company's share options into	*) -	6	-	-	(6)	-	*) -	-	*) -
Purchase of treasury shares	-	-	-	-	-	(633)	(633)	-	(633)
Cancellation of treasury shares	(33)	(599)	-	-	-	632	-	-	-
Interest on hybrid debentures paid to non-controlling interests	-	-	-	-	-	-	-	(16)	(16)
Cost of share-based payment	-	-	-	-	10	-	10	5	15
Reclassification of realized financial assets at fair value through other comprehensive income reserve to retained	-	-	(62)	-	62	-	-	-	-
Dividend declared	-	-	(264)	-	-	-	(264)	-	(264)
Acquisition of non-controlling interests	-	-	-	(7)	239	-	232	(579)	(347)
Dividend to non-controlling interests	-	-	-	-	-	-	-	(326)	(326)
Balance as of December 31, 2020	204	4,063	4,761	(4,307)	842	(1)	5,562	7,017	12,579

*) Represents an amount of less than NIS 1 million.

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

CONSOLIDATED STATEMENTS OF CASH FLOW

	Year ended December 31,		
	2022	2021	2020
	NIS in millions		
Cash flows from operating activities:			
Net income (loss)	(1,236)	1,039	(886)
Adjustments required to present net cash provided by operating activities:			
Adjustments to the profit or loss items:			
Finance expenses, net		131	697
Company's share in earnings (losses) of equity-accounted investees, net	2,146	(41)	78
Fair value gain (losses) from investment property and investment	51	(621)	1,534
Depreciation and amortization	450	27	28
Taxes on income (tax benefit)	24	690	(147)
Capital (gain) loss, net	(318)	32	(6)
Loss (gain) from decrease in holding interest and sale of an associate	106	-	-
Change in provision for legal claims, net	-	(5)	(1)
Cost of share-based payments	16	19	15
	2,475	232	2,198
Changes in assets and liabilities items:			
Increase in trade receivables and other accounts receivable	61	(115)	(194)
Increase in trade and other accounts payable	(139)	56	28
	(78)	(59)	(166)
Net cash provided by operating activities before interest,	1,161	1,212	1,146
Cash received and paid during the year for:			
Interest paid	(687)	(742)	(821)
Interest received	118	20	32
Dividend received	83	59	66
Taxes paid	(73)	(101)	(45)
Taxes received	46	13	19
	(513)	(751)	(749)
Net cash provided by operating activities	648	461	397

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

CONSOLIDATED STATEMENTS OF CASH FLOW

	Year ended December 31,		
	2022	2021	2020
	NIS in million		
Cash flows from investing activities:			
Proceeds from sale of an associate	-	-	302
Investment and loans to investees	(215)	(88)	(42)
Acquisition, construction and development of investment property	(1,359)	(1,972)	(1,134)
Investments in fixed assets and other assets	(23)	(20)	(15)
Proceeds from sale of investment property, net of tax paid	1,918	1,492	492
Grant of long-term loans	(123)	-	(112)
Collection of long-term loans	13	33	31
Short-term investments, net	-	-	9
Investment in financial assets	(852)	(3,025)	(1,279)
Proceeds from sale of financial assets and deposits withdrawal net of tax paid	1,230	2,900	1,471
Net cash provided by (used in) investing activities	589	(680)	(277)
Cash flows from financing activities:			
Issuance of shares and warrants net of issuance expenses	468	-	-
Exercise of share options into Company's shares	*) -	*) -	*) -
Purchase of treasury shares	-	-	(633)
Acquisition of non-controlling interests and equity issuance in a subsidiary	(1,100)	(443)	(347)
Dividend paid to equity holders of the Company	(204)	(182)	(293)
Dividend paid to non-controlling interests	(379)	(243)	(326)
Receipt of long-term loans	157	1,556	1,010
Repayment of long-term loans	(195)	(143)	(44)
Receipt (Repayment) of long-term credit facilities from banks and others, net	(617)	(577)	(946)
Receipt (Repayment) of short-term credit from banks and others, net	702	(1,184)	568
Repayment and early redemption of debentures and convertible	(2,082)	(1,767)	(2,556)
Issuance of debentures	174	3,523	3,198
Issuance of hybrid bonds to non-controlling interests	-	2,682	-
BuyBack of hybrid debentures from non-controlling interests	(24)	-	-
Interest on hybrid debentures paid to non-controlling interests	(145)	(100)	(16)
Net cash used in financing activities	(3,245)	3,122	(385)
Exchange differences on balances of cash and cash equivalents	9	(272)	(56)
Increase (decrease) in cash and cash equivalents	(1,999)	2,631	(321)
Cash and cash equivalents at the beginning of the year	3,373	742	1,063
Cash and cash equivalents at the end of the year	1,374	3,373	742

*) Represents an amount of less than NIS 1 million.

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

		Year ended December 31,		
		2022	2021	2020
			NIS in million	
(a)	Significant non-cash transactions:			
	Sale of investment property against receivables	94	75	-
	Dividend payable to equity holders of the Company	53	46	45
	Sale of financial assets against receivables	-	-	31
	Purchase of financial assets against payables	-	43	-
	Issue of debentures against receivables	-	-	90
	Dividend payable to non-controlling interests	-	10	-
(b)	Additional information:			
	Tax paid included under investing and financing activities	98	30	357

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

NOTE 1: - GENERAL

a. The Company and its business activities

The Company, directly and through its private investees and its public investee (collectively: the "Group"), operates in purchasing, improvement, development and managing of income-producing properties for mixed-use, including retail, residential and office properties that supply the needs of the population, in North America, Israel, Brazil, Northern, Central and Eastern Europe with the focus on densely populated urban cities. In addition, the Company evaluates opportunities within its core business and similar fields, within its regions of operations and in other regions.

On May 18, 2022, the Company changed its name from Gazit Globe Ltd. To G City Ltd.

The Company's securities are listed for trading on the Tel-Aviv Stock Exchange (TASE) under the ticker symbol "GCT".

On October 17, 2021, the Company’s wholly owned subsidiary engaged in a merger agreement with G Europe, whereas the subsidiary will acquire all of G Europe’s shares it does not currently own, which represent approximately 25% of G Europe’s share capital. On December 23, 2021, G Europe shareholders approved the merger and it was completed on February 18, 2022. For details refer to note 8c1.

b. The impact of inflation and changes in interest rates on the Company

During and subsequent to the reporting period, inflation rates increased substantially in the various countries in which the Group operates. The rise in inflation began towards the end of 2021 as most countries worldwide came out from the Covid crisis and the restrictions imposed due to the pandemic were rescinded, which led to an increase in global economic activity with increased demand for goods and products, a trend that continued and accelerated in the reporting period and also thereafter. At the same time, due to the conflict between Russia and Ukraine and the economic sanctions imposed on Russia (as set out below), prices of energy and various raw material rose, which also affected the rising inflation trend. Accordingly, for example, the CPI rose in 2022 in Israel by 5.3% and in the US by 6.5%. In response to the rising inflation, the central banks worldwide adopted monetary measures and significantly raised interest rates in these countries. Thus, for example, since April 2022, the Bank of Israel gradually increased the close to zero interest rate up to 4.25% as at date of publication date of the Report. In Europe, the European Central Bank raised the interest rate to 3.5%, and in the United States the interest rate rose to 4.75%, as at date of publication of the Report. However, to date the foregoing measures have had an insignificant effect on inflation rates, and even an adverse effect on growth.

Furthermore, during and subsequent to the reporting period, the exchange rates of the currencies in which the Group operates were volatile. The inflation and interest rates have affected the purchasing power of consumers, the rents charged by the Company (as set out below), the value of its properties (based on rental income), as well as the cost of credit and the Company's financing expenses.

The Company's revenue from leasing of apartments in most of the countries (more than 90%) in which the Group operates, other than the United States, are linked to the CPI and contributed to the increase in its revenues and the value of its assets, respectively. At the same time, most of the Company’s debt is not linked to the CPI (after the effect of the exchange transactions), 66% of the total debt, and an increase in the CPI increases the Company’s financing expenses accordingly. The rental linkage mechanisms constitute long-term financial hedging against the increase in the Company's financing expenses due to the CPI linkage, and with regard to the CPI linked debt (against which there is no CPI linked income in Israel), the Company executes hedging through cross-currency swaps that also include CPI hedging.

Furthermore, most of the Company's debt is long term at fixed interest (88.6% of the total debt, after hedging transactions) and therefore in the short term the Company does not expect that the domestic interest rate increase will not significantly affect the Company's financing expenses. Nonetheless, the Company believes that the costs involved in raising debt will increase according to the increase in the interest rate.

NOTE 1: - GENERAL (Cont.)

c. The impact of the war between Russia and Ukraine on the group's activities

Starting February 2022, fighting is taking place between the Russian and Ukrainian armies. As part of this, Western countries banded together and imposed a series of different financial and economic sanctions on Russia and Belarus, as well as on Russian companies, individuals and businessmen. These new sanctions join international sanctions that were already in force, but currently it is characterized by a substantial, almost unprecedented aggravation, creating a new economic, commercial and political reality in Europe.

As part of this, sanctions were imposed on trade with Russia, restrictions on the financial system in Russia, including disconnection of Russian banks from the clearing system (Swift) and a ban on transactions with the Central Bank of Russia (CBR), restrictions on technology exports to Russia and transportation restrictions, including "Closing the sky" in Europe to the Russian national airline. At the same time, many private entities (including banks and credit card companies) have announced the severance or termination of commercial relations with entities in Russia and Belarus. The Russian government also imposed various restrictions on capital movements from Russia. Among others, the Russian government established a special government commission for supervising foreign investments. In December 2022, the commission published the conditions under which the commission may permit an "unfriendly foreign entity" to sell its holdings in a Russian company, including: (1) a valuation of the asset by an independent appraiser; (2) the sale price of the asset will be at least 50% lower than the value determined by the appraiser; (3) establishment of performance indicators of the new shareholders; (4) the proceeds from the sale of the asset will be paid in installments over a period of 1-2 years and/or the seller undertakes to pay at least 10% of the transaction price to the federal budget fund.
Further sanctions may be imposed in the future. There is also a concern the war will lead to the involvement of other countries
The Group has properties in Russia, held through G Europe, amounting EUR 282 million (2.7% of the Company's total properties) which in 2022 and 2021 generated NOI amounting EUR 31.3 million and EUR 28.4 million, respectively. As of the reporting date, the occupancy rate in G Europe assets is 92.8%. During the reporting period, G Europe's operations in Russia were marginally affected.
As of December 2022, G Europe has performed a full external valuation of its income producing assets in Russia, which resulted an impairment of EUR 2.6 million in the reporting period. Due to the Russia-Ukraine conflict and impact of sanctions, a high degree of judgement has been applied in determining the estimated cash flows used in the assessment of the fair value of investment properties in Russia. The fair values as determined by external, independent real estate expert, have used all available information in developing appropriate assumptions to determine the fair value of investment properties.

d. Company's business and liquidity status:
The Company long term policy is to maintain proper level of liquidity to allow the Company to meet its liabilities, take opportunities in its business, and be flexible with financial resources. This is achieved by issuing equity and taking long-term financing, including through the issuance of debentures, hybrid bonds, bank loans and mortgages, to invest in long term assets.
First, it should be mentioned that the Company and its wholly owned subsidiaries have positive operating cash flows and dividend cash flow from a traded subsidiary. It should be clarified that there are no restrictions to transfer cash from the wholly owned subsidiaries in numbers of ways, including dividend distributions or loans.
In addition, given the state of the capital and unsecured debt markets, in order to maintain its financial strength and to reduce the dependence on the capital and debt markets, the Company maintain binding credit facilities (some of which are not utilized) with financial institutions in significant amounts, which the Company and/or its wholly owned subsidiaries can utilize credit for different periods, as required.
As of December 31, 2022, and immediately prior to the publication date of this report, the Company and its wholly subsidiaries have revolving credit facilities from several local and international banks and financial institutions in the amount of NIS 3.0 billion, out of which NIS 2.1 billion were utilized as of these dates.
These credit facilities are with financial institution the Company has long term relationships and they are renewed from time to time for periods of 3-4 years, as of this date, their mature in 2023-2024. In light of past experience and following communication with some of the financial institutions, the Company expects it could extend the credit facilities when they are due.
The Company's and its subsidiaries credit facilities contain financial covenants which include, inter alia, minimal equity, leverage rate, utilized debt ration to collateral value and more as detailed in note

NOTE 1: - GENERAL (Cont.)

20d, as of December 31,2022, and immediately prior to the publication date of this report, the Company and its subsidiaries are in compliance with all the financial covenants.

As part of the Group's strategy to focus on urban properties, while strengthening equity and lowering leverage, during the reporting period the Company proactively adopted several significant measures, among them the disposal of non-core assets or assets that the Company has accomplished their improvement. As part of this, in the reporting period and up until date of publication of this Report, the Company and its wholly owned subsidiaries engaged in binding agreements for the sale of properties to the total value of NIS 1.9 billion.

In October 2022 the Company published a plan for the disposal of Group non-core assets, to a total value of NIS 5.3 billion (the "Plan for Disposal of Properties"). Under the plan for disposal of properties, the Company intends to sell properties to a total value of NIS 5.3 billion in Europe, Brazil, USA and Israel. up until date of publication of this Report, Group companies engaged in binding agreements for the sale of properties to the total value of NIS 1.4 billion, out of which NIS 0.7 billion are completed. In addition, the Group companies are currently in advanced negotiation for a sale of NIS 1.4 billion, and asset with a total value of NIS 2.5 billion are up for sale.

The pace of disposal of the properties and the Group's progress in executing them as aforesaid, including the pace of placing the properties up for sale according to the various countries in which the Group operates is dynamic and is carried out according to the market conditions in each country in which the Group operates, and at the discretion of the Company's management, by taking into account macro-economic and Company specific considerations and the balance between the needs of the Company and achieving the value of these properties

Also, as of December 31, 2022, the company and its wholly owned subsidiaries, have unencumbered properties in the value of 9.1 billion NIS and the company is working to obtain secured financing for some of these properties.

It should be noted that as of December 31, 2022, and immediately prior to the publication date of this report, the Company and its subsidiaries are in compliance with all the financial covenants required by all of their liabilities.

In light of the above, the Company's management and the Board of Directors believe that the Company will be able to repay its current liabilities and expected liabilities when they are due.

NOTE 1: - GENERAL (Cont.)

e. Definitions in these financial statements

The Company	-	G City Ltd. (previously: Gazit-Globe Ltd.)
The parent company	-	Norstar Holdings Inc. ("Norstar") through its wholly-owned subsidiary (collectively, "Norstar Group").
Subsidiaries	-	Companies that are controlled (including de facto control) by the Company (as defined in IFRS 10) and whose accounts are consolidated with those of the Company.
Joint ventures	-	Companies owned by a number of entities that have a contractual arrangement for joint control, and whose accounts are accounted for using the equity method.
Joint operations	-	Companies owned by a number of entities that have a contractual arrangement for the rights to the assets and obligations for the liabilities relating to the arrangement and are presented in the Company's financial reports according its share in the arrangement's assets and liabilities, income and expenses.
Jointly controlledentities	-	Joint ventures and joint operation.
Associates	-	Companies over which the Company has significant influence (as defined in IAS 28) and that are not subsidiaries or joint ventures or joint operations in which the Company's account for the investment in the financial statements using the equity method.
Investees	-	Subsidiaries, jointly controlled entities and associates
The Group	-	The Company, its subsidiaries and jointly-controlled entities listed in the appendix to the financial statements
Interested parties and Controlling Shareholders	-	As defined in the Israeli Securities Regulations (Annual Financial Statements), 2010.
Related parties	-	As defined in IAS 24 (Revised).
G Europe	-	G City Europe Limited, consolidated entity (previously: Atrium European Real Estate) (Note 8c)
CTY	-	Citycon Oyj, consolidated entity. (Note 8d)
The reporting date	-	December 31, 2022.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES

a. Basis of presentation of the financial statements

The consolidated financial statements of the Group have been prepared on a cost basis, except for investment property, investment property under development, and certain financial instruments including derivative instruments that are measured at fair value.

The Company presents profit or loss items using the "function of expense" method.

The basis of preparation of the financial statements

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Furthermore, the financial statements are prepared in accordance with provisions of the Israeli Securities Regulations (Annual Financial Statement), 2010.

Consistent accounting policy

The accounting policy in the financial statements is consistent in all periods presented, unless otherwise stated.

b. Significant accounting judgments, estimates and assumptions used in the preparation of the financial statements

Judgments

In the process of applying the significant accounting policies, the Group has applied its judgment and has considered the following issues which have the most significant effect on the amounts recognized in the financial statements:

Topic	Main Considerations	Reference/Possible Effect
Existence of effective control	- Materiality of percentage of voting rights relative to the holdings of the other holders of voting rights while considering vote agreements - Degree to which the other holdings are diversified - Voting patterns at prior meetings of shareholders	Consolidation of financial statements or application of the equity method and relevant measurement impact– refer to Notes 2c and Note 8d
Classification of Non-current assets held for sale	The company considers if non-current assets meet the conditions for classification as assets held for sale: • The company's commitment to a plan to sell the asste. • Active plan to locate a buyer • The sale is highly probable, and expected to be completed within a year from date of classification.	Classification of an asset as asset held for sale, refer to notes 2r
Classification of Leasing of investment property	Classification as a finance lease or as an operating lease in accordance with the transfer of risks and rewards criteria with respect to the leased property: • The existence of an option to purchase the underlying asset at a price sufficiently lower than the fair value. • Lease term compared to the economic life of the underlying asset • The present value of the lease payment amounts compared to the fair value of the underlying asset	Recording the investment as property and the income as rental income or recording it as a financial investment and interest income – refer to Note 2p
Acquisitions of subsidiaries that are not business combinations	Analysis of the transaction in light of the definition of a "business" in IFRS 3, in order to decide whether the transaction constitutes a business combination or assets acquisition	Recording the acquisition consideration as an investment in an asset, or recording an investment in net identifiable assets, including goodwill and deferred taxes – refer to Note 2l
Reliable measurement of the fair value of investment property under development	o Location of the property under development in a developed and liquid market o Existence of a reliable estimate of the construction costs o Availability of relevant regulatory consent for the utilization of the land rights, and applicable zoning, city plan and building permits exist o The lease up of a major percentage of the leasable areas	Measurement of investment property under construction at cost or at fair value – refer to Note 12
Reporting income on a net basis or on a gross basis	Who controls the promised goods or services before transferring them to the customer	Reporting rental income on a gross or net basis – refer to Note 2v

Key estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to exercise judgments and make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, in the reporting period. in order to make these estimates, Company's management is using past experience, different facts, external factors and reasonable assumptions, according to the relevant circumstances. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

The key assumptions made in the financial statements concerning uncertainties at the balance sheet date and the critical estimates calculated by the Group that may cause a material adjustment to the carrying amounts of assets and liabilities in the next financial year are discussed below:

Topic	Estimates and Main Assumptions	Reference/Possible Effect
Valuation of investment property and investment property under development	The required yields on the Group's properties, future rental rates, occupancy rates, lease renewal rates, the probability of leasing out vacant plots and the date thereof, property operating expenses, the financial strength of the tenants and required capital expenditure	Determination of the fair value of investment property vis-à-vis the fair value gains (losses) in the statement of income - refer to Notes 2m, 11 and 12
Impairment of goodwill	The anticipated cash flows and the appropriate capitalization rate for measuring the recoverable amount with the addition of certain adjustments of group of cash-generation units to which the goodwill is allocated	Determination whether to record an impairment against profit or loss- refer to Note 2q and Note 14
Recording of deferred tax assets and provision for income taxes.	Expectation of future taxable income considering the timing, the amount of the expected taxable income and the tax planning strategy	Note 2s and Note 23f
Determination of fair value of nonmarketable financial derivatives (swap contracts)	Discounting future cash flows by interbank yield curve, with adjustments for the inter-currency liquidity spreads, inflation expectations and the credit risk of the parties	Revaluation of financial derivatives in profit or loss or in other comprehensive income – refer to Note 34b
Provision for legal claims	In estimating the likelihood of outcome of legal claims filed against the Company and its investees, the companies rely on the opinion of their legal counsel. These estimates are based on the legal counsel's best professional judgment, taking into account the stage of the legal proceedings and legal precedents in respect of the different issues. Since the outcome of the claims will be determined in the courts, the results could differ from these estimates.	Recognition of provision for legal claims based on the estimation of chances to be accepted, refer to note 24d

c. Consolidated financial statements

The consolidated financial statements include the financial statements of the Company as well as the entities that are controlled by the Company (subsidiaries). Control exists when the Company has power over the investee, exposure, or rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns. In assessing control, potential voting rights are only considered if they are substantive. Financial statements are consolidated from the date control is obtained until the date that control ceases.

Consolidation due to effective control

The Group consolidates a subsidiary on the basis of effective control in accordance with IFRS 10.

Below is part of the aspects considered by the Group, which, when evaluating the overall circumstances, may evidence the existence of effective control:

1. Holding a significant voting interest (even if less than half of the voting rights).
2. Wide diversity of public holdings of the remaining shares conferring voting rights and the absence of an entity other than the Group that holds a significant portion of the investee's shares.
3. The Group has a significantly large percentage of the active voting power (quorum) at the general meetings of the shareholders and voting agreements with other shareholders that, in practice, facilitate the appointment of the majority of the members of the Board of Directors.
4. The non-controlling interests have no participating rights or other preferential rights, excluding standard protective rights.

The Company carries out ongoing evaluation to the existence of effective control over the investee according to the three components of control as defined on section 7 to IFRS10.

Based on the above criteria and the following circumstances, the Group has consolidated in its financial statements due to effective control of the accounts of CTY, inter alia, due to its holding of a significant voting interest of 49.2% in CTY during the reporting year, the wide diversity of the public holdings of the remaining shares, restriction on other shareholders to hold above 30% of CTY's shares without issuing a tender offer, the Group has ownership of a majority of the voting power that participates in the general meetings, enabling inter alia its ability to appoint the majority of the directors, and indirectly the senior management of CTY.

On November 2021, following a share buyback performed by CTY (refer to note 8d), the Company’s holdings in CTY has increased, and as of 31 December 2021, the Group was holding 52.1% of CTY share capital and voting rights.

Non-controlling interests represent the equity in subsidiaries that are not attributable, directly or indirectly, to the parent company. Profit or loss and each component of other comprehensive income are attributed to the Company and non-controlling interests.

When the Group acquires non-controlling interests, the difference between the consideration and the carrying amount of the acquired interest is recorded as a reduction or increase in equity under transactions with non-controlling interests. Upon disposal of rights in a subsidiary that does not result in a loss of control, an increase or decrease in equity is recognized as the difference between the consideration received by the Group and the carrying amount of the non-controlling interests in the subsidiary adjusted for the disposal of goodwill in the subsidiary, if any, and amounts recognized in other comprehensive income, if any. Transaction costs in respect of transactions with non-controlling interests are also recorded in equity.

Significant intragroup balances and transactions and gains or losses resulting from intragroup transactions are eliminated in full in the consolidated financial statements.

The financial statements of the Company and of the consolidated investees are prepared as of the same dates and periods. The accounting policies in the financial statements of those investees are applied consistently and uniformly with the policy applied in the financial statements of the Company.

If the Company loses control of a subsidiary, it shall:

- Derecognize the assets (including any goodwill) and liabilities of the subsidiary.
- Derecognize the carrying amount of any non-controlling interest.
- Derecognize any adjustment resulting from exchange differences on translation recognized in equity.
- Recognize the fair value of the consideration received.
- Recognize any investment retained in the former subsidiary at its fair value.
- Recognize amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.
- Recognize any difference created (gain or loss) in profit or loss attributable to the Company.

d. Functional and foreign currencies

1. Functional and presentation currency

The presentation currency of the financial statements is the Israeli shekel (NIS).

The functional currency, which is the currency that best reflects the economic environment in which the Company operates and conducts its transactions, is determined separately for each Group entity, including entities accounted for using the equity method, and is used to measure its financial position and operating results. The functional currency of the Company is the NIS.

When an Investee's functional currency differs from the functional currency of the Company, that Investee represents a foreign operation whose financial statements are translated so that they can be included in the consolidated financial statements as follows:

a) Assets and liabilities for each balance sheet item presented (including goodwill and purchase adjustments) are translated at the closing rate as of the reporting date.

b) Income and expenses for each period presented in the income statement are translated at average exchange rates for the presented periods; however, if exchange rates fluctuate significantly, income and expenses are translated at the exchange rates at the date of the transactions.

c) Share capital and capital reserves are translated at the exchange rate prevailing at the date incurred.

d) Retained earnings are translated based on the opening balance translated at the exchange rate at that date and other relevant transactions during the period are translated as described in b) and c) above.

e) Exchange differences are recognized in other comprehensive income (loss).

Intra-group loans for which settlement is neither planned nor likely to occur in the foreseeable future are, in substance, a part of the investment in that foreign operation and are accounted for as part of the investment and the exchange differences arising from these loans are recognized in other comprehensive income (loss).
Upon disposal of a foreign operation that leads to loss of control of a subsidiary, or in disposal of a foreign operation accounted for by the equity method, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income, is transferred to the income statement. In addition, on partial disposal of a subsidiary that includes a foreign operation that does not lead to loss of control, the Group re-attributes the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income to the non-controlling interests.

2. Transactions in foreign currency
Transactions denominated in foreign currency are recorded on 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 differences, other than those capitalized to qualifying assets or recorded in other comprehensive income, are recognized in the income statement. Non-

monetary assets and liabilities 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.

3. Index-linked monetary items

Monetary assets and liabilities linked to the changes in the Israeli Consumer Price Index ("Israeli CPI") are adjusted to the relevant index at each reporting date according to the terms of the agreement. Linkage differences arising from the adjustment, as above, other than those capitalized as qualifying assets, are recognized in profit or loss.

e. The operating cycle

The Group's operating cycle is one year. Accordingly, the assets and liabilities directly attributable to these activities are classified in the statement of financial position as current assets and liabilities based on the operating cycle.

f. Cash equivalents

Cash equivalents are highly liquid investments, including short-term bank deposits which are not restricted by liens, whose original term to maturity is up to three months from the investment date.

g. Short-term deposits

Short-term bank deposits are deposits with maturities of more than three months from investment and do not meet the definition of cash equivalents. Deposits are presented in accordance with their terms of deposit.

h. Financial instruments

1. Financial assets:

Financial assets are measured upon initial recognition at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets, except for financial assets measured at fair value through profit or loss in respect of which transaction costs are recorded in profit or loss.

The Group classifies and measures debt instruments in the financial statements based on the following criteria:

(a) The Company's business model for managing financial assets; and

(b) The contractual cash flow terms of the financial asset.

1a) Debt instruments are measured at amortized cost when:

The Group's business model is to hold the financial assets in order to collect their contractual cash flows, and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. After initial recognition, the instruments in this category are measured according to their terms at amortized cost using the effective interest rate method, less any provision for impairment.

1b) Debt instruments are measured at fair value through profit or loss when:

A financial asset which is a debt instrument does not meet the criteria for measurement at amortized cost or at fair value through other comprehensive income, including a financial instrument which is a debt instrument which, at certain conditions, is designated to be measured at fair value through profit or loss. After initial recognition, the financial asset is measured at fair value and gains or losses from fair value adjustments are recognized in profit or loss.

1c) Equity instruments and other financial assets held for trading:

Investments in equity instruments do not meet the above criteria and accordingly are measured at fair value through profit or loss.

Other financial assets held for trading such as derivatives, including embedded derivatives separated from the host contract, are measured at fair value through profit or loss unless they are designated as hedging instruments and the hedge is effective in accordance with IFRS 9.

In respect of certain equity instruments that are not held for trading, on the date of initial recognition the Group made an irrevocable election to present subsequent changes in fair value in other comprehensive income which changes would have otherwise been recorded in profit or loss. These changes will not be reclassified to profit or loss in the future, even when the investment is disposed of.

Dividends from investments in equity instruments are recognized in profit or loss when the right to receive the dividends is established.

2. Impairment of financial assets:

The group evaluates at the end of each reporting period the loss allowance for financial debt instruments which are not measured at fair value through profit or loss.
The Company distinguishes between two types of loss allowances:

a) Debt instruments whose credit risk has not increased significantly since initial recognition, or whose credit risk is low - the loss allowance recognized in respect of this debt instrument is measured at an amount equal to the expected credit losses within 12 months from the reporting date (12-month ECLs); or

b) Debt instruments whose credit risk has increased significantly since initial recognition, and whose credit risk is not low - the loss allowance recognized is measured at an amount equal to the expected credit losses over the instrument's remaining term (lifetime ECLs).

For low credit risk financial instruments, the Group assumes the debt instrument's credit risk has not increased significantly since initial recognition.

The Group always measures the loss allowance at an amount equal to the expected credit losses over the instrument's remaining term for account receivables or assets from contracts with customers resulting from transitions under the scope of IFRS 15, and for lease receivables resulting from transactions under the scope of IFRS 16.

An impairment loss on debt instruments measured at amortized cost is recognized in profit or loss with a corresponding loss allowance.

3. Derecognition of financial assets:

A financial asset is derecognized only when:

1. The contractual rights to the cash flows from the financial asset has expired; or

2. The Company has transferred substantially all the risks and rewards deriving from the contractual rights to receive cash flows from the financial asset or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset; or

3. The Company has retained its contractual rights to receive cash flows from the financial asset but has assumed a contractual obligation to pay the cash flows in full without material delay to a third party.

4. Financial liabilities:

Financial liabilities are initially recognized at fair value less transaction costs that are directly attributable to the issue of the financial liability.

After initial recognition, the Company measures all financial liabilities at amortized cost using the effective interest rate method. Short term credit is presented according to its terms, usually at nominal value.

5. Derecognition of financial liabilities:

A financial liability is derecognized only when it is extinguished, that is when the obligation specified in the contract is discharged or cancelled or expires.
A financial liability is extinguished when the debtor discharges the liability by paying in cash, other financial assets, goods or services; or is legally released from the liability.
When there is a modification in the terms of an existing financial liability, the Company evaluates whether the modification is substantial, taking into account qualitative and quantitative information.
If the terms of an existing financial liability are substantially modified or a liability is exchanged for another liability from the same lender with substantially different terms, the modification or exchange is accounted for as an extinguishment of the original liability and the recognition of a new liability. The difference between the carrying amounts of the above liabilities is recognized in profit or loss.
If the modification in the terms of an existing liability is not substantial or if a liability is exchanged for another liability from the same lender whose terms are not substantially different, the Company recalculates the carrying amount of the liability by discounting the revised cash flows at the original effective interest rate and any resulting difference is recognized in profit or loss.

6. Offsetting financial instruments:

   Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position if there is a legally immediate enforceable right to set off the recognized amounts and there is an intention either to settle on a net basis or to realize the asset and settle the liability simultaneously. The right of set-off must be legally enforceable not only during the ordinary course of business of the parties to the contract but also in the event of bankruptcy or insolvency of one of the parties. In order for the right of set-off to be currently available, it must not be contingent on a future event, there may not be periods during which the right is not available, or there may not be any events that will cause the right to expire.

7. Embedded derivatives:

   According to the provisions of IFRS 9, if a hybrid contract contains a financial asset within the scope of the Standard, the embedded derivative is not separated from the host. Such hybrid contracts are measured in their entirety at amortized cost or at fair value, based on the criteria for determining the characteristics of the business model and contractual cash flows.

   If the financial asset is not within the scope of the Standard, the embedded derivative is separated from the host and accounted for as a derivative when the economic risks and characteristics of the embedded derivative are not closely related to the economic risks and characteristics of the host, the embedded derivative meets the definition of a derivative and the hybrid contract is not measured at fair value with the changes in fair value recognized in profit or loss.

   Reassessment of the need to separate an embedded derivative only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required.

i. Financial derivatives and hedge accounting

In line with its risk management policy, from time to time the Group enters into derivative contracts such as cross-currency swaps of principal and interest ("Swap"), currency forward contracts, Interest Rate Swaps ("IRS") and options to hedge its risks associated with changes in interest rates and currency exchange fluctuations. Such financial derivatives are presented as current or non-current based on their maturity dates.

After initial recognition, derivatives are measured at fair value. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are carried to profit or loss.
Subsequent to initial recognition, the financial derivatives are measured at fair value when losses or gains in respect of derivatives in respect of which the Company does not apply hedge accounting are charged as losses or gains in the statement of income.

Hedges qualify for hedge accounting, among others, when at inception of the hedging relationship there is a formal designation and documentation of the hedging relationship and of the Group's risk management objective and strategy for undertaking the hedge. Hedges are assessed on an ongoing basis to determine whether they are highly effective during the reporting period for which the hedge is designated. Hedges are accounted for as follows:

Cash flow hedges

The effective portion of the change in the fair value of the hedging instrument is recognized in other comprehensive income (loss) while any ineffective portion is recognized immediately in profit or loss. Amounts recognized as other comprehensive income (loss) are reclassified to profit or loss when the hedged transaction affects profit or loss, such as when interest income or expense is recognized or when a forecasted transaction occurs.

The Company discontinues hedge accounting prospectively only when the hedge relationship, in whole or in part, ceases to meet the qualifying criteria (after taking into account any rebalancing of hedge relationship, if applicable), including instances when the hedging instrument expires or is sold, terminated or exercised (or if the hedge designation is reversed). When the Company discontinues hedge accounting, amounts accumulated in the cash flow hedge reserve remain in the cash flow hedge reserve until the future cash flows occur or are reclassified to profit or loss if the hedged future cash flows are no longer expected to occur.

On unwinding hedging transactions, whether or not they are designated as an accounting hedge, when the transaction includes a hedge of cash flows with respect to principal and interest, the cash flows received or paid are classified in the statement of cash flow under financing activity, in respect of the cash flows representing the hedge of the principal component, and under operating activity, in respect of the cash flows representing the hedge of the interest component. With regard to unwinding of interest rate swap (IRS) the cash flows received or paid are classified in the statement of cash flow under operating activity.

Fair value hedges

A change in the fair value of a derivative (the hedged item) and the hedging item are recognized through profit or loss. When the hedged item is derecognized, the adjustment to fair value that has not yet been amortized is recognized at that date to profit or loss.

j. Fair value measurement

Fair value is the price that would be received from sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair measurement is based on the assumption that the transaction takes place in the principal market of the asset or the liability, 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 assumption that market participants will assume, at the time of pricing the asset or the liability, that market participants act in their economic best interest.

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices at each reporting date. For investments where there is no active market, fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models. Further details are provided in Note 34b.

Fair value measurement of a non-financial asset takes into account the ability of a market participant to generate economic benefits through making the highest and best use of the asset or by selling it to another market participant who will make the highest and best use of it.

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

All assets and liabilities that are measured at fair value or whose fair value is disclosed are divided into categories within a fair value hierarchy, based on the lowest level input that is significant to the entire fair value measurement:

Level 1: Prices quoted (unadjusted) on active markets of similar assets and liabilities.

Level 2: Data other than quoted prices included in level 1, which may be directly or indirectly observed.

Level 3: Data not based on observable market information (valuation techniques not involving use of observable market data).

For additional information regarding the fair value of assets and liabilities measured at fair value or that their fair value is disclosed, refer to Note 34b and 34c.

k. Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. Under this method, the assets and liabilities of the acquired business are identified at fair value on the acquisition date. The cost of the acquisition is the aggregate fair value of the assets acquired, liabilities assumed and equity rights issued by the acquirer on the date of acquisition. In respect of each business combination, non-controlling interests are measured either at fair value on the acquisition date or at the relative share of the non-controlling interests in the acquiree's net identifiable assets. The direct acquisition costs are recognized immediately as an expense in profit or loss.

In a business combination achieved in stages, equity rights in the acquiree that had been previously held by the acquirer prior to obtaining control are measured at the acquisition date at fair value and are included in the acquisition consideration by recognizing the gain or loss resulting from the fair value measurement. In addition, amounts previously recorded in other comprehensive income are reclassified to profit and loss.

Goodwill is initially measured at cost which represents the excess acquisition consideration and non-controlling interests over the net identifiable assets acquired and liabilities assumed as measured on the acquisition date. If the excess is negative, the difference is recorded as a gain from bargain purchase in profit and loss upon acquisition.

Acquisitions of subsidiaries that are not business combinations

Upon the acquisition of a single asset company, the Group evaluates whether it is the acquisition of a business or of an asset. To be considered a business, the acquisition must include, at a minimum, an input and a substantive process that together can significantly contribute to the creation of outputs. The acquisition is accounted for as a business combination if the single asset company is a business. If it is not a business, the acquisition is accounted for as the acquisition of assets and liabilities. In such an acquisition, the cost of the acquisition includes transaction costs which are allocated to the identifiable acquired assets and liabilities proportionally based on their fair value on the acquisition date. In such case, goodwill and deferred taxes in respect of the temporary differences existing as of the acquisition date are not recognized.

l. Investments in associates and joint ventures

The investment in associates or joint ventures is accounted for using the equity method. Under the equity method, the investment in associates or joint ventures is accounted for in the financial statements at cost (including transaction expenses) plus changes in the Group's share of net assets, including other comprehensive income (loss), of the associates or joint ventures. The equity method is applied until the loss of significant influence or joint control or classification of the investment as non-current asset held-for-sale.

The Group continues to apply the equity method in cases which the associate become a joint venture and vice versa.
The Group applies the provision of IFRS 5 with regards to the investment or part of the investment in an associate or joint venture that is classified as held for sale. The remainder of the investment not classified as held for sale is still measured according to 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.

Goodwill relating to the acquisition of associates or joint ventures and to the increase in holding interest is initially measured as the difference between the acquisition cost and the Group's share in the net fair value of the associates' or joint ventures' net identifiable assets. After initial recognition, goodwill is measured at cost less, if applicable, any accumulated impairment loss and is not systematically amortized. Goodwill is examined for impairment as part of the investment in the associate or joint ventures as a whole. In case the acquisition cost is lower than the net fair value of the associated net identified assets, the difference is recognized as a gain from a bargain purchase in profit or loss.

Profits and losses resulting from transactions between the Group and associates or joint ventures are eliminated to the extent of the interest in the investees.

The financial statements of the Company and of the associates or joint ventures are prepared as of the same dates and periods. The accounting policy in the financial statements of the associates and joint ventures has been applied consistently and uniformly with the policy applied in the financial statements of the Group.

m. Investment property

An investment property is property (land or a building or both) held by the owner 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 sale in the ordinary course of business.

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 balance sheet date. Gains or losses arising from changes in fair value of investment property are recognized in profit or loss when they arise. Investment property is not systematically depreciated.

Investment property under development, designated for future use as investment property, is also measured at fair value, provided that fair value can be reliably measured. However, when fair value is not reliably determinable, such property is measured at cost, less impairment losses, if any, until either development is completed, or its fair value becomes reliably determinable, whichever is earlier. The cost of investment property under development includes the cost of land, construction costs, borrowing costs used to finance construction, direct incremental planning and development costs and leasing costs. In order to determine the fair value of investment property, the Group uses valuations performed mainly by accredited independent appraisers who hold a recognized and relevant professional qualification and by the Group's managements that have extensive professional knowledge and are deeply familiar with the type of assets and markets in which the Group operates. For further details refer to Notes 11 and 12.

Investment properties are derecognized on disposal or when the investment property is permanently withdrawn from use 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.

n. Fixed assets

Items of fixed assets are measured at cost with the addition of direct acquisition costs, less accumulated depreciation and accumulated impairment losses, if any, and excluding day-to-day servicing expenses.

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

	%	
Buildings	2	
Motor vehicles	15	
Equipment	2.5-5	(mainly 5%)
Computers, software, office furniture, office, equipment and other	6-33	

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 expected useful life of the improvement.

The useful life and the residual value of an asset are reviewed at least once at each year-end and the changes, if any, are accounted for prospectively as a change in accounting estimate. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized.

o. Intangible assets

Intangible assets acquired in a business combination are recognized at fair value at the acquisition date. Intangible assets, that according to management's assessment, have a finite useful life are amortized over their useful life using the straight-line method (refer to Note 14) and reviewed for impairment whenever there is an indication that the intangible assets may be impaired. The useful life and residual value are reviewed at least once a year.

p. Leases

A contract is treated as a lease by the Company if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

1. The Group as lessee

For leases in which the Company is the lessee, the Company recognizes on the commencement date of the lease a right-of-use asset and a lease liability, excluding leases whose term is up to 12 months and leases for which the underlying asset is of low value. For these excluded leases, the Company has elected to recognize the lease payments as an expense in profit or loss on a straight-line basis over the lease term. In measuring the lease liability, the Company has elected to apply the practical expedient in IFRS 16 and does not separate the lease components from the non-lease components (such as management and maintenance services, etc.) included in a single contract.

On the lease commencement date, the lease liability includes all unpaid lease payments (not including variable lease payments) discounted at the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the Company's incremental borrowing rate. After the commencement date, the Company measures the lease liability using the effective interest rate method.

On the lease commencement date, the right-of-use asset is recognized in an amount equal to the lease liability plus lease payments already made on or before the commencement date and initial direct costs incurred. The right-of-use asset is measured applying the cost model and depreciated over the shorter of its useful life and the lease term. The Group tests for impairment of the right-of-use asset whenever there are indications of impairment pursuant to the provisions of IAS 36. A right of use asset that is considered an investment property is measured at fair value.

A non-cancelable lease term includes both the periods covered by an option to extend the lease when it is reasonably certain that the extension option will be exercised and the periods covered by a lease termination option when it is reasonably certain that the termination option will not be exercised.

In the event of any change in the expected exercise of the lease extension option or in the expected non-exercise of the lease termination option, the Company remeasures the lease liability based on the revised lease term using a revised discount rate as of the date of the change in expectations. The total change is recognized in the carrying amount of the right-of-use asset until it is reduced to zero, and any further reductions are recognized in profit or loss.

The aggregate changes in future lease payments resulting from a change in the index are discounted (without a change in the discount rate applicable to the lease liability) and recorded as an adjustment of the lease liability and the right-of-use asset, only when there is a change in the cash flows resulting from the change in the index (that is, when the adjustment to the lease payments takes effect).

Variable lease payments that do not depend on an index or interest rate but are based on performance or usage are recognized as an expense as incurred when the Company is the lessee.

2. The Group as lessor

The tests for classifying leases as finance or operating leases depend on the substance of the agreements and are made at the inception of the lease in accordance with the principles set out in IFRS 16:

1. Finance lease - In finance leases, substantially all the risks and rewards incidental to ownership of the leased asset are transferred to the lessee. The leased asset is derecognized and recognized as a financial asset, "receivables for finance lease", at the present value of the lease payments. After initial recognition, the lease payments are apportioned between finance income and collection of the receivable for the lease.

2. Operating lease - Lease agreements where the Group does not transfer substantially all the risks and rewards incidental to ownership of the leased asset, are classified as operating leases. Lease income is recognized on a straight-line basis over the lease term. Initial direct costs incurred in respect of the lease agreement, are added to the carrying amount of the leased asset and recognized as an expense on the same basis over the lease term. When the leased asset is investment property, these costs are recognized in the profit or loss as part of the fair value adjustments.
   Variable lease payments that do not depend on an index or interest rate but are based on performance or usage are recognized as income as earned when the Company is the lessor.

   In addition, when a lease modification is made, the Group recognizes the modification as a new lease.

q. Impairment of non-financial assets

The Company examines the need to recognize an impairment of non-financial assets whenever events or changes in circumstances indicate that their carrying amount is not recoverable. If the carrying amount of non-financial assets exceeds their recoverable amount, the carrying amount is reduced to their recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. In measuring value in use, the estimated net operating future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset and the time value of money. Impairment loss is recognized in profit or loss.

An impairment loss of an asset, other than goodwill, is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Reversal of an impairment loss, as above, shall not be increased above the lower of the carrying amount that would have been determined (less depreciation) had no impairment loss been recognized for the asset in prior periods and its recoverable amount. A reversal of an impairment loss of an asset measured at cost is recognized as income in profit or loss.

A reversal of an impairment loss for a cash-generating unit is allocated to the unit's assets, other than goodwill, pro rata to the carrying amount of each asset in the scope of IAS 36 as regards to measurement, only if the carrying amount of the asset after the reversal does not exceed the depreciated cost of the asset that would have been determined had no impairment loss been recognized for the asset.

The following criteria are applied in assessing impairment for the following specific assets:

1. Testing the impairment of goodwill in respect of subsidiaries:

For the purpose of impairment testing, goodwill acquired in a business combination is allocated, at acquisition date, to each of the cash generating units that are expected to benefit from the synergies of the combination.

The Group reviews goodwill for impairment once a year on December 31, or more frequently, if events or changes in circumstances indicate that impairment has occurred.

An impairment test for goodwill is carried out by determining the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill belongs. Each cash-generating unit to which goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes and which cannot be larger than an operating segment. In certain circumstances of impairment test of goodwill, the recoverable amount is adjusted for the difference between the carrying amount of a recognized deferred tax liability and its fair value. If the recoverable amount of the cash-generating unit (or group of cash generating units), to which goodwill has been allocated, is lower than its carrying amount, an impairment loss is recognized and attributed first to reduce the carrying amount of goodwill. Impairment losses recognized for goodwill cannot be reversed in subsequent periods. For additional information, refer to Note 14.

2. Investments in associates and joint ventures

After application of the equity method of accounting, the Group examines whether it is necessary to recognize any additional impairment loss with respect to investments in the associates or joint ventures. The recoverable amount is the higher of fair value and value in use which is determined based on the estimated net cash flows to be generated by the associate or joint venture. Impairment loss, as above, is not attributed specifically to goodwill. Therefore, it may be reversed in full in subsequent periods, up to the recognized impairment loss, if the recoverable amount of the investment increases.

r. Non-current assets classified as held for sale

A non-current asset or a group of assets (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 is a plan to locate a buyer and it is highly probable that a sale will be completed within one year from the date of classification. The depreciation of the assets ceases upon initial classification date, and they are presented separately in the statement of financial position as current assets, and measured at the lower of their carrying amount and fair value less costs to sell.

Investment property measured at fair value and classified as held for sale, as above, continues to be measured at fair value and presented separately in the statement of financial position as assets classified as held for sale.

When the parent company decides to realize part of its holdings in a subsidiary so that after the disposal the company is left with non-controlling interest, assets and liabilities attributed to the subsidiary are classified as held for sale by applying the provisions of IFRS 5, including classification as for discontinued operations.
A discontinued operation is an activity disposed or classified as held for sale as mentioned above, and it represents a significant and separate business sector or geographical location of operations which is considered separate and major.

s. Taxes on income

The tax results in respect of current or deferred taxes are recognized as profit or loss except to the extent that the tax arises from items which are recognized in other comprehensive income or directly in equity.

1. Current taxes

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted as of 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 tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized, or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted as of the reporting date.

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is not probable that the related tax benefit will be utilized. Deductible carry forward 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. Any resulting reduction or reversal is recognized in profit or loss.

Deferred taxes in respect of investment property held for the recovery of substantially all of the economic benefits that are embedded therein by way of sale rather than use are measured according to the anticipated settlement of the base asset, on the basis of sale rather than use.

In situations where the Group holds single asset entities and where the manner in which the Group expects to realize the investment is by selling the shares of the single asset entity rather than by disposing of the asset itself, the Group recognizes deferred taxes both in relation to the temporary inside differences arising from the gap between the tax basis of the asset and its book value and, if relevant, also in relation to the outside temporary differences arising from the gap between the tax basis of the shares of the single asset entity and the share of the Group that holds the net assets of the single asset entity in the consolidated financial statements.

Taxes that would apply in the event of the sale of investments in subsidiaries have not been taken into account in recognizing deferred taxes, as long as the realization of the investments is not expected in the foreseeable future. Moreover, deferred taxes with respect to distribution of earnings by investee companies as dividend are not taken into account in recognizing deferred taxes, since dividend distribution does not involve additional tax liability and, since it is the Group's policy not to initiate dividend distributions that trigger additional tax liability.

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

t. Share-based payment transactions

The Group's employees and officers are entitled to remuneration in the form of share-based payment transactions as consideration for equity instruments ("Equity-Settled Transactions") and certain employees are entitled to cash-settled benefits based on the increase in the Group companies’ share price ("Cash-Settled Transactions").

Equity-Settled Transactions

The cost of Equity-Settled Transactions with employees and officers is measured at the fair value of the equity instruments granted at grant date. The fair value is determined using a standard pricing model.

The cost of Equity-Settled Transactions (refer to Note 26) is recognized in profit or loss, together with a corresponding increase in equity, during the period in which the service conditions are satisfied (the "Vesting Period"), ending on the date on which the relevant employees become fully entitled to the award. In cases where the Vesting Period was not completed, due to reasons other than market conditions, the cumulative expense recognized is recorded as income.

In cases where the Company performs modification of equity instruments granted ("Modification"), which increases the aggregate fair value of the granted compensation or benefits the grantee, an additional expense is recognized in addition to the original expense, according to the fair value measured immediately before and after the Modification ("Incremental Expense"). If the modification occurs during the Vesting Period, the Incremental Expense is recognized over the remainder of the Vesting Period, whereas if the Modification occurs after the vesting date, the Incremental Expense is recognized immediately, or over the additional Vesting Period if applicable.

Cancellation of a grant is accounted for as if it had vested on the date of cancellation, and any expense not yet recognized for the grant is immediately recognized. However, if the cancelled grant is replaced by a new grant and is intended to be a replacement grant, the cancelled and new grants are accounted for together as a modification of the original grant, as described above.

Cash-Settled Transactions

The cost of Cash-Settled Transactions is measured at fair value based on the expected cash amount the Group is required to pay on settlement. The fair value is recognized as an expense over the Vesting Period and a corresponding liability is recognized. The liability is remeasured at fair value at each reporting date until settled with any changes in fair value recognized in profit and loss.

u. Employee benefit liabilities

The Group has several employee benefit plans:

1. Short-term employee benefits

Short-term employee benefits are benefits that are expected to be settled in full within 12 months of the reporting date in which the employees provide the relevant services. Those benefits include salaries, paid annual leave, paid sick leave, convalescence and social security contributions and are recognized as expenses as the services are rendered. A liability in respect of a cash bonus or a profit-sharing plan is recognized when the Group has a legal or constructive obligation to make such payment as a result of past service rendered by an employee and a reliable estimate of the amount can be made.

2. Post-employment benefits

The plans are normally financed by contributions to insurance companies and classified as defined contribution plans or as defined benefit plans.

The Group companies have defined contribution plans under which the Group pays fixed contributions and will have no legal or constructive obligation to pay further contributions if the fund does not have sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods. Contributions in the defined contribution plan in respect of severance pay or compensation are recognized as an expense when due to be contributed to the plan simultaneously with receiving the employee's services, and no additional provision is required in the financial statements.

The Group also operates a defined benefit plan in respect of severance pay pursuant to the severance pay laws in the relevant countries of operation. According to these laws, employees are entitled in certain circumstances to severance pay upon dismissal or retirement. If applicable and subject to materiality, the liability in the financial statements is estimated based on an actuarial assumption, refer to Note 23.

v. Revenue recognition

Revenues are recognized when the control over the goods or services is transferred to the customer. The transaction price is the amount of the consideration that is expected to be received based on the contract terms, excluding amounts collected on behalf of third parties (such as taxes)

Rental income

Rental income under an operating lease is recognized on a straight-line basis over the lease term. Rental income, where there is a fixed and known increase in rental fees over the term of the contract, is recognized as revenue on a straight-line basis as an integral part of total rental income over the lease period. Similarly, lease incentives granted to tenants, in cases where the tenants are the primary beneficiary of such incentives, are considered as an integral part of total rental income and recognized on a straight-line basis over the lease term as a reduction of revenues.

w. Earnings per share

Earnings per share are calculated by dividing the net income attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period. Basic earnings per share only include shares that were actually outstanding during the period. Potential ordinary shares are only included in the computation of diluted earnings per share when their conversion decreases earnings per share, or increases loss per share, from continuing operations. Furthermore, potential ordinary shares that are converted during the period are included in diluted earnings per share only until the conversion date and from that date in basic earnings per share. The Company's share of earnings of investees is included based on the basic and diluted earnings per share of the investees multiplied by the number of shares held by the Company, as applicable.

x. Provisions

A provision in accordance with IAS 37 is recognized when the Group has a present legal or constructive obligation as a result of a past event and 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.
Levies imposed on the Company by government entities through legislation, are accounted for pursuant to IFRIC 21 according to which the liability for the levy is recognized only when the activity that triggers payment occurs.

The amount recognized as a provision should be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The best estimate of the expenditure required to settle the present obligation is the amount that the Company would rationally pay to settle the obligation at the end of the reporting period or to transfer it to a third party at that time. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities. Where a single obligation is being measured, the individual most likely outcome may be the best estimate of the provision.

y. Treasury shares

Company shares held by the Company and/or subsidiaries are recognized at cost of purchase and presented as a deduction from equity. Any gain or loss arising from a purchase, sale, issue or cancellation of treasury shares is recognized directly in equity.

z. Borrowing costs in respect of qualifying assets

A qualifying asset is an asset that necessarily takes a substantial period of time to be prepared for its intended use or sale, including investment property under development or redevelopment and inventories of buildings and apartments for sale that require a substantial period of time to bring them to a saleable condition. The Group capitalizes borrowing costs that are attributable to the acquisition and development of qualifying assets.

The amount of borrowing costs capitalized in the reporting period includes specific borrowing costs, and nonspecific borrowing costs based on a weighted average capitalization rate. Other borrowing costs are charged to finance expenses in profit or loss as incurred.

In respect of investment property under development, measurement of these assets is at fair value. The Group presents financing costs in profit or loss net of borrowing costs that had been capitalized on such assets before measuring them at fair value.

Borrowing costs are interest and other costs that the Company incurs in connection with the borrowing of funds.

The capitalization of borrowing costs commences when expenditures in respect of the asset are being incurred, borrowing costs are being incurred and the activities to prepare the asset are in progress 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.

Capitalization of borrowing costs is suspended during extended periods in which active development of the qualifying asset is suspended. Capitalization of borrowing costs ceases when substantially all of the activities necessary to prepare the qualifying asset for its intended use or sale are complete

aa. Operating segments

An operating segment is a component of the Group that meets the following three criteria:

1. It is engaged in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to intragroup transactions;

2. Its operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and

3. Separate financial information of the segment is available.

bb. Disclosure of new IFRS's, interpretations and amendments

Initial adoption of new financial reporting and accounting standards and amendments to existing financial reporting and accounting standards:

1. Amendments to IFRS 3, "Business Combinations":

In May 2020, the IASB issued Amendments to IFRS 3, "Business Combinations – Reference to the Conceptual Framework", which are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting, that was issued in March 2018, without significantly changing its requirements.

The IASB added an exception to the recognition principle of IFRS 3 to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately.

The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine at the acquisition date whether as a result of a past event, a present obligation exists or whether the event that creates an obligation to pay the levy occurred by the acquisition date.

The Amendments also clarify that contingent assets do not qualify for recognition at the acquisition date.

The Amendments are applied prospectively for annual reporting periods beginning on or after January 1, 2022.

The application of the Amendments did not have a material impact on the Company's financial statements.

2. Annual improvements to IFRSs 2018-2020:

In May 2020, the IASB issued certain amendments in the context of the Annual Improvements to IFRSs 2018-2020 Cycle. The main amendment is to IFRS 9, "Financial Instruments" ("the Amendment"). The Amendment clarifies which fees a company should include in the "10% test" described in paragraph B3.3.6 of IFRS 9 when assessing whether the terms of a debt instrument that has been modified or exchanged are substantially different from the terms of the original debt instrument.

According to the Amendment, fees paid net of any fees received that are included in the cash flows are only those fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

The Amendment is effective for annual periods beginning on or after January 1, 2022. The Amendment is applied to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the Amendment, that is from January 1, 2022.

3. Amendment to IAS 37, "Provisions, Contingent Liabilities and Contingent Assets":

In May 2020, the IASB issued an amendment to IAS 37, regarding which costs a company should include when assessing whether a contract is onerous ("the Amendment").

According to the Amendment, costs of fulfilling a contract include both the incremental costs (for example, raw materials and direct labor) and an allocation of other costs that relate directly to fulfilling a contract (for example, depreciation of an item of property, plant and equipment used in fulfilling the contract).

The Amendment is effective for annual periods beginning on or after January 1, 2022 and applies to contracts for which all obligations in respect thereof have not yet been fulfilled as of January 1, 2022. The application of the Amendment does not require of property, plant and equipment the restatement of comparative data. Instead, the opening balance of retained earnings on the date of initial application date is adjusted for the cumulative effect of the Amendment.

The application of the Amendment did not have a material impact on the Company's financial statements.

Disclosure of new IFRSs, interpretations and amendments in the period prior to their adoption

1. Amendment to IAS 1, "Presentation of Financial Statements"

In January 2020, the IASB issued an amendment to IAS 1, "Presentation of Financial Statements" regarding the criteria for determining the classification of liabilities as current or non-current ("the Original Amendment"). In October 2022, the IASB issued a subsequent amendment ("the Subsequent Amendment").

According to the Subsequent Amendment:

- Only covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current.

- An entity should provide disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months from the reporting date. This disclosure is required to include information about the covenants and the related liabilities. The disclosures must include information about the nature of the future covenants and when compliance is applicable, as well as the carrying amount of the related liabilities. The purpose of this information is to allow users to understand the nature of the future covenants and to assess the risk that a liability classified as non-current could become repayable within twelve months. Furthermore, if facts and circumstances indicate that an entity may have difficulty in complying with such covenants, those facts and circumstances should be disclosed.

According to the Original Amendment, the conversion option of a liability affects the classification of the entire liability as current or non-current unless the conversion component is an equity instrument.

The Original Amendment and Subsequent Amendment are both effective for annual periods beginning on or after January 1, 2024 and must be applied retrospectively. Early application is permitted.

2. Amendment to IAS 8, "Accounting Policies, Changes to Accounting Estimates and Errors":

In February 2021, the IASB issued an amendment to IAS 8, "Accounting Policies, Changes to Accounting Estimates and Errors" ("the Amendment"), in which it introduces a new definition of "accounting estimates".

Accounting estimates are defined as "monetary amounts in financial statements that are subject to measurement uncertainty". The Amendment clarifies the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors.

The Amendment is to be applied prospectively for annual reporting periods beginning on or after January 1, 2023 and is applicable to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Early application is permitted.

3. Amendment to IAS 12, "Income Taxes":

In May 2021, the IASB issued an amendment to IAS 12, "Income Taxes" ("IAS 12"), which narrows the scope of the initial recognition exception under IAS 12.15 and IAS 12.24 ("the Amendment").

According to the recognition guidelines of deferred tax assets and liabilities, IAS 12 excludes recognition of deferred tax assets and liabilities in respect of certain temporary differences arising from the initial recognition of certain transactions. This exception is referred to as the "initial recognition exception". The Amendment narrows the scope of the initial recognition exception and clarifies that it does not apply to the recognition of deferred tax assets and liabilities arising from transactions that are not a business combination and that give rise to equal taxable and deductible temporary differences, even if they meet the other criteria of the initial recognition exception.

The Amendment applies for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. In relation to leases and decommissioning obligations, the Amendment is to be applied commencing from the earliest reporting period presented in the financial statements in which the Amendment is initially applied. The cumulative effect of the initial application of the Amendment should be recognized as an adjustment to the opening balance of retained earnings (or another component of equity, as appropriate) at that date.

The Company estimates that the initial application of the Amendment is not expected to have a material impact on its financial statements.

4. Amendment to IAS 1 - Disclosure of Accounting Policies:

In February 2021, the IASB issued an amendment to IAS 1, "Presentation of Financial Statements" ("the Amendment"), which replaces the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. One of the main reasons for the Amendment is the absence of a definition of the term 'significant' in IFRS whereas the term 'material' is defined in several standards and particularly in IAS 1.

The Amendment is applicable for annual periods beginning on or after January 1, 2023. Early application is permitted.

The Company is evaluating the effects of the Amendment on its financial statements.

NOTE 3: - CASH AND CASH EQUIVALENTS

Composition

	December 31	
	2022	**2021**
	NIS in millions	
Cash in banks and on hand (1) (2)	1,276	2,321
Cash equivalents - short-term deposits (3)	98	1,052
	1,374	3,373

(1) Cash in banks carry a negligible interest rate.
(2) Of the total cash and cash equivalents, a total of NIS 884 million is denominated in Euro, NIS 155 million is denominated in non-linked NIS, NIS 105 million is denominated in PLN, and NIS 55 million is denominated in USD.
(3) Two main deposits of NIS 47 million and NIS 51 million denominated in the NIS and the BRL, respectively, included interest-bearing deposits at negligible rates.

NOTE 4: - SHORT-TERM INVESTMENTS AND LOANS

Composition

	December 31	
	2022	**2021**
	NIS in millions	
Current maturities of long-term loans	104	-
Short term loans to partners	-	2
Restricted cash in banks	24	28
	128	30

NOTE 5: - TRADE RECEIVABLES

a. Composition

	December 31	
	2022	2021
	NIS in millions	
Open accounts, net (see b and c below)	122	169

b. There are no significant past due and impaired receivables except those that have been included in the allowance for doubtful accounts.

c. Movement in allowance for doubtful accounts

	December 31	
	2022	2021
	NIS in millions	
At the beginning of the year	123	132
Provision during the year	9	63
Repayment during the year	(14)	(18)
Write-down of accounts	(30)	(43)
Translation differences	4	(11)
At the end of the year	92	123

NOTE 6: - OTHER ACCOUNTS RECEIVABLE

a. Composition

	December 31	
	2022	2021
	NIS in millions	
Government institutions	190	121
Prepaid expenses	120	168
Receivables from sale of real estate	1	85
Interest receivable from joint ventures	26	26
Loans to associates	9	-
Others	72	90
	418	490

NOTE 7: - ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

a. Composition of assets held for sale

	December 31	
	2022	2021
	NIS in millions	
Investment property *)	784	531
Land and investment property under development *)	542	3
Other assets	15	-
	1,341	534

*) The balance of assets held for sale is mainly comprised of non-core income producing properties, lands and investment property under development in Central-Eastern Europe, United States and Israel.

b. As of December 31, 2022, liabilities of assets held for sale includes mainly mortgage loan of asset held for sale in United States NIS 446 million.

NOTE 8: - INVESTMENT IN INVESTEES

a. Composition of the investment in entities accounted for by the equity method (including purchase accounting adjustments):

	December 31	
	2022	2021
	NIS in millions	
Joint ventures (1)	1,178	993
Associates	-*)	-*)
	1,178	993
Loans (2)	489	460
	1,667	1,453

*) Represents an amount of less than NIS 1 million.

(1) Includes, inter alia, joint ventures that manage, operate and develop income producing properties, and as of the reporting date includes NIS 703 million in Czech Republic (2021- NIS 679 million), NIS 492 million in United States (2021- NIS 238 million).

(2) Includes mainly a loan of EUR 96.71 million (NIS 363 million) which bears a fixed annual interest rate of 6% and matures on January 2024, loan of EUR 21.09 million (NIS 79 million) which bears a fixed annual interest rate of 4% and matures in January 2031 that granted to joint venture in Sweden. In addition, includes a loan of CAD 18 million (NIS 47 million) which bears a fixed annual interest rate of 5% and matures in November 2028.

b. Group's share in the results of equity-accounted investees including amortization of fair value adjustment (based on the interest therein during the period):

Joint ventures

	Year ended December 31		
	2022	2021	2020
	NIS in millions		
Net income (loss)	(51)	41	(78)
Other comprehensive loss	8	5	(7)
Comprehensive income (loss)	(43)	46	(85)

Associates

In 2020-2022, the other comprehensive income in an equity-accounted investees was less than a million.

NOTE 8: - INVESTMENT IN INVESTEES (Cont.)

Additional information regarding investees:

c. Investment in G Europe (previously: Atrium European Real Estate Limited, a subsidiary)

1. As of December 31, 2022, the Company owned 100% interest in G Europe's share capital and voting rights.
   In February 18, 2022, the merger transaction of the Company's wholly-owned subsidiary with G Europe was completed. In accordance with the merger agreement the subsidiary will acquire all of G Europe's shares it does not currently own, which represent approximately 25% of G Europe's share capital, at a price of EUR 3.63 per share which equates to total consideration of EUR 376 million (approximately NIS 1.4 billion), to be paid in cash. The suggested price reflected a premium of 23.9% over G Europe's closing price in August 2021. In accordance with the merger agreement, the price was adjusted for a special dividend of EUR 0.6 per share that G Europe declared on February 4, 2022, and was paid on February 18, 2022. The total consideration of the merger transaction, including transaction costs and after a special dividend, amounted to approximately EUR 315 million (NIS 1.1 billion).
   Following the transaction the Company recognized a decrease in the capital attributed to the shareholders of NIS 18 million.

2. In May, 2021, G Europe issued EUR 350 million hybrid bond. The hybrid bond is treated as shareholder's equity in G Europe's consolidated financial statements prepared in accordance with IFRS and as non-controlling interests in the Company's financial statements.
   The hybrid bond does not confer on their holders the rights of a shareholder nor they dilute the holdings of the current shareholders.
   The hybrid bond carry a fixed interest rate of 3.625% per year until the date of the first interest reset date, and the issuance price was 98.197%. G Europe can redeem the hybrid bond for the first time on August 4, 2026, representing five years from the issuance date and in any other interest payment date afterwards.
   The hybrid bonds are unsecured and are inferior to other liabilities other than share capital. In addition, the Hybrid bonds do not give their shareholders the rights of a shareholder or dilute the existing shareholders.
   During 2022 interest paid to the hybrid bond holders NIS 45 million (in 2021 NIS 23 million).

3. In February, 2022, a wholly-owned subsidiary of the Company purchased EUR 8 million G Europe's hybrid bond in total consideration of EUR 7 million (NIS 24 million), as a result of the purchase, the Company recognized an increase of NIS 4 million in equity attributable to equity holders of the Company.

4. In respect of lawsuits filed against G Europe, refer to Note 24d2.

NOTE 8: - INVESTMENT IN INVESTEES (Cont.)

d. Investment in CTY (a subsidiary)

1. As of December 31, 2022, the Company owns 52.1% interest in CTY's share capital and voting rights (51.2% on a fully diluted basis). CTY's shares are listed for trading on the Helsinki Stock Exchange, Finland (OMX). As of
December 31, 2022 the market price of CTY share was EUR 6.26 and CTY has 168 million shares outstanding.

	December 31, 2022		December 31, 2021	
	Carrying amount	Market value	Carrying amount	Market value
	NIS in millions			
Shares	3,113	2,055	3,254	2,157

2. Summarized IFRS financial information of CTY

Summarized statements of financial position -

	December 31	
	2022	2021
	NIS in millions	
Current assets	510	1,041
Non-current assets	16,231	15,865
Current liabilities	(779)	(468)
Non-current liabilities	(7,291)	(7,676)
Net assets	8,671	8,762
Allocated to:		
Equity holders of the company	3,113	3,254
Non-controlling interests	5,558	5,508
	8,671	8,762

NOTE 8: - INVESTMENT IN INVESTEES (Cont.)

Summarized statements of comprehensive income -

	Year ended December 31		
	2022	2021	2020
		NIS in millions	
Revenues	1,066	1,118	1,160
Net income (loss)	15	459	(104)
Other comprehensive income (loss)	(258)	143	(125)
Total comprehensive income	(243)	602	(229)
Allocated to:			
Equity holders of the Company	(183)	251	(145)
Non- controlling interests	(60)	351	(84)
	(243)	602	(229)
Dividends to Non- controlling interests	146	172	193
Interest paid on hybrid debentures to	100	77	16

*) See section 4 below.

Summarized cash flow statements -

	Year ended December 31		
	2022	2021	2020
		NIS in millions	
Net cash provided by operating activities	353	484	493
Net cash provided used in investing	388	(39)	(610)
Net cash provided by (used in) financing	(608)	(412)	158
Exchange differences on balances of cash	(11)	1	4
Increase in cash and cash equivalents	122	34	45

3. CTY have several share compensation plans based on restricted share units (RSUs) for managers and key employees of up to 747 thousands shares which will be paid primarily in shares, but also partly in cash upon meeting certain conditions.

4. In addition, during 2022, CTY granted its CEO options to be exercised for up to 2,111 thousands of the Company's shares in five equal installments. The exercise price of every option is EUR 7.38 and they will expire at the end of year 2025. During 2022 there was no exercises of these options.

5. On November 22, 2019, CTY issued EUR 350 million hybrid bond. The hybrid bond coupon is fixed at 4.5% per year up until 22 February 2025, and thereafter it is updated every five years. In June, 2021, CTY issued more EUR 350 million hybrid bond which carries a fixed interest rate of 3.625% per year until the date of the first interest reset date. CTY has the right to postpone interest payment if it does not distribute dividend or any other equity to its shareholders. The hybrid bond has no set maturity date, but CTY has the right to redeem it after five years from the issue date and thereafter on every yearly interest payment date.

NOTE 8: - INVESTMENT IN INVESTEES (Cont.)

The hybrid bonds are treated as an equity in CTY's consolidated financial statements which prepared in accordance with International Financial Reporting Standards (IFRS). These bonds are unsecured and are inferior to other liabilities other than share capital. In addition, the
Hybrid bonds do not give their shareholders the rights of a shareholder, or dilute the existing shareholders.
After the reporting date, CTY purchased by tender offer EUR 36.2 million par value hybrid debentures in consideration of 26.8 EUR million.

6. The applicable laws in some of the investee's jurisdictions contain customary terms regarding payments of dividends, interest and other distributions to equity holders by an investee. These conditions include, inter alia, a requirement that the investee have sufficient accumulated earnings or that certain solvency requirements are met before a distribution can be made. As of December 31, 2022 the Group does not consider any of these customary conditions to be a significant restriction.

7. For pledging of part of the shares of investees to secure Group liabilities, refer to Note 27.

NOTE 9: -

	December 31	
	2022	**2021**
	NIS in millions	
Loans to co-owners in development projects and to others (1)	221	72
Other non-current deposits	202	129
Tenants and Others	271	97
	694	298
Less - current maturities	104	-
	590	298

(1) The loans are denominated in euros and carries an average annual interest rate of about 4.8%.

NOTE 10: - FINANCIAL ASSETS

	December 31	
	2022	2021
	NIS in millions	
Financial assets at fair value through other comprehensive income		
Marketable shares (1)	42	32
Participating units in private equity funds (2)	93	91
	135	123
Classified within current assets	42	32
Classified within non-current assets	93	91
	135	122
Financial assets at fair value through profit and loss		
Marketable shares (1)	130	740
Marketable debentures (1)	-	12
Marketable mutual funds (1)	-	71
Participating units in private equity funds (2)	101	62
	231	716
Classified within current assets	130	823
Classified within non-current assets	101	62
	231	716
Total financial assets	366	1,008

(1) Measured at fair value based on quoted prices in active markets (level 1 in the fair value hierarchy).

(2) Real estate investment funds, mainly in India and Brazil, the fair value of the investments is derived from the fund's Net Asset Value (NAV) (level 3 in the fair value hierarchy).

NOTE 11: - INVESTMENT PROPERTY

a. Movement

	December 31	
	2022	2021
	NIS in millions	
Balance as of January 1	29,434	32,781
Acquisitions and capital expenditures	554	797
Transfer from investment property under development, net	(145)	(722)
Dispositions	(1,967)	(1,341)
Valuation gains (loss), net	(296)	682
Foreign exchange differences	1,440	(2,763)
Balance as of December 31	29,020	29,434
Composition:		
Investment property	28,236	28,903
Assets classified as held for sale (Note 7)	784	531
	29,020	29,434

b. Investment properties primarily consist of shopping centers and other retail sites, including properties under redevelopment and extension. Investment properties are stated at fair value, which has been determined based on valuations performed by external independent appraisers with recognized professional expertise and vast experience concerning the location and category of the property being valued (96.55% as of December 31, 2022 and 99.58% during 2022 - in fair value terms) as well as by the Group companies managements. As of the reporting date fair value has been determined based on market conditions, with reference to recent observable real estate transactions involving properties in similar condition and location, as well as using valuations techniques such as the Direct Income Capitalization Method and the Discounted Cash Flow Method ("DCF"), in accordance with International Valuation Standards (IVS), as set out by the International Valuation Standards Committee (IVSC) or in accordance with the Royal Institution of Charted Surveyors (the "Red Book"), in addition to the local rules of valuation in the territories in which the Group operates.

The valuations of properties that were appraised by income method or discounted cash flows are based on the estimated future cash flows generated by the properties from current lease contracts, taking into account the inherent risk of the cash flow as well as by using estimations for potential rent contracts and renewal for rent contracts. In determining the properties' fair values the appraisers used discount rates based on the nature and designation of each property, its location and the quality of the occupying tenants.

The investment properties are measured at level 3 according to the fair value hierarchy. In 2022, there were no transfers of investment property from level 3 and to level 3.

NOTE 11: - INVESTMENT PROPERTY (cont.)

c. Following are the average capitalization rates (Cap Rates) and the average monthly market rent per square meter implied in the valuations of the Group's properties in its principal areas of operations:

	Northern Europe	**Central and Eastern Europe*)**	**Israel**	**Brazil**	**USA**
Average cap rates					
December 31, 2022	5.5	7.0	6.4	7.7	5.0
December 31, 2021	5.4	6.8	6.4	7.2	4.6

Monthly average market rent per square meters	**EUR**	**EUR**	**NIS**	**BRL**	**U.S.$**
December 31, 2022	26.0	15.0	143.0	73.0	48.7
December 31, 2021	26.2	15.0	137.0	69.0	42.2

*) Market rent, as customary in these markets, excludes management fees.

Following is the sensitivity analysis of the fair value of investment properties (effect on pre-tax income (loss)) for the main parameters that were used in the investment properties valuations in its principal areas of operations:

	Northern Europe	**Central and Eastern Europe**	**Israel**	**Brazil**	**USA**
December 31, 2022	**NIS in millions**				
Increase of 25 basis	(584)	(263)	(128)	(63)	(96)
Decrease of 25 basis	639	285	139	67	110
Increase of 5% in net	676	354*)	171	202	76
Increase of 5% in	892	354*)	190	220	108

*) Immaterial difference between the impact of an increase of 5% in average market rent to an increase of 5% in net operating income

d. In respect of charges, refer to Note 27.

NOTE 12: - INVESTMENT PROPERTY UNDER DEVELOPMENT

a. Movement and composition

	December 31	
	2022	2021
	NIS in millions	
Balance as of January 1	3,786	2,456
Acquisitions and development costs (see par. c below)	816	1,256
Transfers to investment property, net	145	722
Dispositions	(154)	(302)
Valuation losses, net	(154)	(61)
Foreign exchange differences	311	(285)
Balance as of December 31	4,750	3,786
Composition:		
Lands held for sale (note 7)	542	3
Land for future development	1,264	1,333
Investment property under development	2,944	2,450
	4,750	3,786

b. The fair value of investment property under development that includes shopping centers and other retail sites is determined based on market conditions, using the Residual Method based upon DCF. The fair value is determined by the Group companies' managements and the external independent appraisers with recognized professional expertise and vast experience as to the location and category of the property being valued. The estimated fair value is based on the expected future cash flows from the completed project using yields adjusted to reflect the relevant development risks, including construction risk and lease-up risk, that are higher than the current yields of similar completed property. The remaining estimated costs for completion are deducted from the estimated value of the completed project, as above.

Lands for future development are measured at fair value, using among other the Comparative Method (26.7% in fair value terms). In the implementation of the Comparative Method, the external appraisers and Group companies' managements rely on market prices of similar properties, applying necessary adjustments (for location, size, etc.), and in cases where comparison transactions are not available, using the Residual Method as above, based on market yields adjusted as applicable.

The investment property under development and lands are measured at level 3 according to the fair value hierarchy. In 2022 there were no transfers of investment property under development and lands from level 3 and to level 3.

As of December 31, 2022, the fair value of approximately 75.9% of the investment property under development and lands has been assessed by external appraisers (approximately 84.1% during 2022), and the remainder was performed internally using standard valuation techniques, inter alia, based on market inputs received from the external appraisers.

c. During 2022, the Group capitalized to property under development borrowing costs amounting to NIS 33 million (in 2021 - NIS 32 million).

NOTE 12: - INVESTMENT PROPERTY UNDER DEVELOPMENT (cont.)

d. Below is a sensitivity analysis of the fair value of investment property under development, excluding projects and land that are immaterial to the financial statements (impact on pre-tax income (loss)):

	Northern Europe	Central and Eastern Europe	Israel	United States
December 31, 2022				
Increase of 5% in expected project cost	(6)	(56)	(5)	3
Increase of 5% in expected NOI	88	62	7	43
Increase of 25 basis points in	(96)	(48)	3	(4)
Decrease of 25 basis points in	108	52	3	13
Increase of 5% in the selling price per	-	7	34	-

e. In respect of charges, refer to Note 27.

NOTE 13: - FIXED ASSETS, NET

Fixed assets include mainly office buildings partly in use by the Group companies, which are not defined as investment property, construction equipment and others.

a. Composition

	December 31	
	2022	2021
	NIS in millions	
Buildings	37	38
Software, computers and office equipment	55	55
Right of use assets	19	21
Other (mainly leasehold improvements)	50	39
	161	153

b. Regarding depreciation expenses recognized in profit and loss, refer to note 30.

c. As for charges, refer to Note 27.

NOTE 14: - INTANGIBLE ASSETS, NET

Composition

	December 31	
	2022	2021
	NIS in millions	
Goodwill (1) (2)	433	512

(1) The carrying amount of goodwill as of December 31, 2022 and 2021 attributed to assets in Norway

Movement in goodwill for the year ended December 31, 2022

	NIS in millions
Balance as of January 1	512
Realization of goodwill due to sale of assets	(90)
Foreign exchange differences	11
Balance as of December 31	433

(2) Goodwill has been predominantly recognized due to the acquisition of assets by CTY in 2015. The goodwill was allocated to the cash generating units and for each, the recoverable amount was determined as of the reporting date.

NOTE 15: - CREDIT FROM BANKS AND OTHERS

a. Composition:

		Weighted average interest rate		
		December 31	December 31	
		2022*)	2022	2021
	Denomination	%	NIS in millions	
Credit from banks:	EUR	3.6	952	-
Credit from other financial institutions:	Unlinked NIS	-	-	167
Total short-term credit			952	167

*) Variable interest

b. As for charges, see 27

NOTE 16: - CURRENT MATURITIES OF NON-CURRENT LIABILITIES

Composition:

	Refer to Note	December 31 2022	December 31 2021
		NIS in millions	
Current maturities of debentures	19	1,283	1,331
Current maturities of interest bearing non-current liabilities	20	772	463
		2,055	1,794

NOTE 17: - TRADE PAYABLES

Composition

	December 31 2022	December 31 2021
	NIS in millions	
Open accounts and accrued expenses	157	169
Checks payable	11	12
	168	181

NOTE 18: - OTHER ACCOUNTS PAYABLE

a. Composition

	December 31 2022	December 31 2021
	NIS in millions	
Interest payable	132	129
Government institutions	71	84
Deferred income and deposits from tenants	76	125
Employees	75	70
Dividend payable to non-controlling interests	-	10
Other provisions (including for legal proceedings)	18	16
Accrued expenses	181	203
Dividend payable to shareholders of the Company	53	46
Other payables	49	109
	655	792

b. Out of the total balance of other accounts payable, an amount of NIS 307 million is denominated in Euro, NIS 114 million is denominated in non-linked NIS and NIS 78 million is denominated in PLN.

NOTE 19: - DEBENTURES

a. Composition

	item	Denomination	Outstanding par value amount	Nominal Interest rate	Effective interest rate	Carrying amount December 31 2022	2021
			NIS in millions	%	%	NIS in millions	
The Company:							
Debentures (series K)	c6	Israeli CPI	679	5.35	4.27	767	1,164
Debentures (Series L)	c5	Israeli CPI	2,932	4.00	3.67	3,187	3,044
Debentures (Series M)	c4	Israeli CPI	1,515	3.28*)	2.90	1,679	1,751
Debentures (Series N)	c3	Israeli CPI	1,034	1.79*)	2.27	1,084	1,219
Debentures (Series O)	c2	Israeli CPI	328	1.33*)	1.30	354	333
Debentures (Series P)	c1	Israeli CPI	957	1.75*)	1.41	1,028	782
Total of the Company ***)						8,099	8,293
Consolidated companies:							
CTY debentures	d	EUR	5,396	1.96	2.28	5,335	5,372
CTY debentures	d	Norwegian Krone	821	3.40	3.41	819	807
CTY debentures	d	Norwegian Krone **)	286	6.19	6.19	285	281
G Europe debentures	e	EUR	3,002	3.64	3.27	2,610	3,301
						17,148	18,054
Less - current maturities of						1,283	1,331
						15,865	16,723

*) These interests reflect the interest that was updated after the reporting date, see section 14 below.
**) Variable interest
***) As for cross-currency swap transactions entered in respect of part of the debentures, see Note 34c.

b. Maturity dates

Denomination	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 and thereafter	Total
	December 31, 2022 NIS in millions						
NIS linked to Israeli CPI	998	1,216	1,124	1,154	1,319	2,288	8,099
EUR	-	1,833	1,634	1,299	1,881	1,297	7,944
Norwegian Krone	285	-	820	-	-	-	1,105
	1,283	3,049	3,578	2,453	3,200	3,585	17,148

NOTE 19: - DEBENTURES (Cont.)

c. Additional information on the Company's debentures

1. In March 2022, the Company issued to the public NIS 177.2 million par value debentures (series P), by way of expansion of listed series for the net consideration of NIS 174 million, representing effective interest rate of 1.91% (linke).

   The debentures (series P), a fixed charge was placed on G Europe shares held by a wholly owned subsidiary of the Company Which at this date constitute 48.7% of the issued and paid-up capital of G Europe, on the account in which the shares are deposited as well as all the ancillary rights of the companies encumbered accordingly and all deposited on the encumbered, except exceptions ("the lien"), all as specified in section 5 of the trust deed.

   The scope of the pledge is determined according to the debt-to-value ratio (LTV) ratio of 65%, which is calculated in accordance with the net asset value (EPRA NRV) of G Europe share, as specified in the trust deed. The Company is required to comply with the LTV as aforesaid at specific inspection dates specified in the deed, including deletion of the pledged shares from trading, expansion of series, sale of pledged shares, exchange of pledges, and distribution of a special dividend in G Europe (higher than the monetary threshold set in the deed).

   The company has the option of mortgaging CTY shares and financial collateral for the benefit of the debentures (Series P).

   In parallel, the Company engaged with the trustee in a parallel debt agreement, and to create a valid lien under Swiss law, according to which the Company undertook to the trustee, in a separate and independent obligation as a direct creditor of the Company, to pay amounts equal to the amounts be paid to the debentures holders and on the same dates.

   In addition, the Company and its subsidiary entered into a control agreement with the trustee and custodian in connection to the account of the pledged shares and anything in it, according to which the custodian will act solely in accordance with the trustee's instructions regarding the assets deposited in this account.

   As part of the issuance of the debentures (Series P), the Company has undertaken, inter alia, to comply with the following main covenants, the breach of which will entitle the holders of the debentures (series P): (a) the consolidated equity (excluding non-controlling interests) is to be maintained at a minimum amount of USD 850 million for three consecutive quarters; (b) the consolidated equity (excluding non-controlling interests) is to be maintained at a minimum amount of USD 450 million for one quarter; (c) the ratio of interest-bearing liabilities, net to total assets will not exceed 75% for three consecutive quarters; (d) the debentures rating will be higher than BBB- by S&P Maalot and Baa3 by Midroog.

   In addition, the Company has undertaken not to create a negative pledge in favor of any third party as security for a debt, unless it grants the holders of the debentures a pari passu ranking floating charge.

   The Company has also made other undertakings to the holders of the debentures (series P), the breach of which will entitle the holders of the debentures to call for the immediate redemption of the debentures, including: change of control in the Company, in the event that another marketable series of debentures of the Company is called for immediate redemption or in the event of the calling for the immediate repayment of non-marketable debentures or a loan from a financial institution of 10% or more of the total gross financial liabilities of the Company as per its reviewed consolidated financial statements (at the end of remedy period), increase of debt to collateral above 65% at specified dates (without adding collaterals by the company), insolvency, change of activity and sale of the Company assets, a going concern notice for two consecutive quarters, events involving the wholly owned subsidiary holding the pledged shares, etc.

NOTE 19: - DEBENTURES (Cont.)

The Company has also undertaken not to make a distribution if, among others, the Company's equity decreases below an amount in NIS equals to USD 1 billion as per its consolidated financial statements audited or reviewed.
With the merger of G Europe and making it a private company and the delisting of its shares from trading, the Company also undertook not to distribute a dividend in G Europe, to the extent that the leverage ratio of the G Europe Group shortly after the distribution date exceeds 0.6; And the leverage ratio (which will be tested twice a year) shall not exceed 0.6, subject to a remedy period of two consecutive quarters after the relevant examination date.
It was also determined that a decrease in the credit rating below 'A+' of S&P Maalot, or 'A1' of Midroog or a corresponding rating of another rating company, will result in an increase in interest rates by a total of up to 1% (with interest up to 3%) on the terms and steps set out in the bond.

2. The Company has outstanding debentures (Series O) which are guaranteed by a permanent lien registered on 4 real estate assets owned by the Company, the aggregate value of which at the date of the report is approximately NIS 556 million.

   As part of the issuance of the debentures (Series O), the Company has undertaken, inter alia, to comply with the following covenants: (a) the consolidated equity (excluding non-controlling interests) is to be maintained at a minimum amount of USD 850 million for three consecutive quarters; (b) the consolidated equity (excluding non-controlling interests) is to be maintained at a minimum amount of USD 400 million for one quarter; (c) the ratio of interest-bearing liabilities, net to total assets will not exceed 75% for three consecutive quarters; (d) the debentures rating will be higher than BBB- by S&P Maalot and less than Baa3 by Midroog.
   The Company has also made other undertakings to the holders of the debentures (Series O), the breach of which will entitle the holders of the debentures to call for the immediate redemption of the debentures, including: change of control in the Company, in the event that another marketable series of debentures of the Company is called for immediate redemption or in the event of the calling for the immediate repayment of non-marketable debentures or a loan from a financial institution of 10% or more of the total gross financial liabilities of the Company as per its reviewed consolidated financial statements (at the end of remedy period), insolvency, change of activity and sale of the Company assets, etc.
   The Company has also undertaken not to make a distribution if, among others, the Company's equity decreases below an amount in NIS equals to USD 1 billion as per its consolidated financial statements audited or reviewed.
   Additionally, it has been determined that a reduction of the credit rating below 'il.AA-' of S&P Maalot, or below 'Aa3' of Midroog, or an equivalent rating of another rating agency, will cause the raising of the interest at a total rate of up to 3%, subject to the terms and the margins set out in the debenture. (For details regarding the raising of the debentures' (Series O) interest following the credit rating downgrade, see section 14 below).

3. The Company has outstanding debentures (Series N), in which the Company has agreed to comply with the following primary covenants,
   the Company outstanding debentures (Series N), in which the Company has agreed to comply with the following primary covenants: (a) the consolidated equity (excluding non-controlling interests) is to be maintained at a minimum amount of USD 850 million for three consecutive quarters; (b) the consolidated equity (excluding non-controlling interests) is to be maintained at a minimum amount of USD 400 million for one quarter; (c) the ratio of interest-bearing liabilities, net to total assets will not exceed 75% for three consecutive quarters; (d) the debentures rating will be higher than ilBBB- by S&P Maalot and less than Baa3il by Midroog.
   Nevertheless, in the event of non-compliance with any of the aforesaid covenants, the Company may provide collateral in favor of the holders of the debentures (Series N) in lieu of such covenants.
   The Company has also made other undertakings to the holders of the debentures (Series N), the breach of which will entitle the holders of the debentures to call for the immediate redemption of

NOTE 19: - DEBENTURES (Cont.)

the debentures, including: change of control in the Company, in the event that another marketable series of debentures of the Company is called for immediate redemption or in the event of the calling for the immediate repayment of non-marketable debentures or a loan from a financial institution of 10% or more of the total gross financial liabilities of the Company as per its reviewed consolidated financial statements (at the end of remedy period), insolvency, change of activity and sale of the Company assets, etc. In addition, the Company has undertaken not to create a negative pledge in favor of any third party as security for a debt, unless it grants the holders of the debentures a pari passu ranking floating charge. The Company has also undertaken not to make a distribution if, among others, the Company’s equity decreases below an amount in NIS equals to USD 1 billion as per its consolidated financial statements.
Additionally, it has been determined that a reduction of the credit rating below ilA+ of S&P Maalot or below A1 by Midroog will cause the raising of the interest at a total rate of up to 3%, subject to the terms and the margins set out in the debenture. (For details regarding the raising of the debentures’ (Series N) interest following the credit rating downgrade, see section 14 below).

4. The Company has outstanding debentures (Series M), in which the Company has agreed to comply with the following primary covenants, And which violates the regulation to the bondholders the right to immediate repayment of the debentures: (a) the consolidated equity (excluding non-controlling interests) is to be maintained at a minimum amount of USD 800 million for three consecutive quarters; (b) the consolidated equity (excluding non-controlling interests) is to be maintained at a minimum amount of USD 400 million for one quarter; (c) the ratio of interest-bearing liabilities, net to total assets will not exceed 75% for three consecutive quarters; (d) the debentures rating will be higher than ilBBB- by S&P Maalot and less than Baa3il by Midroog.
The Company has also made other undertakings to the holders of the debentures (Series M), the breach of which will entitle the holders of the debentures to call for the immediate redemption of the debentures, including: change of control in the Company, in the event that another marketable series of debentures of the Company is called for immediate redemption or in the event of the calling for the immediate repayment of non-marketable debentures or a loan from a financial institution of 10% or more of the total gross financial liabilities of the Company as per its reviewed consolidated financial statements (at the end of remedy period), insolvency, change of activity and sale of the Company assets, etc. I addition, the Company has undertaken not to create a negative pledge in favor of any third party as security for a debt, unless it grants the holders of the debentures a pari passu ranking floating charge. The Company has also undertaken not to make a distribution if, among others, the Company’s equity decreases below an amount in NIS equals to USD 850 million as per its consolidated financial statements.
Additionally, it has been determined that a reduction of the credit rating below il.BBB- of S&P Maalot will cause the raising of the interest at a total rate of up to 3%, subject to the terms and the margins set out in the debenture.
Additionally, it has been determined that a reduction of the credit rating below il.AA - of S&P
Additionally, it has been determined that a reduction of the credit rating below ilA+ of S&P Maalot or below A1 by Midroog will cause the raising of the interest at a total rate of up to 3%, subject to the terms and the margins set out in the debenture. (For details regarding the raising of the debentures’ (Series M) interest following the credit rating downgrade, see section 14 below).

5. The Company has outstanding debentures (Series L), in which the Company has agreed to comply with the following primary covenants:(a) maintain minimum shareholders’ equity (excluding non-controlling interests) of USD 650 million during every four consecutive quarters;(b) Ratio of net financial debt to total assets of less than 80% during every four consecutive quarters; and credit rating (Israeli scale) in the last of the said four quarters shall be not less than BBB- by S&P Maalot and Baa3 by Midroog, The Company has also made other undertakings to the holders of the debentures (Series L), the breach of which will entitle the holders of the debentures to call for the immediate redemption of the debentures, including change of control; in addition, any event in which the Company will be required to immediately redeem its listed debenture in an amount not less than the greater of (i) NIS 200 million, and (ii) 10.0% of its shareholders' equity (excluding

NOTE 19: - DEBENTURES (Cont.)

non-controlling interests). In addition, it was determined that a reduction of the credit rating below il.A- of S&P Maalot and below A3 by Midroog will cause the raising of the interest at a total rate of up to 1%, subject to the terms and the margins set out in the debenture.

6. The Company has outstanding debentures (Series K), in which the Company has agreed to comply with the following primary covenants:(a) maintain minimum shareholders' equity (net of non-controlling interests) of USD 500 million during four consecutive quarters;(b) ratio of net interest-bearing debt to total assets not to exceed 80% during four consecutive quarters;
credit rating of its debentures in the last of the four abovementioned quarters higher than S&P Maalot's BBB- rating and Midroog's Baa3 rating, The Company has also made other undertakings to the holders of the debentures (Series K), the breach of which will entitle the holders of the debentures to call for the immediate redemption of the debentures, including change in control. In addition, any event in which the Company will be required to immediately redeem its listed debentures in an amount of at least the greater of (i) NIS 300 million and (ii) 12.5% of shareholder's equity (net of non-controlling interests). In addition, it was determined that a reduction of the credit rating below il.A- of S&P Maalot and below A3 by Midroog will cause the raising of the interest at a total rate of up to 1%, subject to the terms and the margins set out in the debenture.
As of the date of the financial report and the reporting date, the Company complies with the above criteria with respect to the series of debentures listed above.

7. During 2022, the company purchased NIS 48 million par value debentures (Series K, L, M) for a consideration of NIS 41 million, in accordance with the company's repurchase plan. Following the purchases, the company recognized gain from early redemption of NIS 6 million. The debentures were cancelled and delisted.

8. On March 28, 2023, the Company's Board of Directors resolved to adopt a new plan for the repurchase of Company debentures (in place of the previous plan) in an amount of up to NIS 450 million par value, with respect, to all series of debentures in circulation. The plan is valid until March 31, 2024. Acquisitions are to be made under the plan from time to time, at the discretion of the Company's management. This plan replaced the previous plan from March 23 2022, in the amount of up to NIS 450 million par value, which was in effect until March 31 2023. For details regarding purchases' virtue of this plan see section 7 above.

9. On January 20, 2022, following the approval of the merger with G Europe, S&P Maalot rating company downgraded the credit rating for all the Company's debentures which are not secured to a rating of 'ilA+', with a stable outlook, and the rating for debentures (Series O) which are secured by investment properties to 'ilAA-' rating level with a stable outlook.
On June 30, 2022, the rating company reaffirmed the ratings mentioned above and updated the rating outlook from stable to negative.

10. On January 25, 2022, following the completion of the merger with G Europe, the rating company Midroog placed under examination with negative implications the credit rating for all series of the Company's debentures.

11. On March 24, 2022, following the completion of the merger with G Europe, Midroog rating company downgraded the ratings for all the Company's debentures which are not secured to a rating of 'A1.il', with a stable outlook, and the rating for the debentures (Series O), which are secured by investment properties, to 'Aa3.il', with a stable outlook.

12. On November 24, 2022, Midroog rating company downgraded the issuer rating of the Company to 'ilA-/ilA-2' and the credit rating for all series of the Company's debentures which are not secured to 'ilA-', and the credit rating for debentures (Series O) of the company which is secured by investment properties to the 'ilA' with a negative outlook.

NOTE 19: - DEBENTURES (Cont.)

13. On December 25, 2022, following increase in the Company's leverage, Midroog rating company removed from review the Company's credit rating and downgraded the credit rating for the company's debentures series K, L, M, N and P from A1.il to A3.il and debentures series O from Aa3.il to A2.il, with negative outlook.

14. Following the information mentioned in sections 12 and 13 above, on December 31, 2022 the Company announced the increase of the interest for some of its debenture series in accordance with their terms as follows:
    a) Debentures (series M) starting with the interest period that began on January 1, 2023, an interest rate of 0.5% was added to the debenture interest. The updated interest rate after the increase is 3.28%.
    b) Debentures (series N) starting with the interest period that began on April 1, 2023, an interest rate of 0.5% was added to the debenture interest. The updated interest rate after the increase is 1.79%.
    c) Debentures (series O) starting with the interest period that began on April 1, 2023, an interest rate of 0.25% was added to the debenture interest. The updated interest rate after the increase is 1.33%.
    d) Debentures (series P) starting with the interest period that began on April 1, 2023, an interest rate of 0.5% was added to the debenture interest. The updated interest rate after the increase is 1.75 %.

    The interest rating of all the above will stand until full payment of the debentures or until the start of the interest period following upgrade in the Company's credit rating to A or similar level of different rating company, in accordance with the terms of the debentures.

    Following the debenture interests increase, the company recognized one-time expense of NIS 82 million it its profit or loss.

15. After the reporting date, the company purchased NIS 75 million par value debentures (Series K, L, M, N, P) for a consideration of NIS 70 million, in accordance with the company's repurchase plan. Following the purchases, the company recognized gain from early redemption of NIS 13 million. The debentures were cancelled and delisted.

NOTE 19: - DEBENTURES (Cont.)

d. CTY debentures

1. Within the framework of the debenture offering, CTY committed to maintain a ratio of total debt to total value of assets and a ratio of secured debt to total value of assets that will not exceed 65% and 25%, respectively. In addition, change of control as defined in the debenture's agreement will entitle the holders the right of early redemption of the debentures. As of the reporting date, CTY is in compliance with these covenants.

2. During the reporting period, CTY purchase EUR 112.3 million par value debentures for a consideration of EUR 102.5 million.

3. After the reporting period, CTY purchase, by a tender offer, EUR 21.1 million par value debentures for the consideration of EUR 13.3 million.

e. G Europe debentures

1. As part of the debenture offering, G Europe committed to maintain a ratio of total debt to total value of assets and a ratio of secured debt to total value of assets that will not exceed 60% and 40%, respectively. In addition, the minimum consolidated interest coverage ratio (adjusted EBITDA to interest expenses) will be no less than 1.5.

2. During 2022, a Company's wholly owned subsidiary purchased EUR 95 million par value G Europe's debentures for the consideration of EUR 92 million (NIS 324 million). The impact of the purchase on the Company's financial reports is immaterial.
The Company entered into a financing agreement with a foreign bank, in which the subsidiary will transfer to the bank G Europe's debentures with a maturity date in 2025 in return for a loan. According to the terms of the transaction, and simultaneously with the repayment of the loan, the Company is entitled to the redemption value of the debentures. During the reporting period, the subsidiary transferred to the bank EUR 81.8 million par value G Europe debentures, so that as of the reporting date the subsidiary held EUR 9.7 million par value of G Europe's debentures
After the reporting date, the subsidiary purchased EUR 0.5 million par value G Europe's debentures for the consideration of EUR 0.4 million (NIS 1.5 million). The impact of the purchase on the Company's financial reports is immaterial. In addition, the subsidiary transferred additional EUR 9.3 million par value G Europe's debentures to the bank, so as the publication date of this report, the subsidiary holds EUR 0.9 million par value G Europe's debentures.

3. On January 17, 2022, following the completion of the acquisition of the G Europe Merger, the rating company Fitch downgraded the long-term G Europe issuer rating from 'BBB' to 'BB', with Stable outlook.

4. On April 6, 2023, following the completion of the acquisition of the G Europe Merger, as described in section 2 above, Moody's rating company downgraded the debenture series of G Europe that are not secured from 'Baa3' to 'Ba2', with negative outlook, and the hybrid debenture series from 'Ba2' to 'B1', with negative outlook.
Following the downgre, there was an increase in the interest rate of G Europe's debentures paid in 2025, starting with the interest that will be paid in September 2023. The additional finance expenses are NIS 6.25 million per year starting from 2023.

5. After the reporting date, in March 2023, Moody's rating company downgraded the debenture series of G Europe from 'Ba2' to 'B1', with Stable outlook.

NOTE 20: - INTEREST-BEARING LOANS FROM BANKS AND OTHERS

a. Composition

	In NIS linked to CPI	In NIS non linked	In CAD	In USD	In EUR	In BRL	Total
December 31, 2022							
Banks	-	732	121	205	2,100	-	3,158
Other financial institutions	1,235	-	-	803	-	517	2,555
Total	1,235	732	121	1,008	2,100	517	5,713
Current maturities	28	503	-	35	186	20	772
Net of current maturities	1,207	229	121	973	1,914	497	4,941
December 31, 2021							
Total	1,191	838	133	1,885	1,283	368	5,698
Net of current maturities	1,168	658	133	1,707	1,159	368	5,193

The composition of classification of loans by fixed or variable interest rate:

	In NIS linked to CPI	In NIS non linked	In CAD	In USD	In EUR	In BRL	Total
				NIS in millions			
December 31, 2022							
Fixed interest rate	1,235	-	-	793	-	517	2,545
Weighted average effective	1.6	-	-	6.3	-	5.9	
Variable interest rate	-	732	121	215	2,100	-	3,168
Weighted average effective	-	4.7	3.8	7.3	3.4	-	

b. Maturity dates

	In NIS linked to CPI	In NIS non linked	In CAD	In USD	In EUR	In BRL	Total
				NIS in millions			
December 31, 2022							
Year 1 - current	28	503	-	35	186	20	772
Year 2	28	229	-	251	689	22	1,219
Year 3	28	-	2	126	178	22	356
Year 4	28	-	2	162	608	30	830
Year 5	300	-	2	216	439	36	993
Year 6 and thereafter	823	-	115	218	-	387	1,543
	1,207	229	121	973	1,914	497	4,941
Total	1,235	732	121	1,008	2,100	517	5,713

c. As for charges, refer to Note 27.

NOTE 20: - INTEREST-BEARING LOANS FROM BANKS AND OTHERS (Cont.)

d. Contracted restricted and financial covenants

Certain loans and credit facilities which the Company and its subsidiaries obtained in the ordinary course of business include customary financial and other covenants that a breach in the covenant will cause immediate redemption, among which are the following:

1. The Company

a) Ratio of actual drawn down credit to market value of securities (marketable securities of public Company) as was determined in the credit agreements.

b) Minimum shareholders' equity (excluding non-controlling interests) of NIS 4 billion for the Company.

c) Ratio of net interest bearing liabilities to value of total assets, based on consolidated financial statements, shall not exceed 75%.

d) Ratio of net interest bearing liabilities to value of total assets, based on expanded solo financial statements (the Company and other fully owned private entities) of the Company, shall not exceed 77.5%.

e) Ratio of actual debt to value of securities (pledged CTY shares whose fair value is the average of its market value and net asset value) shall not exceed 70%.

f) The Company's average quarterly EPRA Earnings, calculated according to the European Public Real Estate Association, over any two consecutive quarters, shall not be less than NIS 60 million.

g) The ratio of total equity (including equity loans, but excluding minority interests, derivatives at fair value and the tax effect with respect thereto) to the total assets of CTY shall not be less than 30%.

h) The ratio of shares pledged to the bank shall not be less than 15% of the issued and paid up share capital of CTY and also that, in the event of a financial institution (which is not a financial manager of others or for others) holding CTY shares for itself at a rate in excess of 15%, the Company shall pledge additional CTY shares to the bank so that the pledged shares as a percentage of the total issued and paid up capital of CTY shall be at least 5% higher than the percentage held by the aforementioned financial institution in the issued and paid up capital of CTY, but not more than 30.1% of the issued and paid up capital of CTY.

i) The ratio of CTY shares held directly and indirectly by the Company shall not be less than 30% of the share capital of CTY.

j) Ratio of CTY's EBITDA (with certain adjustments) to CTY’s net financial expenses shall not be less than 1.6.

k) The Company's credit rating shall not be lower than BBB by S&P Maalot rating agency or lower than baa2 by Midroog rating agency.

NOTE 20: - INTEREST-BEARING LOANS FROM BANKS AND OTHERS (Cont.)

l) Debt coverage ratios not less than 1.2-1.3.

m) Debt ratio to annual NOI not exceeding 6.

n) Net debt ratio to the total assets of G Europe shall not be higher than 65%-70%.

o) Interest coverage ratios of G Europe will not be less than 2.0.

p) The Company and the investee companies have other acceptable financial criteria, such as interest and / or principal coverage ratios, leverage ratios, net operating income ratio (NOI) to debt and other accepted criteria.

q) Some of the credit documents of the Company and its investees include generally accepted conditions for immediate repayment of the credit, including: non-payment, change of control of the Company or companies whose securities are pledged to secure the credit, restructuring, certain material legal proceedings (including in the context of liquidation and realization proceedings). Assets and execution), cessation of the company's activities, change of the main activity of the company, cessation of trading in the securities secured by the credit or of the company, cross default in certain terms and conditions, holding a minimum amount of shares held by the company, minimum value of unencumbered assets in relation For utilized debt, tenure of certain officers and more.

r) Some of the Company's financing agreements (which do not amount to material credit) include criteria and additional conditions (such as reasons in connection with trading in shares used as collateral and the Company's shares and their price, rating, change of control, etc.). Stipulated in the agreement, and in the event that it does not do so to the financial institution will have the right to make the financing immediately repayable. In some of the aforesaid agreements, in the event that the Company again meets the criteria set forth in the agreement, it will be entitled to re-utilize the credit by virtue of them.

2. CTY

a) Ratio of debt to total assets shall not be above than 60%.

b) Minimum debt coverage ratio (EBITDA to net interest expense) of 1.8.

As of December 31, 2022, and the date of the financial report the Company and its subsidiaries are in compliance with all the aforementioned covenants.

NOTE 21: - OTHER LIABILITIES

Composition

	December 31	
	2022	2021
	NIS in millions	
Tenants' security deposits (1)	42	47
Lease liabilities (2)	304	296
Other liabilities	112	32
	458	375

(1) Tenants' security deposits are received to secure the fulfillment of the terms of the lease agreements. Deposits are refunded to the tenants at the end of the rental period, primarily linked to the EUR

(2) Lease liabilities includes mainly NIS 137 million in Polish Zloty, NIS 101 million in Norwegian Krone, NIS 40 million in SEK and NIS 4 million in EUR

NOTE 22: - EMPLOYEE BENEFIT LIABILITIES AND ASSETS

The Group provides post-employment benefit plans. The plans are generally financed by contributions to insurance companies, pension funds and provident funds and are classified both as defined contribution plans and as defined benefit plans, as follows:

a. Under labor laws and severance pay laws in Israel and Brazil, the Group is required to pay benefits to employees upon dismissal or retirement in certain circumstances. The calculation of the Company’s employee benefit liability is made based on valid employment contracts and based on the employees’ salary which establishes the entitlement to receive post-employment benefits.

   Section 14 of the Severance Pay Law, 1963 in Israel applies to the compensation payments, pursuant to which current contributions paid by the Group into pension funds and/or into types of insurance policies release the Group from any additional liability to employees for whom such contributions were made (defined contribution plan).

b. The liabilities of the Group in other countries in which its operates are normally financed by contributions to pension funds, social security, medical insurance and others and by payments which the employee bears (such as for disability insurance) as required by local law and therefore essentially defined as contribution plans. Additional payments for sick leave, severance termination benefits and others are at Group companies’ discretion, unless otherwise provided for in a specific employment contract.

c. Provision for severance benefits recognized in the financial statements on the date the decision was made concerning the dismissal, in countries where the Group has a legal or constructive obligation for their payment.

d. The amounts accrued in pension funds, officers’ insurance policies, other insurance policies and in provident funds are on behalf of the employees and the related liabilities are not reflected in the statement of financial position as the funds are not controlled and managed by the Company or its subsidiaries.

All of the Group’s post-employment benefit plans do not have a material effect on the financial statements.

NOTE 23: - TAEXS ON INCOME

a. Tax laws applicable to the Group

1. Tax laws in Israel

a) Capital gains/losses

The capital gain tax rate applicable to Israeli resident companies is the corporate tax rate, see section d below.

b) Taxation of dividend income

Pursuant to section 126(b) to the Income Tax Ordinance ("the Ordinance"), income from distribution of profits or from dividends originating from income accrued or derived in Israel which was received, directly or indirectly, from another entity subject to the corporate tax in Israel is not included in the computation of the Company's taxable income.
Pursuant to section 126(b) to the Ordinance, Dividends that the Company receives from a foreign entity are taxed in Israel at the corporate tax rate, as mentioned in section d below, and credit is given for the tax withheld on the dividends overseas (direct credit). Excess direct credit may be carried forward to future years over a period of not more than five years.
Nonetheless, at the Company's request and subject to certain conditions, the Company may elect to implement an alternative under which the corporate tax rate will be imposed, as mentioned in section 4 below, on the gross income from which the dividend was distributed (the dividend distributed plus the tax withheld and the corporate tax paid on the income in the foreign countries) and a credit will be given for the foreign tax paid on the income from which the dividend was distributed in the foreign company (indirect credit) and the tax withheld in the foreign country. It should be noted that indirect credit is eligible down to two tiers only and is subject to certain conditions. Excess indirect credit cannot be carried forward to future years.

c) Capital gain/loss from sale of shares in subsidiaries

A real capital gain by the Company on the sale of its direct holdings in one or more of the Group's foreign companies is taxed in Israel and credit is given for the foreign tax paid overseas on the capital gain from that sale, subject to the provisions of the relevant treaty for avoidance of double taxation.

d) Tax rates applicable to the Group companies in Israel

The Israeli corporate tax rate for 2020-2022 is 23%.

2. Taxation in the U.S.

On December 22, 2017, a comprehensive tax reform was approved in the United States, which includes a reduction in the US corporate tax rate to 21%, with effect from January 1, 2018. In addition, the rules of interest expense allowance in the United States, which is now limited to 30% of the EBITDA in the respective tax year were amended. On March 27 2020, the Coronavirus Aid, Relief and Economic Security act (CARES act) was approved in the US, which provides economic assistance for facing the COVID-19 crisis. The CARES act provides tax benefits for companies with the aim of maintaining liquidity, including: carryback of losses created during 2018-2020 for 5 years and temporary elimination of the 80% limitation for utilizing losses; reducing the tax deduction limitation of interest expenses with accordance to section 163(j); accelerated depreciation benefits and deductibility of additional expenses of improvements in real estates.

Upon distribution of dividends from the United States to the Company, a reduced rate of 12.5% for withholding tax applies, in accordance with the tax treaty between Israel and the United States, provided that the Company holds at least 10% of the shares of the distributing company.

NOTE 23: - TAEXS ON INCOME (Cont.)

3. Taxation in Canada

The taxable income of the Group companies is subject to the effective corporate tax (Federal and Provincial) which ranges between 23% and 31%. A Canadian resident company that realizes a capital gain is taxed in Canada only on half of the capital gain. Subject to certain conditions, a Canadian resident company that receives dividends may not be taxable in Canada or the dividends may have no effect on the taxable income of a Canadian resident company that receives the dividend. According to FAPI (Foreign Accrual Property Income) rules, a Canadian resident company may be taxable in Canada on undistributed passive income of a foreign company and receive a relief for foreign tax imposed on this income. Generally, distribution of dividends from a Canadian resident company to a foreign resident is subject to withholding tax of 25%. Reduced tax rates may be valid based on the relevant tax treaty (if applicable). According to the tax treaty between Israel and Canada, withholding tax on dividends will be reduced to a rate of 5% for recipient companies with holdings in excess of 25% of the distributing company (otherwise the withholding rate is 15%). In addition, according to the tax treaty between Israel and Canada, the rate of tax to be withheld at source on interest is 10% (or 5% for interest payable to financial institutions).

4. Taxation in Finland

Operations in Finland are carried out by CTY. The corporate tax rate in Finland in 2022 is 20%, in general, under the local regulation, withholding tax rate for dividend distribution from Finland is 20% (or 35% in certain situations). The dividend withholding tax rate upon distribution from Finland to Israel is 5% pursuant to the tax treaty between Israel and Finland (only if the share of holding is higher than 10%, otherwise the withholding tax rate is 15%). Due to the change of legislation in Finland, starting from January 1, 2014, the withholding tax will apply also on return of capital of traded companies (this change of legislation will not apply on untraded companies, except in specific instances).
The Company received a pre-ruling from the Tax Authority in Finland that entitles the Company to demand a refund from the aforesaid Tax Authority for tax deducted in Finland that cannot be claimed in Israel.

5. Taxation in Norway

Operations in Norway are carried out through a Norwegian company that is owned by CTY. The corporate tax rate in Norway in 2022 is 22%. Usually, under domestic law, the withholding tax rate on dividend distributions from Norway is 25%. A lower withholding tax rate might be possible under various tax treaties. In the case of a dividend distribution to member states of the European Economic Area (“the EEA”), the rate is 0% (assuming meeting the conditions specified in the law, except in specific instances).

6. Taxation in Sweden

Operations in Sweden are carried out by Swedish resident companies that are held by CTY. Generally, the corporate tax rate in Sweden in 2022 is 20.6%. The rate of withholding tax for dividend distribution by a Swedish resident company under the domestic law is 30%. Generally, dividend distribution to a company similar to a Swedish limited liability company, and which is not considered as a company registered in a tax shelter, is not subject to withholding tax (except in specific instances).

7. Taxation in Netherlands

In 2022 the corporate tax rate in the Netherlands on an income greater than EUR 395,000 is 25.8% (the corporate tax rate on an income less than EUR 395,000 is 15%). Starting from 2023, the corporate tax rate in the Netherlands on an income greater than EUR 200,000 is 25.8% (the corporate tax rate on an income less than EUR 200,000 is 19%).
Under certain conditions, income of the Dutch company from its holdings in Germany would be tax exempt in the Netherlands. Following a change in legislation in Netherlands, starting January 1,

NOTE 23: - TAEXS ON INCOME (Cont.)

2018, the rate of tax to be withheld at a source on dividend distribution was reduced to 0%, under certain conditions.

8. Taxation in Germany

Generally, the corporate tax rate (including the solidarity tax) in Germany is 15.825% (assuming that the company is not subject to trade tax, otherwise – 30%). Distribution of profits from a German resident partnership to the Dutch resident company partners is not taxable in Germany according to domestic law. Payment of interest to a foreign resident from Germany is exempt from withholding tax in Germany according to the domestic law, except under certain circumstances. Capital gains on the disposal of shares of a German company may be taxable in Germany, however, 95% of the gain may be tax exempt in Germany, if the conditions of the German participation exemption apply.

9. Taxation in Jersey Island

The corporate tax rate on the Island of Jersey is 0% (except in relation to specific fields of activity which are subject to tax at a rate of 10% or 20%). The f withholding tax rate on dividend distribution from Jersey to Israel is usually 0% and capital gains are not taxed in Jersey.
Operations in Jersey are carried out through Jersey companies that are owned by G Europe. The corporate tax rate in G Europe’s principal regions of operation is 19% in Poland and the Czech Republic and 21% in Slovakia, while in Russia the corporate tax rate is 20%.
Starting from 2019, Jersey Islands applies laws and regulations relates to the Economic Substance. According to the new legislation, companies and partnerships incorporated in the Island will be required to report, among other things, about their type of activity, and to keep the Economic Substance rules on the land of Jersey Islands (I.e., employees, offices, management, level of expenses, etc.) subject to their type of activity.

10. Taxation in Poland

Operations in Poland are carried out through Polish companies indirectly owned by G Europe. The corporate tax rate in Poland is 19% and, under domestic law, the withholding tax rate on a dividend distribution from Poland is also 19%. A lower tax rate might be possible under various tax treaties. Starting from January, 2018, a legislation amendment became effective, the amendment includes provisions concerning the offsetting of losses as well as thin capitalization rules that restrict the deduction of financing expenses in Poland.
In addition, a legislative change was made in Poland, and different rules regarding withholding tax were established. In general, according to the new rules regarding dividend payments, interest, royalties and services for foreign residents, of less than 2 million Polish Zlotys in one tax year, the rules for filing and deduction under a treaty remain the same (except for a stricter definition of a beneficial owner). In the case of such payments in an amount exceeding 2 million Polish Zlotys to a foreign resident, the payer must initially deduct the amount in excess of 2 million Polish Zlotys (19% for dividends and 20% for interest, royalties and services for foreign residents). The foreign resident could demand a tax refund subject to compliance with the treaty/exemption conditions. It should be noted that there are exceptions to these rules. The withholding tax rules are effective starting from January 1, 2022.
In addition, several indirect subsidiaries are under tax review with the tax authorities abroad.

11. Taxation in Czech Republic

The Czech Republic activity is performed by Czech entities held by G Europe. The maximum corporate tax rate in the Czech Republic is 19%. Usually, the withholding tax rate on a dividend distribution according to domestic law is 15% (or 35% in specific instances). The distribution of a dividend from the Czech Republic to a member state of the EEA is exempt from withholding tax (except in specific instances). In addition, a reduced tax rate is possible according to the different tax treaties. The operation in the Czech Republic is performed by Czech companies held by G Europe.

NOTE 23: - TAEXS ON INCOME (Cont.)

12. Taxation in Russia

    The corporate tax rate in Russia is 20%. Usually, the withholding tax rate on a dividend distribution according to domestic law is 15% to foreigners, a reduced tax rate is possible according to the different tax treaties. The operation in Russia is performed by Czech companies held by G Europe.

13. Taxation in Brazil

    The effective tax rate on companies in Brazil (having a turnover in excess of BRL 240 thousand) is 34%. The tax rate on a dividend distribution from a Brazil-resident company, under domestic law, is 0%, except in specific instances. Operations in Brazil are carried out mainly through real estate funds. The real estate funds are exempt from tax on their income, if certain conditions are fulfilled. A distribution of earnings from the funds to foreigners and locals is subject to tax withholdings at the rate of 15% and 20%, respectively (calculated on the profit component).

b. Finalized tax assessments

The Company has finalized its tax assessments through 2015. The Company's wholly owned subsidiaries in Israel have finalized their tax assessments through 2017.

On December 28, 2021, the Company received a tax assessments (best judgment assessments) for the years 2016-2018, the main issues are attribution of financing expenses and the classification of redemption of Preferred shares as a dividend. The company disputes the assessments and believes that it has good claims against it. The company intends to submit an objection on it.
The Company and its consultants assume that the tax assessments do not materially affect the Company's financial statements.
To a wholly owned subsidiary, which was merged with and into the Company (see section d below), has finalized its tax assessments through 2018.

c. Merger of subsidiaries in Israel

On January 7, 2018, an Israeli subsidiary was granted an approval from the Israeli Tax Authority for merger into an indirect subsidiary ("the Absorbing Company"), together with two indirect subsidiaries of the Company. The merger was scheduled for December 31, 2016.

d. Merger of a subsidiary in Israel

On July 28, 2020, the Israeli Tax Authorities approved the merger (the "Tax Ruling") of G Israel Commercial Centers Ltd. ("G Israel"), a wholly owned subsidiary of G City Ltd. ("The Company"), with and into the Company (as an absorbing company) in accordance with section 103C of the Israeli Tax Ordinance ("ITO"). The date of the restructuring, according to the Tax Ruling is December 31, 2018.
In accordance with the Tax Ruling, G Israel will transfer its all assets and liabilities including all its employees into the Company, while eliminating G Israel without liquidation, in accordance with the first chapter of part 8 of the Israeli Companies Law ("Statutory Merger").
The Tax Ruling is conditional on compliance with the conditions set forth in the ITO and the Tax Ruling, inter alia, the cost of the company's investment in G Israel shares, will be deleted and fully canceled. Regarding the transferred real estate assets, a reduced purchase tax rate of 0.5% will apply. Furthermore, the Tax ruling sets limitations about offset of losses relates to the transferred assets and the participating companies.

NOTE 23: - TAEXS ON INCOME (Cont.)

e. Carry-forward losses for tax purposes as at December 31, 2022

The Company and its wholly-owned Israeli resident subsidiaries have carry-forward losses for tax purposes. With respect to the tax benefit associated with such losses, the Group has recognized deferred tax assets amounting to NIS 564 million as at the reporting date (in 2021, NIS 306 million), which have been offset against the deferred tax liability of the Company.

The Company's Canadian resident subsidiaries have carry-forward losses for tax purposes amounting to NIS 7.9 million (in 2021, NIS 7.4 million). The carry-forward losses may be utilized over a 20-year period, which expires between 2029-2037.

The Company's wholly-owned Jersey Island resident subsidiary and its subsidiaries have carry-forward losses for tax purposes amounting to NIS 1 billion (in 2021, NIS 1 billion), for which deferred tax assets have been recognized at an amount of NIS 39 million. Deferred tax assets that were not recognized for these losses were at an amount of NIS 138 million.

The Company's partially-owned Finnish resident subsidiary and its subsidiaries have carry-forward losses for tax purposes amounting to NIS 746 million (in 2021, NIS 551 million), for which deferred tax assets have been recognized at an amount of NIS 116 million. Out of the total losses mentioned, for 248 million, deferred tax assets were not recognized.

f. Deferred taxes, net:

The composition and movement in deferred taxes are as follows:

	Investment properties and depreciable fixed assets	Carry-forward losses	Others	Total
	NIS in millions			
Balance as of January 1, 2020	(2,140)	430	(130)	(1,840)
Amounts carried to foreign currency	(27)	12	7	(8)
Amounts carried to other comprehensive loss	-	-	7	7
Amounts carried to income statement	49	112	(26)	135
Balance as of December 31, 2020	(2,118)	554	(142)	(1,706)
Amounts carried to foreign currency	238	(16)	6	228
Amounts carried to other comprehensive	-	-	4	4
Amounts carried to income statement	(284)	(86)	(150)	(520)
Balance as of December 31, 2021	(2,164)	452	(282)	(1,994)
Amounts carried to foreign currency	141	9	(49)	101
Amounts carried to other comprehensive	-	-	75	75
Amounts carried to income statement	(55)	328	76	349
Balance as of December 31, 2022	(2,078)	789	(180)	(1,469)

NOTE 23: - TAEXS ON INCOME (Cont.)

The deferred taxes are calculated at tax rates ranging between 19% and 29.99% (the tax rates applicable include federal and state tax).

The utilization of deferred tax assets is dependent on the existence of sufficient taxable income at the losses amount in the following years.

Deferred taxes are presented as follows:

	December 31	
	2022	**2021**
	NIS in millions	
Within non-current assets	61	63
Within non-current liabilities	(1,530)	(2,057)
	(1,469)	(1,994)

g. Taxes on income (tax benefit) included in the income statements

	Year ended December 31		
	2022	**2021**	**2020**
	NIS in millions		
Current taxes (1)	61	197	89
Taxes in respect of prior years	(30)	(27)	(101)
Deferred taxes	(349)	520	(135)
	(318)	690	(147)

(1) Current income taxes include capital gain tax, withholding tax from interest and dividends paid by foreign subsidiaries to the Company, current tax expenses of subsidiaries of the Group companies operation.

h. Taxes on income relates to other comprehensive income and to other equity items

With respect to income tax relates to other comprehensive income and other equity line items, refer to Notes 23f and 25d.

NOTE 23: - TAEXS ON INCOME (Cont.)

i. Below is the reconciliation between the statutory tax rate and the effective tax rate:

	Year ended December 31		
	2022	**2021**	**2020**
		NIS in millions	
Income before taxes on income	(1,554)	1,729	(1,033)
Statutory tax rate	23.0%	23.0%	23.0%
Tax calculated using statutory tax rate	(357)	398	(237)
Increase (decrease) in taxes resulting from permanent differences - the tax effect:			
Tax exempt income, income subject to special tax rates and nondeductible expenses	26	16	(41)
Change in taxes resulting from carry-forward tax losses and other temporary differences for which no deferred	88	331	22
Deferred taxes and other temporary differences with respect to prior years	(11)	15	76
Deferred taxes with respect of tax rate changes	-	3	-
Taxes with respect to prior years	(30)	(27)	(101)
Taxes with respect to Company's share in earnings of equity-accounted investees, net	13	1	(9)
Difference in tax rate applicable to income of foreign	(47)	(47)	143
Taxes on income (tax benefit)	(318)	690	(147)
Effective tax rate	-	39.9%	-

NOTE 24: - CONTINGENT LIABILITIES AND COMMITMENTS

a. Engagements

1. G Europe agreement

An agreement signed between the Company and G Europe in 2008 (as amended in January 2015) provides for its rights in G Europe, as reflected in the Articles of Association of G Europe, including the right to appoint up to four members of G Europe's Board of Directors, the right to determine the identity of the Chairman of G Europe's Board of Directors and the right to appoint the majority of the members of the Nominations Committee of G Europe's Board of Directors. Additionally, G Europe granted the Company rights of veto in connection with the making of material decisions at G Europe, including the appointment of G Europe's CEO. The aforesaid rights are subject to the holding of a minimum number of G Europe shares by the Company. As of the reporting date, the Company owns all G Europe's shares.

On February 2022, G Europe merger transaction with a wholly-owned subsidiary was completed, for further details see Note 18c1.

2. The Group's companies have entered into operating lease agreements with tenants occupying their properties. Below are details of the minimum lease fee receivable in respect of the lease agreements:

	December 31
	2022
	NIS in
Year 1	1,092
Years 2 to 5	2,461
Year 6 and thereafter	1,783
Total	5,336

3. For information about engagements with related parties, see Note 35.

NOTE 24: - CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)

b. Guarantees

1. As at December 31, 2022, the Company's subsidiaries are guarantors for loans from various entities in respect of investment properties under development, which they own together with partners and for bank guarantees, which were provided in the ordinary course of business, in the aggregate amount of 600 million (as at December 31, 2021, 636 million).

2. The Company guarantees an unlimited amount to banks to secure credit received by wholly-owned subsidiaries of the Company. Total guaranteed credit facilities and loans (principal) as at December 31, 2022 and 2021 amounted to NIS 481 million and NIS 513 million, respectively. Total utilized credit facilities and the loans (principal) as at December 31, 2022 and 2021 amounted to NIS 175 million and NIS 188 million, respectively. Wholly-owned subsidiaries of the Company guarantee loans and credit facilities obtained by the Company from banks and others, in an unlimited amount. In addition the Company and its wholly owned subsidiaries had pledged the shares of the subsidiaries to secure credit facilities of the Company and its wholly-owned subsidiaries.

3. For information about collaterals granted to secure guarantees, see Note 27.

c. Contingent liabilities for the completion of the construction and redevelopment of properties and others

The Company's subsidiaries have off-balance sheet commitments for the completion of the construction and redevelopment of investment properties which, as at December 31, 2022, amounted to NIS 875 million (as at December 31, 2021, NIS 411 million).

As of the reporting date, CTY has a contingent liability to refund input VAT received of approximately NIS 390 million (as at December 31, 2021, NIS 381 million), should the property, subject to the input VAT, be sold to a VAT-exempt entity within the next 10 years.

d. Legal claims

1. Several legal proceedings are pending against the Company and Company's subsidiaries in the ordinary course of their business including in respect of personal injury and property damage that occurred in their shopping centers and in other properties. The Company estimates that the claimed amounts are immaterial (on a stand-alone basis or on a cumulative basis) to the Company's results.

2. G Europe is involved in several proceedings and regulatory investigations in Austria, this in connection with transactions in G Europe's securities, debt issuance and related matters in 2006-2007.
In addition, G Europe is involved in several proceedings that have been filed by a number of investors that had invested in the aforesaid securities in the relevant years, alleging losses due to the volatility of the securities and other related contentions. As at 31 December 2021, G Europe is no longer a party of such material proceedings.
Based on the estimate of G Europe 's management, the total provision in the financial statements of G Europe in respect of amounts that it has undertaken and is expected to pay under the aforesaid arrangements is EUR 2.3 million.
Additionally, to date, the criminal proceedings against Julius Meinl and others in connection with events that took place in 2007 and earlier are still in progress. In connection with this, a law firm representing various investors in G Europe, who had invested at the time of these events, has alleged that G Europe is liable for various instances of fraud, breach of trust and infringements of the Austrian Stock Corporation Act and Austrian Capital Market Act arising from the same events. The public prosecutor has directed G Europe to reply to the allegations and has started

NOTE 24: - CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)

criminal investigation proceedings against G Europe based on the Austrian Corporate Criminal Liability Act.
It is uncertain whether this legislation, which came into effect in 2006, applies to G Europe. In any event, G Europe believes that it should not be held accountable for the aforesaid events and therefore intends to actively defend itself against these proceedings.

3. In July and August 2014, a number of lawsuits were filed with the Economic Affairs Division of the Tel Aviv District Court to certify lawsuits as class actions, against U.Dori Construction Ltd. ("Dori Construction"), U.Dori Ltd. ("Dori Group" presently – Amos Luzon Development and Energy Group Ltd.), their directors and officers and their auditors, as well as against the Company and G Israel (that merged into the Company). The motions deal with damage allegedly caused to the public that have invested in Dori Construction and/or Dori Group, as the case may be, as a result of the publication of allegedly misleading information in the reporting of Dori Construction, including in its financial statements, and as a result of failing to report, at the appointed time, material adverse information concerning the financial results and the financial position of Dori Construction, and consequently, concerning the financial results of Dori Group.
The grounds for the claims in the aforementioned motions include grounds under the Israel Securities Law, 1968, among which are the inclusion of misleading details in the financial statements and deficient and misleading reporting, a tort of negligence under the Torts Laws, breach of statutory duty (in relation to the Securities Law and the Regulations promulgated thereunder, as well as the Companies Law) and minority discrimination, all being with regard to the reporting of Dori Construction. The amounts of the aforesaid claims range from NIS 13 million to NIS 75 million (subject to quantifying the exact damage in the course of the hearings on the lawsuits), which are not material for the Company (including cumulatively).
The aforesaid motions have been consolidated into a single proceeding (apart from three motions that have been dismissed). The parties carried out disclosure of the documents in accordance with the court ruling, and thereafter held evidentiary hearings, at the end of which agreement was given in principle to authorize the court to settle the dispute by way of a compromise pursuant to section 79A of the Courts [Integrated Version] Law, 1984. Thereafter and prior to the parties to the proceedings agreeing to the wording of a compromise, interim trustees were appointed to Dori Construction as part of the insolvency proceedings that had been opened in its case ("the Trustees"), and at the end of the day these announced that they believed it was not possible to continue legal proceedings against Dori Construction from the moment a protection from creditors ruling was handed down in its case, and that they opposed the compromise arrangement specified above. The court ruled that in order to continue with the proceedings to approve the compromise the parties must petition the insolvency court that issued the ruling in the Dori Construction case, in accordance with Insolvency and Economic Rehabilitation Law, 2018, to obtain its approval.
In April 2021, the Insolvency Court rejected the petition and ruled that it was not possible to continue the proceedings in the case of Dori Construction.
In parallel, the Trustees filed a petition for the right of appeal against the ruling of the District Court, and responses to the petition have also been submitted. In November 2021, the Supreme Court denied the request to appeal, after ruling that the hearing was superfluous.
Together with this petition, the claimants filed in a class action a petition to join the Phoenix Insurance Company Ltd – as insurer of Dori Construction and of its officers – as a party to the proceedings and the court granted it.
Accordingly, the court ordered the claimants to file an amended petition for approval of a class action, which would address the insurer's alleged liability, and an amended petition as well as the claimants response to the answers filed.
In December 2021, another hearing was held before the court, in which the court tried to bring the parties to compromise-based agreements reached by the parties in 2019 (as detailed above), in February 2022, the parties agreed to the court's proposal, and started drafting the agreement and the request for its approval.

NOTE 24: - CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)

On August 16, 2022, on behalf of the trustees, a request was submitted to the insolvency court against the Phenix, in which the court was requested to order the Phenix to deliver to the trustee, documents relating to the conduct of the aforementioned negotiations, and also to order that the Phenix will not continue the negotiations until the aforementioned information is provided. The insolvency court ordered the Phenix to respond to this request by September 13, 2022, and also ordered that until the request is decided, no change will be made to the existing rights. The Phenix answer was submitted on September 13, 2022.

on September 7, 2022, the parties to the proceeding updated the court on the proceedings going on before the insolvency court, and requested the court that a hearing will be scheduled for the purpose of advancing the settlement agreement. On September 8, 2022, the court ruled that the decision to be issued by the insolvency court must be awaited.

In March 2023, the insolvency court decided to reject the request that the trustee submitted against the Phoenix and stated that the trustee has no right to receive the documents he demanded and to try to delay the settlement proceedings, and that he will be entitled to raise claims in connection with the settlement agreement in the representative proceeding. Accordingly, the parties to the proceeding informed the court of the issuance of this decision, and informed them of their intention to submit a request for approval of a settlement agreement as soon as possible.

On March 2023, the insolvency court decided to reject the request that the trustee submitted against the Phenix and stated that the trustee has no right to receive the documents he demanded and to try to delay the settlement proceedings, and that he will be entitled to raise claims regarding the settlement agreement in the representative proceeding. Accordingly, the parties to the proceeding informed the court of the issuance of this decision, and informed them of their intention to submit a request for approval of a settlement agreement as soon as possible.

At this stage, in the Company's estimation, the Company has good defense claims against the claim and as the Court considers the Company responsible for any damage, its share of damage, if any, is not expected to be significant.

4. In February 2022, an application was submitted to the Tel Aviv District court under the Promotion of Competition and Reduction of Centralization, 2013 law, for the appointment of a trustee to buy the Company's control. The matter of the application is an agreement signed between Mr. Chaim Katzman, the company's CEO and controlling shareholder, and related parties, for the sale of Norstar shares to Israel Canada (TR) Ltd., and the transformation of the Katzman Group and Israel Canada into joint shareholders in Norstar following this agreement. Therefore, and bearing in mind that Israel Canada is also a public company whose shares are traded on the Tel Aviv Stock Exchange, it has been argued that section 21 of the Centralization Law has been violated, prohibiting the existence of control pyramids in which more than two "stratification companies" (as defined in the Centralization Law). Along with the Company, the other respondents to the application for the appointment of a trustee are Mr. Katzman, Norstar Holdings Inc., Israel Canada and the official receiver of the State of Israel. As part of the application for the appointment of a trustee, additional remedies were also requested, including the provision of voting rights in the company as long as a trustee was not appointed, and a statement that Katzman and Israel Canada jointly control Norstar. In July 2022, the parties filed their response to the request.

   On July 24, 2022, the court ordered the Commissioner for Insolvency and Economic Rehabilitation to submit his position. A position on behalf of the professional bodies at the Ministry of Justice, and on the opinion of the Securities Authority (hereinafter - "the position of the Ministry of Justice") was submitted on August 28, 2022. On August 31, 2022, the court ordered the applicant to examine the pleadings that were submitted, and in particular the position of the Ministry of Justice, and to announce whether he insists on continuing the investigation of the procedure. The applicant announced that he insists on continuing the investigation of the procedure, and on September 18, 2022 he submitted a consolidated response on his behalf. On September 19, 2022, the court ruled that a pre-trial meeting will be held on November 24, 2022. At the end of a hearing that took place on November 24, 2022, a ruling was issued according to which the application is deleted without an order for costs, while it was made clear that to the extent that in the future the applicant returns and takes another procedure in the same matter, the respondents will be able to bear their expenses also in connection with this procedure.

NOTE 25: - EQUITY

a. Composition

	December 31, 2022		December 31, 2021		January 1, 2021	
	Authorized	Issued and outstanding	Authorized	Issued and outstanding	Authorized	Issued and outstanding
	Number of shares					
Ordinary shares	500,000,000	166,612,252	500,000,000	151,764,232	500,000,000	151,345,705
Ordinary shares held by the		56,430		56,430		56,430
Total	500,000,000	166,668,682	500,000,000	151,820,662	500,000,000	151,402,135

b. Movement in issued and outstanding share capital

	2022	2021	2020
	Number of Shares		
Balance as of January 1	151,820,662	151,402,135	184,459,510
Exercise of share options (employees and officers)	61,791	-	-
Vesting of RSUs (employees and officers)	193,028	287,403	99,584
Issue of shares (employees and officers)	93,201	131,124	-
Issue of restricted shares (employees and officers)	-	-	(33,156,959)
Cancellation of shares held by the Company	14,500,000	-	-
Balance as of December 31	166,668,682	151,820,662	151,402,135

c. Composition of other capital reserves:

	Year ended December 31		
	2022	2021	2020
	NIS in millions		
Financial assets at fair value through other	14	24	- *)
Transactions with controlling shareholder	147	147	147
Transactions with non-controlling interests	994	984	734
Share-based payment	16	29	35
Revaluation reserve of cash flow hedges	104	(32)	(74)
	22	-	-
	1,297	1,152	842

*) Represents an amount of less than NIS 1 million.

NOTE 25: - EQUITY (Cont.)

d. Supplementary information regarding to other comprehensive income (loss)

	Year ended December 31		
	2022	2021	2020
		NIS in millions	
Exchange differences on translation of foreign operations	953	(1,862)	(1,182)
Tax effect	55	-	7
	1,008	(1,862)	(1,175)
Gain (loss) with respect to cash flow hedges from continuing operations	138	58	(34)
Company's share in other comprehensive income (loss) of equity-accounted investees	8	5	(7)
Tax effect	-	(6)	-
	146	57	(41)
Loss with respect to Financial assets at fair value through	2	16	(82)
Tax effect	-	11	8
	2	27	(74)
Total other comprehensive income (loss)	1,156	(1,778)	(1,290)

e. Composition of non-controlling interests

	Year ended December 31		
	2022	2021	2020
		NIS in millions	
Share in equity of subsidiaries *)	3,075	4,526	5,568
Hybrid bonds issued to non-controlling interests **)	3,929	3,707	1,425
Share options, warrants and capital reserve from share-based payment in subsidiaries	25	15	24
	7,029	8,248	7,017

*) Including capital reserves and acquisition-adjustments.
**) For further details regarding the issuance of hybrid bonds to non-controlling interests, refer to Note 8c2 and Note 8d4.

f. Dividends

In March 2023, the Company's Board of Directors decided not to distribute dividend to the shareholders of the company for the first quarter of 2023.

The Company's Board of Directors will review the policy of dividend distribution for future quarters of 2023, including in accordance with the progress of the asset realization plan as detailed in Note 1d, as well as additional considerations and subject to the distribution tests and subject to the applicable tests established by law.

In 2022, the Company declared and paid dividends in the total amount of NIS 212 million (NIS 1.28 per share), in 2021, NIS 181 million (NIS 1.2 per share), in 2020, NIS 264 million (NIS 1.59 per share).

NOTE 25: - EQUITY (Cont.)

g. Capital management of the Company

The Company evaluates and analyzes its capital in terms of economic capital, that is, the excess of fair value of its assets over its liabilities. The Company manages its capital in the operating currencies of its investees in which it operates and at similar levels to the ratio of assets in a particular currency to total assets according to proportionate consolidation.

The Company manages its capital with emphasis on economic flexibility for investing in its areas of operations as well as in synergistic areas, while maintaining high level of liquidity and seeking to maintain most of its assets as unencumbered.

The Company's Board of Directors determined the optimal capital ratios that will provide adequate return for the shareholders at a risk which it defines as low. The Company's Board of Directors authorized a deviation from the capital ratio that the Board of Directors deems appropriate when the Company's management makes significant investments, while simultaneously setting targets for the restoration of appropriate ratios within a reasonable time.

Over the years, the Company and its subsidiaries have raised equity capital in the markets in which they operate.
The Company evaluates its capital ratios on a consolidated basis (including non-controlling interests), on an extended "stand alone" basis (the Company and its wholly-owned subsidiaries) with reference to the capital of its listed subsidiaries presented at equity, and also based on cash flow ratios.

h. Acquisition plan

In March 23, 2022, the Company's Board of Directors resolved to adopt a new plan for the buy-back of the Company's shares in an amount of up to NIS 250 million, valid until March 31, 2023. No shares were purchased under the former plan.

i. Issue of shares and warrants

In February 2022, according to a shelf prospectus, the Company issued 12.5 million ordinary shares of the Company of NIS 1 par value each and 6.25 million warrants (non-marketable) to institutional investors. The consideration for the issue, less issue expenses, amounted to approximately NIS 403 million.

In addition, the Company's Board of Directors approved a private issue to the Company's controlling shareholder, Norstar, an allotment of 2 million ordinary shares and 1 million warrants, subject to the approval of the Company's General Meeting (by a majority of minority shareholders) on the same terms as institutional investors.

j. Issue of shares and warrants after the reporting period

On January 29, 2023, the Company's Board of Directors approved a private issuance to institutional investors of 7.42 million ordinary shares of NIS 1 par value.

In addition, the Company's Board of Directors approved a private issuance to the Company's controlling shareholder, Norstar, an allotment of 3.62 million ordinary shares and private issuance to a private company controlled by Mr. Katzman of 0.79 million shares on the same terms as for the institutional investors.
These issues are subject to the approval of the Company's General Meeting (by a majority of minority shareholders) which was received on March 9, 2023. The shares were issued in March 2023.

The total consideration of all the above issuances was NIS 148 million, net of issuance expenses.

NOTE 26: - SHARE-BASED COMPENSATION

a. Starting December 2011, the Company activates its Share Incentive Plan ("the Plan"). Pursuant to the Plan, the Company may grant directors, employees, officers and service providers options, ordinary shares, restricted shares and other share-based awards as set out in the Plan, convertible into up to 13.2 million of the Company's shares, subject to various tax consequences and regimes.

b. In 2021-2022, as part of the Plan, the Company granted, share options and restricted share units ("RSUs") to the Company's employees and officers.

c. The following table presents the change in number of the Company's share options and their original weighted average exercise price:

	2022		2021	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
		NIS		**NIS**
Share options at beginning of year	7,868,932	32.51	8,605,564	32.77
Share options granted	-	-	130,163	20.41
Share options canceled	-	-	-	-
Share options forfeited	(388,683)	30.78	(7,216)	33.35
Share options expired	(2,973,976)	41.98	(859,579)	33.26
Share options at end of year	4,506,273	26.41	7,868,932	32.51
Share options exercisable at end of year	2,578,098	27.07	1,532,234	28.41

Each abovementioned share option, except for the options granted to Dori Segal, the former CEO of the Company, is exercisable into one ordinary share of NIS 1 par value of the Company at an exercise price that is linked to the Israeli CPI and subject to adjustments (including share distributions, rights issues and dividend distributions). The exercise price is determined as the average share price in the 30 days preceding the grant date. The grantees are also provided the choice of a cashless exercise. The options vest over three to five installments, starting one year from the grant date of the options, and the options expire four years after the last vesting period.

The expiration date of the options granted to Dori Segal, the former CEO of the Company, is 5 years from the grant date, even in case of termination of employment. In January 2018, following the termination of the former CEO's employment, all remaining options were vested and in March 2022, they expired.

NOTE 26: - SHARE-BASED COMPENSATION (Cont.)

d. The following table presents the movement in units of the Company RSUs and PSUs:

	2022	2021
	RSUs	RSUs
Units at beginning of the year	445,069	652,216
Units granted	1,003	82,548
Units forfeited	(884)	(2,292)
Units Vested	(193,028)	(287,403)
Units at end of year	252,160	445,069

Each RSU is exercisable into one ordinary share of the Company. The RSUs vest over two to five years installments starting one year from the grant date of the RSU.
In the event of a dividend distribution, the grantees will be entitled to compensation that reflects the benefit relating to the dividend in respect of the RSUs that had not vested on the dividend distribution date, other than RSU's granted to the Company's VP investments and Executive Vice President and CFO.

e. Other equity compensation

In 2017, the Company granted to a former CEO of a subsidiary the right to receive Company's shares at a value of up to USD 2.65 million over a 4 year period, out of which a maximum value of USD 0.8 million is subject to the discretion of the subsidiary's board of directors and the Company's compensation committee, and provided the former CEO is an employee of the subsidiary at the time of allotment. In 2021, approximately 229 thousand shares were allotted according to this plan (in 2020- approximately 98 thousand restricted shares which realized during 2021), according to the terms of the plan.
In May 2021, the Company granted to a former CEO of a subsidiary the right to receive Company's shares at a value of USD 0.8 million, the vesting period set to one year starting from the equity compensation grant date.
In 2022 the Company granted to the grantee 93 thousand shares, according to the plan.
As of the reporting date, the former CEO of the subsidiary has no further rights to receive additional shares of the Company.

f. The expenses recognized in the income statement for the share-based compensation in 2022, 2021 and 2020, amounted to NIS 7 million, NIS 9 million and NIS 10 million, respectively.

g. Cash-settled transactions

As of the reporting date there is 180 thousand RSUs that are settled in cash (as at December 31, 2021, there was no RSUs that are settled in cash).

As of December 2022, there is liability for cash settled compensation of less than NIS 1 million. (in 2021, there was no liability).

NOTE 27: - CHARGES (ASSETS PLEDGED)

a. As collateral for part of the Group's liabilities, including guarantees provided by banks in favor of other parties, the Group's rights to various real estate properties which it owns have been mortgaged and other assets, including the right to receive payments from tenants, rights under contracts with customers, funds and securities in certain bank accounts and floating charges. In addition, charges have been placed on part of the shares of investees and of other companies which are held by the companies in the Group.

The balances of the secured liabilities are as follows:

	December 31	
	2022	2021
	NIS in millions	
Non-current liabilities (including current maturities)	5,200	5,200
Debentures (including current maturities)	1,382	1,110
Liabilities attributed to assets held for sale	446	-
	7,028	6,310

NOTE 28: - RENTAL INCOME

In 2020-2022, the Group had no single tenant which contributed more than 10% to total rental income. For information about rental income by operating segments and geographical regions, refer to Note 36.

NOTE 29: - PROPERTY OPERATING EXPENSES

	Year ended December 31		
	2022	2021	2020
	NIS in millions		
Salaries and related expenses	45	71	76
Property tax and other fees	82	82	86
Maintenance and repairs	152	174	173
Utilities	179	144	147
Insurance and security	71	71	71
Allowance for bad debts	(5)	40	95
Others	196	132	112
	720	714	760

NOTE 30: - GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31		
	2022	2021	2020
	NIS in millions		
Salaries and management fees (1)	213	226	199
Professional fees	54	47	60
Depreciation	23	26	25
Other (including office maintenance) (2)	84	43	68
	374	342	352

(1) As for salaries and management fees to related parties, see 35c.
(2) Net of income management fees from related party, 35d.

NOTE 31: - OTHER INCOME AND EXPENSES

a. Other income

	Year ended December 31		
	2022	2021	2020
	NIS in millions		
Capital gain on assets disposal	11	-	6
Others	3	16	12
	14	16	18

b. Other expenses

	Year ended December 31		
	2022	2021	2020
	NIS in millions		
Capital loss (including transaction expenses)	23	32	-
Other *)	107	26	36
	130	58	36

*) In 2022 including NIS 90 million from reduction of goodwill due to the sale of assets in Norway.

NOTE 32: - FINANCE EXPENSES AND INCOME

a. Finance expenses:

	Year ended December 31		
	2022	2021	2020
	NIS in millions		
Finance expenses on debentures	517	563	502
Finance expenses on loans from financial institutions and others	193	165	186
Revaluation of derivatives *)	707	-	-
Loss from early redemption of borrowings and derivatives	-	39	31
Finance expenses on lease transactions	7	7	20
Loss from investments in securities	183	-	29
Finance expenses in respect of CPI linkage differences	528	213	(35)
Exchange rate differences and others **)	161	62	98
Finance expenses capitalized to real estate under development	(33)	(32)	(25)
	2,263	1,017	806

*) Mainly from SWAP hedging transactions.
**) In 2022, including a one-time expense of NIS 82 million related to the increase in the nominal interest rate of the company's debentures following the downgrading of the company's credit ratings, see note 19c14.

b. Finance income:

	Year ended December 31		
	2022	2021	2020
	NIS in millions		
Gain from investments in securities	-	234	-
Dividend income	30	27	39
Interest income from investees	24	27	22
Interest income	25	15	12
Revaluation of derivatives *)	-	581	36
Gain from early redemption of liabilities and derivatives	38	-	-
Exchange rate differences and others	-	2	-
	117	886	109

*) Mainly from SWAP hedging transactions.

NOTE 33: - NET EARNINGS PER SHARE

Details about the number of shares and net income used in calculation of net earnings per share:

	Year ended December 31,					
	2022		2021		2020	
	Weighted number of shares	Net income attributable to equity holders of the Company	Weighted number of shares	Net income attributable to equity holders of the Company	Weighted number of shares	Net income attributable to equity holders of the Company
	In thousands	NIS in millions	In thousands	NIS in millions	In thousands	NIS in millions
For the calculation of basic net earnings per share	164,362	(1,340)	151,604	646	166,983	(653)
Effect of dilutive potential ordinary shares	-	-	442	-	-	(2)
For the calculation of diluted net earnings per share	164,362	(1,340)	152,046	646	166,983	(655)

NOTE 34: - FINANCIAL INSTRUMENTS

a. Financial risk factors

The Group's global operations expose it to various financial risk factors, such as market risk (including foreign exchange risk, CPI risk, interest risk, fair value risk, and price risk), credit risk and liquidity risk. The Group's comprehensive risk management strategy focuses on activities that reduce to a minimum any possible adverse effects on the Group's financial performance.

The following is additional information about financial risks and their management:

1. Foreign currency risk

The Company operates in a large number of countries and is therefore exposed to currency risks resulting from exposure to fluctuations in exchange rates of different currencies. Company's policy is to generally maintains a correlation between the currency mix of the various properties (mainly the EUR, USD, CAD, NIS and BRL) and the currency exposure of its equity to those currencies, through hedge transactions and currency exposure management. However, in light of the fluctuations in foreign exchange rates relative to the NIS, the Company's Board of Directors has decided to reduce hedging transactions and as a result to increase equity exposure mainly to the Euro and the USD. The Company’s management examining the currency linkage balance on an ongoing basis and responds in accordance with developments in exchange rates, see section c below.

2. CPI risk

The Group has loans from banks and issued debentures linked to changes in the Consumer Price Index ("the CPI"). Linking rental agreements in Israel to the CPI reduces the negative impact due to rise in the CPI on the CPI-linked Company's liabilities.

For details regarding the sum of financial instruments linked to the CPI and for cross currency swap transactions, where the Group is exposed to changes in the CPI, see section c below.

NOTE 34: - FINANCIAL INSTRUMENTS (Cont.)

3. Interest rate risk

Liabilities that bear a variable interest rate expose the Group to cash flow risk, and liabilities that bear a fixed interest rate expose the Group to interest rate risk in respect of fair value. As part of the risk management strategy, the Group maintains adequate composition of exposure to fixed interest to exposure to variable interest. From time to time and according to market conditions, the Group enters into interest rate swaps in which they exchange variable interest with fixed interest and, vice-versa, to hedge their liabilities against changes in market interest rate (see to section c below). As at the reporting date, 88.4% of the Group's liabilities (81.5% excluding interest rate swaps) bear fixed interest (as at December 31, 2021 – 94.9%, 86.1% excluding interest rate swaps). For further information about regarding interest rates and the maturity dates, see also Notes 19 and 20.

4. Price risk

The Group has investments in marketable financial instruments traded on stock exchanges and non-traded instruments, including shares, participation certificates in mutual funds and debentures, which are classified either as financial assets measured at fair value through profit or loss and or financial assets at fair value through other comprehensive income, with respect to which the Group is exposed to risk resulting from fluctuations in security prices which are determined by market prices on stock exchanges. The carrying amount of such investments as at December 31, 2022 is NIS 172 million (as at December 31, 2021, NIS 855 million).As part of its risk management strategy, from time to time, the Company considers entering into hedging transactions to reduce exposure to fluctuations in the exchange of price risk.

5. Credit risk

The financial strength of the Group's customers has an effect on its results. The Group is not exposed to significant concentration of credit risks. The Group regularly evaluates the quality of the customers and the scope of credit extended to its customers. Accordingly, the Group provides for an allowance of doubtful debts based on the credit risk in respect of certain customers.

Cash and deposits are deposited with major financially-sound financial institutions. Therefore, the Company estimates that the risk that such parties will fail to meet their obligations is low.

In connection with the linkage base swaps and the liabilities currency (see section c below), the Company has contracted, with respect to their share, in agreements (credit support annexes or "CSA") that established current settlement mechanism calculated according to the instruments fair value. Hence, the Company exposed to a risk that the other side of the agreements would not fulfill its obligations to the Company. The Company's policy is to conduct derivative financial instruments with financial institutions with high financial strength.

6. Liquidity risk

The Group's policy is to issue capital and taking long-term financing, including through issuing debentures, hybrid bonds, bank loans and mortgages and on the other hand, to invest in long-term assets. In addition, in order to maintain its financial strength and to reduce the dependence on the capital and debt markets, the Company maintain singed and binding credit facilities (for periods of 3-4 years) with financial institutes, which the Company and/or its wholly-owned subsidiaries can utilize credit for different periods, as required.

As of December 31, 2022, the group has a working capital deficit of NIS 0.7 billion. The group has approved unused lines of credit NIS 2.9 billion that can be utilized immediately. The

NOTE 34: - FINANCIAL INSTRUMENTS (Cont.)

Company's management is of the opinion that those sources, plus the positive cash flow from current operations, will allow each of the group's companies to meet their short-term obligations.

In connection with cross-currency swap transactions of liabilities (see section c below), with respect to part of the swaps, the Company entered into credit support annexes agreements (“CSA”) of current settlement mechanisms with respect to the fair value of the transactions. Accordingly, the Company may be required to transfer the bank significant amounts from time to time, depending on the fair value of these transactions.

For further information about the maturity dates of the Group's financial liabilities, see section d below.

b. Fair value

The following table presents the carrying amount and fair value of groups of financial instruments that are measured in the financial statements other than at fair value:

		December 31, 2022		December 31, 2021	
	Fair value hierarchy level	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
		NIS in millions			
Financial assets					
Non-current deposits and	3	452	452	106	106
Financial liabilities					
Debentures	1/2	17,148	14,452	18,054	18,973
Interest-bearing loans from	2	5,713	5,261	5,656	5,853
		22,861	19,713	23,710	24,826
Total financial liabilities, net		(22,409)	(19,261)	(23,604)	(24,720)

Fair value determination of financial instruments:

The carrying amount of the financial instruments that are classified as current assets and current liabilities approximate their fair value.

The fair value of financial instruments that are quoted in an active market (such as marketable securities, debentures, convertible debentures) were calculated based on quoted market closing prices on the reporting date (level 1 on the fair values hierarchy). As of December 31, 2022, the fair value of debentures in a total amount of NIS 2.3 billion, which are not quoted in an active market or which are traded in an illiquid market, was evaluated using a valuation method (level 2 on the fair value hierarchy) as described below (as at December 31, 2021, NIS 3.4 billion).

The fair value of loans bearing variable interest approximates their nominal value.

The fair value of debt instruments that are not quoted in an active market or that are traded in an illiquid market is determined using standard pricing valuation models, primarily DCF, which considers the present value of future cash flows discounted at the interest rate, which according to the estimates of the Company's management and external valuators, reflects market conditions including the parties' credit risk on the reporting date.

NOTE 34: - FINANCIAL INSTRUMENTS (Cont.)

The fair value of forward contracts with respect to foreign currency is calculated taking into account the future rates quoted for contracts having the same settlement dates and in addition the amounts are discounted with relevant interest and the value is adjusted to the credit risk of the counter party (level 2 on the fair value hierarchy).

The fair value of interest rate swap contracts and cross-currency swap contracts that include a principal and interest are determined by discounting the anticipated cash flows from the transaction by the applicable yield curve, with adjustments for inter-currency liquidity gaps (CBS), inflation expectations and the credit risk of the parties (level 2 on the fair value hierarchy).

Following is the reconciliation between the opening to the closing balance of financial assets measured at level 3 on the fair value hierarchy:

	December 31	
	2022	**2021**
	NIS in millions	
Balance at beginning of the year	153	145
Additions	24	8
Capital return	-	(5)
Gain through profit or loss	4	4
Revaluation through capital reserve	(10)	(1)
Translation adjustments from foreign operations	22	2
Balance at end of the year	194	153

The balance represents the participation certificates in private equity funds. For further information refer to Note 10.

In 2022, there were no transfers with respect to fair value measurement of any financial instrument between Level 1 and Level 2, and there were no transfers to or from Level 3 with respect to fair value measurement of any financial instrument.

NOTE 34: - FINANCIAL INSTRUMENTS (Cont.)

c. Financial derivatives

The following table present information about cross currency swaps, interest rate swaps, forward contracts and purchase options:

Transaction type	Denomination	Outstanding notional amount NIS in million as of		Linkage basis/Interest receivable *)	Linkage basis/ Interest payable *)	Remaining average effective duration	Fair value - NIS in millions as of	
		31.12.22	**31.12.21**				**31.12.21**	**31.12.20**
Cross currency swaps	EUR-NIS	3,123	3,948	CPI linked,1.29%-5.35%	Fixed, 2.12%-6.26%	1.8	915	1,275
	USD-NIS	562	622	CPI linked,1.29%-2.80%	Fixed, 4.00%-5.84%	3.9	79	138
	CAD-NIS	-	297	Nominal, 4.00%	Fixed, 4.95%	-	-	69
	SEK-EUR	1,181	1,108	Fixed, 1.25%	Fixed, 1.18%-1.27%	3.7	69	8
Linkage bases swaps	EUR	2,064	1,760	Fixed,4.40%	CPI linked, 2.12%-2.86%	8.2	(436)	(183)
Interest rate swaps fixed/variable	EUR	1,094	1,042	Variable	Fixed	4.3	103	(42)
	USD	135	664	Variable	Fixed	5.1	15	(1)
	CAD	121	114	Variable	Fixed	6.8	11	(3)
	NOK	288	282	Variable	Fixed	0.9	7	5
Forward contracts	Different currencies	3,401	1,134			short term	11	2
Options	EUR-NIS	-	-			short term	-	(15)
							774	1,253
CSA cash collateral, net							(736)	(1,076)
							38	177

*) "L" represents Interbank base-rate related to the currency of the transaction.

NOTE 34: - FINANCIAL INSTRUMENTS (Cont.)

Below is the fair value of derivatives designated for hedge accounting included in the above table:

	December 31	
	2022	2021
	NIS in millions	
Assets	11	44
Liabilities	(16)	(42)
	(5)	2

d. Liquidity risk

The table below presents the maturity schedule of the Group's financial liabilities based on contractual undiscounted payments (including interest payments):

December 31, 2022

	Less than one year	2 to 3 years	4 to 5 years	Over 5 years	Total
	NIS in millions				
Credit from banks and others (excluding	952	-	-	-	952
Trade payables	168	-	-	-	168
Other accounts payable	646	-	-	-	646
Debentures	1,669	7,645	6,234	3,667	19,215
Interest-bearing loans from financial	1,373	1,781	1,965	2,024	7,143
Lease liabilities	25	46	37	54	162
Other financial liabilities	30	-	-	42	72
	4,863	9,472	8,236	5,787	28,358

December 31, 2021

	Less than one year	2 to 3 years	4 to 5 years	Over 5 years	Total
	NIS in millions				
Credit from banks and others	168	-	-	-	168
Trade payables	182	-	-	-	182
Other accounts payable	721	-	-	-	721
Debentures	1,831	5,187	6,380	6,788	20,186
Interest-bearing loans from financial	604	2,135	1,116	2,873	6,728
Lease liabilities	35	73	65	791	964
Other financial liabilities	26	-	-	47	73
	3,567	7,395	7,561	10,499	29,022

NOTE 34: - FINANCIAL INSTRUMENTS (Cont.)

e. Sensitivity analysis of market risks

	Sensitivity analysis of financial balances to absolute changes in interest rates			
	USD interest	**CAD interest**	**EUR interest**	**NIS interest**
Impact on pre-tax income (loss) for the year of a 1% increase in interest rates	**NIS in millions**			
31.12.2022	(1)	(1)	(21)	(7)
31.12.2021	-	(1)	(13)	(8)

	Sensitivity analysis of financial balances of absolute changes in Consumer Price Index			
	+2%	**+1%**	**-1%**	**-2%**
Effect on pre-tax income (loss)	**NIS in millions**			
31.12.2022	(187)	(94)	94	187
31.12.2021	(190)	(95)	95	190

	Sensitivity analysis for financial derivative absolute changes in Consumer Price Index			
	+2%	**+1%**	**-1%**	**-2%**
Effect on pre-tax income (loss)	**NIS in millions**			
31.12.2022	29	14	(14)	(29)
31.12.2021	56	28	(28)	(56)

NOTE 34: - FINANCIAL INSTRUMENTS (Cont.)

Effect on pre-tax income (loss)	Sensitivity analysis for financial derivatives- relative changes in exchange rates			
	+10%	+5%	-5%	-10%
	NIS in millions			
31.12.2022				
Change in exchange rate of EUR	(161)	(81)	81	161
Change in exchange rate of USD	67	34	(34)	(67)
Change in exchange rate of CAD	1	1	(1)	(1)
Change in exchange rate of BRL	(122)	(61)	61	122
Change in exchange rate of SEK	(167)	(85)	88	180
Change in exchange rate of NOK	38	19	(19)	(38)
31.12.2021				
Change in exchange rate of EUR	(135)	(84)	113	237
Change in exchange rate of USD	170	85	(85)	(170)
Change in exchange rate of CAD	(28)	(14)	14	28
Change in exchange rate of BRL	(148)	(74)	74	148
Change in exchange rate of SEK	(124)	(62)	62	124
Change in exchange rate of NOK	(107)	(53)	53	107

Effect on pre-tax equity (accounting hedge)	Sensitivity analysis for financial derivatives- relative changes in exchange rates			
	+10%	+5%	-5%	-10%
	NIS in millions			
31.12.2022				
Change in exchange rate of EUR	46	23	(23)	(46)
Change in exchange rate of USD	48	25	(26)	(54)
Change in exchange rate of NOK	1	-	-	(1)
31.12.2021				
Change in exchange rate of EUR	(86)	(43)	43	86
Change in exchange rate of USD	(118)	(59)	59	118
Change in exchange rate of CAD	10	5	(5)	(10)

NOTE 34: - FINANCIAL INSTRUMENTS (Cont.)

Effect on pre-tax income (loss)	Sensitivity analysis for financial derivatives- absolute changes in interest rates			
	+2%	**+1%**	**-1%**	**-2%**
	NIS in millions			
31.12.2022				
Change in interest on ERU	153	79	(85)	(177)
Change in interest on USD	48	25	(26)	(54)
Change in interest on CAD	13	7	(7)	(15)
Change in real interest on NIS	(257)	(130)	135	273
Change in interest on SEK	70	36	(38)	(77)
31.12.2021				
Change in interest on ERU	395	203	(217)	(449)
Change in interest on USD	147	77	(84)	(175)
Change in interest on CAD	35	18	(19)	(40)
Change in nominal interest on NIS	(25)	(13)	14	28
Change in real interest on NIS	(398)	(203)	210	429
Change in interest on SEK	102	52	(56)	(114)

Effect on pre-tax equity (accounting hedge)	Sensitivity analysis for financial derivatives-			
	+2%	**+1%**	**-1%**	**-2%**
	NIS in millions			
31.12.2021				
Change in interest on EUR	78	40	(42)	(86)
Change in interest on USD	1	1	(1)	(1)
Change in interest on NOK	4	2	(2)	(4)
31.12.2021				
Change in interest on EUR	106	54	(58)	(119)
Change in interest on USD	2	1	(1)	(2)
Change in interest on NOK	9	5	(5)	(10)

Sensitivity analysis and main assumptions

The Company has performed sensitivity tests of principal market risk factors that are liable to affect its reported operating results or financial position. The sensitivity analysis presents the gain or loss or change in equity (before tax) in respect of each financial instrument for the relevant risk variable chosen for that instrument as at each reporting date. The examination of risk factors and the financial assets and liabilities were determined based on the materiality of the exposure in relation to each risk assuming that all the other variables remain constant. The sensitivity analysis refers to a potential increase in the relevant variables at rates that the Company deemed appropriate, as the case may be. The same is true for a decrease in same percentage which would impact profit or loss by the same amounts in the opposite direction, unless otherwise indicated.

NOTE 34: - FINANCIAL INSTRUMENTS (Cont.)

In addition:

1. The sensitivity analysis for changes in interest rates of monetary balances was performed on long-term liabilities with variable interest as at the reporting date.

2. According to the Company's policy, as discussed in section a above, the Company generally hedges its main exposures to foreign currency, among others, through maintaining a high correlation between the currency in which its assets are purchased and the currency in which the liabilities are assumed. Accordingly, economic exposure of assets net of financial balances to changes in foreign currency exchange rates is fairly limited in scope. Nonetheless, there is accounting exposure to changes in foreign currency and interest rates with respect to cross currency swap transactions which were not designated for hedge accounting, as presented in the above table.

3. The main accounting exposure in respect of derivative financial instruments is in respect of fair value changes due to changes in interest, CPI and currency which may have an effect on the profit or loss or directly on equity due to transactions that do not qualify for accounting hedge and transactions that do qualify for accounting hedge, respectively.

4. Cash and cash equivalents, including financial assets that are deposited or maintained for less than one year, were not included in the analysis of exposure to changes in interest.

f. Changes in liabilities from financing activities:

Following is reconciliation between the opening balance and closing balance of liabilities for which the cash flows due to them are classified or will be classified as cash flows from financing activities:

December 31, 2022:

	January 1, 2022	Cash Flow	Foreign exchange movement	Other Changes	December 31, 2022
			NIS in millions		
Short-term loans	167	702	83	-	952
Long-term loans	5,656	(655)	(44)	756	5,713
Debentures	18,054	(1,908)	505	497	17,148
Total liabilities from financing activity	23,877	(1,861)	544	1,253	23,813

December 31, 2021:

	January 1, 2021	Cash Flow	Foreign exchange movement	Other Changes	December 31, 2021
			NIS in millions		
Short-term loans	1,366	(1,184)	(17)	2	167
Long-term loans	5,824	836	(269)	(735)	5,656
Debentures	17,212	1,756	(960)	46	18,054
Total liabilities from financing activity	24,402	1,408	(1,246)	(687)	23,877

NOTE 35: - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a. Income

	Year ended December 31		
	2022	2021	2020
	NIS in millions		
Management fees from the parent company (section e)	1.7	1.6	1.7
Interest income from investees	24	27	22
Dividend income from associates	52	28	25

b. Other expenses and payments

	Year ended December 31					
	2022		2021		2020	
	Number of people	NIS in millions	Number of people	NIS in millions	Number of people	NIS in millions
Directors' fees (1)	8	2.0	6	1.5	7	1.6
Salaries and related expenses (2)	2	7.5	2	8.2	2	7.9

(1) In 2020-2022 includes share-based compensation granted to directors worth approximately NIS 0.2 million per year.

(2) For information about the employment terms (including share based compensation) of the Executive Vice Chairman of the Board and CEO and controlling shareholder and his son-in-law, the VP Investments of the Company, see section c below.

c. Employment agreements

1. Vice Chairman of the Board of Directors, CEO and the Controlling Shareholder, Mr. Chaim Katzman

a) As of February 1, 2018, Mr. Katzman serves as Deputy Chairman of the Board and CEO of the Company, according to the agreement approved in April 2021 by the Company's General Meeting (after receiving approval from the Remuneration Committee and the Company's Board of Directors), for a period of three years, beginning February 1, 2021, subject to each party's right to cancel the agreement 180 days in advance. ("2021 Agreement").

The maximum total annual transaction cost to be paid to Mr. Katzman under the 2021 agreement will not exceed NIS 5.6 million index-linked (in this paragraph "the compensation ceiling") assuming payment of the maximum grant for a relevant year and together with the payments to him for his tenure in subsidiaries. Full of the company, as they will be from time to time.

In respect of his tenure in the Company, Mr. Katzman is entitled to a fixed and ancillary salary as well as an annual grant as detailed below:

Fixed salary - the fixed salary to be paid to Mr. Katzman from the Solo Company (in this paragraph "the fixed salary from the Company") will be calculated as an amount equal to 60% of the difference (in this paragraph "the cost of annual employment in the group") between the compensation ceiling (i.e. 5.6 NIS million) and the total cost of the benefits to be paid to Mr. Katzman in practice by the subsidiaries that are not fully owned by the company, as they will be from time to time.

Target-based annual grant - as part of the remuneration ceiling, Mr. Katzman will be entitled to an annual grant of 40% of the annual employment cost of the group, as it will be from time to time up to a maximum of NIS 2,240,000 (assuming Solo will bear the full remuneration ceiling), which will be paid in the following manner and conditions:

Half of the grant (i.e. up to a maximum amount of NIS 1,120 thousand) which will be

NOTE 35: - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont.)

paid in each year in which the annual FFO return on the company's capital (the "return") exceeds 6%.

The balance of the grant, which was not paid in any annual measurement, will be paid at the end of the 3 years of the agreement, if and to the extent that the average annual return during the period of the three years exceeded 6%.

In accordance with the yield data for 2022, Mr. Katzman is entitled to an annual cash grant of NIS 1,874 thousand for 2022, half of it will be paid now and half of it will be deferred until the end of the agreement period, in addition to amount of NIS 421 thousand for 2021 which will be deferred until the end of the agreement period, and subject to meeting the average annual yield, as stated above.

Accordingly, in 2022 Mr. Katzman was entitled to an annual salary reflecting an annual cost to the Company (solo, as of December 31, 2022, based on Mr. Katzman's remuneration data from the Company's subsidiaries in 2022, as set forth below) in the amount of NIS 2,810 thousand.

In addition to the fixed salary, according to the 2021 agreement, Mr. Katzman is entitled to sick and recovery days in accordance with the provisions of the law and 30 days of vacation per year, all provided that the annual employment cost does not exceed the maximum annual employment cost as defined above.

In the event of termination of the transaction or non-renewal of the agreement Mr. Katzman will be entitled to various benefits at a value that can reach up to the sum of the cost of the annual transaction.

In addition, Mr. Katzman is entitled to an exemption, indemnity and insurance on the same terms as the other officers in the company.

In respect of his

b) According to the advisory agreement with G Europe of 2009 (which was amended from time to time), Chaim Katzman, G Europe's chairman of the Board of Directors, is entitled to annual compensation of EUR 700 thousand for advisory services and recovery of expenses from G Europe.

c) For 2022, Chaim Katzman is entitled to director's compensation in the amount of EUR 165 thousand for his services as CTY's chairman of the Board of Directors (in 2021 - EUR 165 thousand).

2. VP Investments of the Company, Mr. Zvi Gordon

a) In June 2017, Zvi Gordon, the son-in-law of Chaim Katzman, was appointed as VP Investments of the Company, this alongside his office as VP Mergers & Acquisitions in Gazit USA, a wholly owned subsidiary of the Company.

In March 2020, after obtaining the approval of the Company's Compensation Committee, the Company's General Meeting approved the renewal and updating of Mr. Gordon's employment agreement for a period of three years from the date of approval of the meeting, subject to the right of each party to terminate the agreement by 90 days' notice.

In March 2023, the agreement between the parties has expired and they are working to renew it in subject to approvals by law.

In accordance with the terms of the agreement, Mr. Gordon will be entitled to a salary of USD 250 thousands (linked to an annual increase in the consumer price index). Zvi Gordon is also entitled to standard social and related benefits (the relating grossing-up of tax will be borne by the Company) as well as to indemnification, exemption and insurance as customary in the Company.

NOTE 35: - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont.)

According to his employment agreement, Zvi Gordon is entitled to an annual cash bonus, in a total amount that will not exceed 75% of the base annual salary to which he is entitled for any year, based on the extent to which the Company meets measurable goals set for the Company a year in advance, for achieving 100% of the targets for a particular year. In 2022, Zvi Gordon received a cash bonus of USD 151 thousands.

In addition, pursuant to the new employment agreement with Mr. Gordon, in March 2021, Mr. Gordon was granted 972,656 options (non-negotiable) for the purchase of ordinary shares of NIS 1 par value of the Company, at an exercise price of NIS 39.99 per share, and 39,873 restricted share units.

The options and the restricted share units vest in three equal batches, starting at the end of one year from their grant date. Options that are not exercised within 90 days of the termination of Zvi Gordon's engagement with the Company will expire. The final expiration date of all options is at the end of 4 years from their date of grant. The options may also be exercised in a cashless exercise. In the event of a dividend distribution,

Zvi Gordon will be entitled to a monetary compensation that reflects the benefit of the dividend distribution pertaining to the restricted share units that are not yet vested on the dividend distribution date. As well as the new employment agreement with Mr. Gordon will not be renewed at the end of the three years, Mr. Gordon will be entitled to maturity of the last share of the equity compensation granted to him by virtue of the new employment agreement, in accordance with its terms (i.e., the last batch will vest on June 19, 2023), provided that Mr. Gordon has worked for the Company for the entire term of the agreement.

In the event of termination or non-renewal of the agreement, Mr. Gordon will be entitled to various rewards that can reach up to 200% of his annual base salary as well as accelerate the vesting period for the equity compensation components alloted to him before their vesting date.

b) Starting June 2020, Mr. Gordon serves as a director in CTY. For his services, Mr. Gordon is entitled to the usual directors' compensation in CTY, in the amount of EUR 58,400 per year in addition to EUR 600 per meeting. This compensation will be deducted from the salary Mr. Gordon is entitled to receive from the Company.

d. <u>Entering into an agreement with Norstar</u>

On February 1, 2012, the Company engaged in an agreement with Norstar and Norstar Israel ("the Gazit-Norstar Agreement"), as recently updated in November 2020, with respect to the following matters:

1. Service agreement - Norstar will pay the Company a monthly fee of NIS 133 thousand (until November 2020 – NIS 139 thousand), linked to increase in the Israeli CPI including VAT for various services. The Agreement is for a three-year period and renews automatically for further periods, each for three years, with each party being entitled to give notice of non-renewal (subject to the applications of the Companies Law). The services will include secretarial services, bookkeeping services, treasury services, computer services, communications, legal services, and dealing with bank financing, the capital markets and investments.

2. Non-competition provisions, the principals of which, to date, are as follows: Norstar has undertaken that, so long as Norstar Group continues to be the Company's sole controlling shareholder and so long as the Company is principally an owner, developer, and operator of supermarket-anchored shopping centers and retail-based, mixed-use properties (in this section: "the Shopping Centers") and/or controls and holds companies that are engaged primarily in said fields as a principal activity, Norstar Group will not engage in the field of owning, managing and

NOTE 35: - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont.)

developing of shopping centers will not own shares in companies that are engaged in such fields as its principal activity (other than the Company) and any proposals it receives to engage in and/or to hold the aforementioned will be passed on by it to the
Company. The above will not apply to financial investments in shares of companies which are traded in stock exchange in Israel or abroad that are engaged in the field of owning, managing and developing of shopping centers are as their primary field, as long as Norstar will not own 5% or more in such company share capital.

For the removal of a doubt, it is further clarified that Norstar may own, develop and operate real estate other than Shopping Centers, as defined above, and may hold the shares of companies that own, develop and operate real estate other than Shopping Centers as their primary activity.

In addition, during 2018, the Company's Board of Directors, after obtaining the approval of the Company's Audit Committee, approved a procedure for leasing the Company's airplane to Norstar, from time to time, and in accordance with the airplane availability and the Company's needs. The pricing for the lease is the pricing used for third party leases, which are determined according to a price list set by the third party management company of the airplane. In 2022 the company did not lease the airplane to Norstar.

e. Entering into an agreement with Moshe Redman

During 2021, the company entered into a services agreement with Moshe Redman, who served as a director of the company until December 2022.
According to the agreement, Mr. Redman provides the company with consulting services to assimilate the field of innovation in the group in the amount of up to 25 monthly hours (on average), and in exchange for 800 NIS per hour plus VAT.
As of the date of publication of this report the agreement is no longer in effect.
In 2022 the Company has recorded NIS 200 thousands of expenses in respect of this agreement.

f. Balances with related parties

	December 31	
	2022	2021
	NIS in millions	
Interest receivable from joint ventures and equity-accounted investees (Note 6)	26	26
Long term loans to equity-accounted investees (Note 8a)	489	460
Short term loans to joint ventures and equity-accounted investees (Note 6)	9	-

g. Subsidiaries:

For details regarding transactions and balances with subsidiaries, see Note 8.

NOTE 36: - SEGMENT INFORMATION

a. General

According to the "management approach", as defined in IFRS 8, the Group operates in several operating segments, five of which meet the definition of a "reportable segment" (as presented in the table below). The segments are identified on the basis of geographical location of the income-producing properties. The Company evaluates the segment results separately in order to allocate the resources and assess the segment performance which, in certain cases, differ from the measurements used in the consolidated financial statements, as described below. Financial expenses, financial income and taxes on income are managed on a group basis and, therefore, were not allocated to the different segment activities.

The "Northern Europe" segment is under a public subsidiary under the company's control, the other segments are wholly owned by the company.

Other segments include, among others, activities that meet the qualitative criteria of an "operating segment" in accordance with IFRS 8 as they constitute the entity's business component from which it generates revenues and incurs expenses and for which financial information is available and separately reviewed by the Company's management. Such segments, however, do not meet the quantitative threshold that requires their presentation as a reportable segment and comprise mainly Canada.

b. Financial information by operating segments

As of and for the year ended December 31, 2022

	Public subsidiaries over which the Company has control		Wholly - owned subsidiaries					
	Northern Europe (1)	Central-Eastern Europe (1)	Israel	Brasil	Unites States (1)	Other segments (1)	Adjustments for consolidated (2)-(7)	Consolidated
	NIS in millions							
Segment revenues								
External revenues (2)	1,113	731	263	174	127	33	(138)	2,303
Segment results:								
Gross profit (loss) (3)	744	479	195	148	83	15	(81)	1,583
Depreciation and amortization (3)	9	10	1	-	-	-	4	24
Share in earnings of investees	12	-	1	-	-	-	(64)	(51)
Operating income (4)	520	359	158	130	56	8	(639)	592
Revaluation gain (loss) (4)	(292)	(80)	35	(247)	76	(41)	549	-
Segment assets:								
Current Operating assets (5)	218	721	191	105	521	6	1,897	3,659
Non-current Operating assets (5)	16,483	9,024	4,298	2,493	2,653	355	(1,237)	34,069
Investments in investees	9	-	(6)	-	-	6	1,658	1,667
Total assets	16,710	9,745	4,483	2,598	3,174	367	2,318	39,395
Investments in non-current assets (6)	640	110	131	66	147	3	(15)	1,081
Segment liabilities (7)	347	493	67	36	450	16	25,941	27,350

*) Represents an amount of less than NIS 1 million.

NOTE 36: - SEGMENT INFORMATION (Cont.)

As of and for the year ended December 31, 2021

	Public subsidiaries over which the Company has control		Wholly - owned subsidiaries					
	Northern Europe (1)	Central-Eastern Europe (1)	Israel	Brasil	Unites States (1)	Other segments (1)	Adjustments for consolidated (2)-(7)	Consolidated
	NIS in millions							
Segment revenues								
External revenues (2)	1,169	737	249	138	92	34	(123)	2,296
Segment results:								
Gross profit (loss) (3)	798	519	155	108	61	20	(79)	1,582
Depreciation and amortization (3)	7	13	3	-*)	-*)	-*)	4	27
Share in earnings of investees	1	-	-	-	-	-	40	41
Operating income (4)	669	395	132	87	19	9	549	1,860
Revaluation gain (loss) (4)	175	163	213	(100)	206	(3)	(654)	-
Segment assets:								
Current Operating assets (5)	824	129	77	52	2	15	4,456	5,555
Non-current Operating assets (5)	16,223	9,773	4,357	2,268	2,377	361	(1,294)	34,065
Investments in investees	15	-	(6)	-	13	5	1,426	1,453
Total assets	17,062	9,902	4,428	2,320	2,392	381	4,588	41,073
Investments in non-current assets (6)	870	117	641	48	440	-	25	2,141
Segment liabilities (7)	463	433	83	25	23	24	26,467	27,518

NOTE 36: - SEGMENT INFORMATION (Cont.)

As of and for the year ended December 31, 2020

	Public subsidiaries over which the Company has control		Wholly - owned subsidiaries					
	Northern Europe (1)	Central-Eastern Europe (1)	Israel	Brasil	Unites States (1)	Other segments (1)	Adjustments for consolidated (2)-(7)	Consolidated
	NIS in millions							
Segment revenues								
External revenues (2)	1,218	805	232	139	94	49	(131)	2,406
Segment results:								
Gross profit (loss) (3)	837	545	147	105	61	34	(83)	1,646
Depreciation and amortization (3)	6	11	2	1	-*)	-*)	8	28
Share in earnings (losses) of investees	5	-	(2)	-	-	-	(81)	(78)
Operating income (loss) (4)	745	452	123	94	16	29	(1,795)	(336)
Revaluation gain (loss) (4)	(702)	(904)	(112)	37	40	(11)	1,652	-

*) Represents an amount of less than NIS 1 million.

NOTE 36: - SEGMENT INFORMATION (Cont.)

c. Notes to segment information

1. The information of the segment "North Europe" includes 50% of the value of the joint venture Kista Galleria. The information of "other segments" includes 60% of the Canada Partnership. Information of the segment "Central-Eastern Europe" includes 75% of the value of the joint venture Pankrac Shopping Centre k.s as well as information of the segment "United States" includes the segment’s share of its joint ventures (together "the Joint Ventures") and are offset against consolidation adjustments.

2. The Group has no intersegment revenues. Adjustments with respect to segment revenues primarily includes Joint Ventures as referred to above.

3. Consolidation adjustments in the gross profit and depreciation and amortization items include the effect of the adjustments, as mentioned above.

4. Segments operating income excludes revaluation gains which are included in consolidation adjustments. Adjustments for Operating Income include that stated in section 3 above, as well as goodwill impairment and revaluation gains, which are presented separately under operating profit. Likewise, these reconciliations include unallocated general and administrative expenses of NIS 75 million, NIS 78 million and NIS 83 million and unallocated net other expense (income) of NIS (3) million, NIS 2 million and NIS 24 million, for 2022, 2021 and 2020, respectively.

5. Current operating assets mainly include: trade receivables, other accounts receivable and held for sale assets.
   Non-current operating assets mainly include: investment property, property under development, goodwill, and fixed assets. The consolidation adjustments mainly include securities at fair value through profit or loss, deferred taxes, derivatives, goodwill (at the Group level) and the Joint Ventures as mentioned above.

6. Investments in non-current assets include mainly fixed assets, investment property, investment property under development, as well as business combinations.

7. Segment liabilities include operating liabilities such as trade payables, land lease liabilities, other payables and tenants' security deposits. Consolidation adjustments mainly include mainly deferred taxes, financial derivatives, interest-bearing liabilities and the adjustment for the operating liabilities of the Joint Ventures as described above.

NOTE 37: - SUBSEQUENT EVENTS AFTER THE REPORTING DATE

a. For information regarding the issuance of 12 million shares to institutional investors, Norstar and a private company owned by Mr. Katzman, after the reporting period, refer to Note 25j.

b. For information regarding the purchase of debentures of the group companies by the group companies refer to Notes 19c15, 19d3, 19e2 and 8d3.

c. After the reporting period, in March 2023, the rating company Moody's downgraded the credit rating of G Europe's debentures series from 'Ba2' to 'B1', with a stable outlook.

LIST OF MAJOR GROUP INVESTEES AS OF DECEMBER 31, 2022 (1)

	Holding interest as of December 31,				Additional information
	2022	2021	Note	Incorporated in	in Note
	%				
M.G.N USA Inc.	100	100	(2)	USA	
Gazit Horizons Inc.	100	100	(3)	USA	
Gazit Canada Inc.	100	100	(2)	Canada	
Citycon Oyj	52.1	52.1	(4)	Finland	8d
Gazit Brasil Ltda.	100	100	(3)	Brazil	
G City Europe Limited	100	74.8	(3)	Jersey	8c

(1) The list does not include inactive companies, companies with immaterial activity, and companies held by the companies mentioned above.

(2) Held directly by the Company.

(3) Held through subsidiaries.

(4) Held directly and through subsidiaries

CHAPTER D – ADDITIONAL DETAILS REGARDING THE COMPANY

Company's Name:	G City Ltd. (the "Company" or the "Corporation")
Company's Registered No.:	520033234
Address:	8 Aharon St., Tel-Aviv 6964316
E-mail Address:	IR@g-city.com
Telephone:	03-6948000
Facsimile:	03-6961910
Financial Statement Date:	December 31, 2022
Reporting Date:	March 28, 2023

REGULATION 10A: CONDENSED QUARTERLY STATEMENTS OF COMPREHENSIVE INCOME

For condensed statements of comprehensive income for 2022 on a quarterly basis, see section 3.5(C) of the Directors' Report.

REGULATION 10C: USE OF PROCEEDS FROM THE ISSUANCE OF SECURITIES

In March 2022, the Company issued NIS 177 million par value Debentures (Series 16), secured by a lien on G City Europe shares by way of expansion of the series. In the Shelf Offering Memorandum the Company noted that it intends to use the proceeds of the issue to refinance the existing debt and finance its operating activities, in accordance with the decisions of the Company management as may be from time to time. As at the date of this Report, the Company has met its proceeds targets as set forth in the Shelf Offering Memorandum.

(*) Excluding private placements not under the Company's Shelf Offering Memorandum.

ADDITIONAL DETAILS ABOUT THE COMPANY

REGULATION 11: LIST OF INVESTMENTS IN SUBSIDIARIES AND IN AFFILIATES

Presented below is a listing of the Company's investments in each of its subsidiaries and affiliates as of the date of the statement of financial position:

Company name		Class of security and par value	Quantity owned	Value in the financial statements (NIS in thousands) (*)	Percentage holding in the issued share capital (%)	Percentage holding in the voting rights and power to appoint directors (%)	Price on the stock exchange as of the date of the report on the financial position
Investments in private companies owned by the Company							
Gazit-Globe Holdings (1992) Ltd. (in voluntary liquidation)		Share NIS 1	432	(171,756)	100	100	-
		Deferred shares	1	-	100	100	-
G. Globe Development Ltd.		Share NIS 0.01	100	(81,373)	100	100	-
Akkad Building and Investments Ltd.		Share NIS 1	12,076	(18,747)	100	100	-
		Management Shares NIS 1	500	-	100	100	-
		Special Share NIS 1	1	-	100	100	-
Horev Center Management Co. Ltd.		Share NIS 1	5,000	(5,618)	50	50	-
GLA Property Management Ltd.		Share NIS 1	602,000	(4,561)	100	100	-
MGN (USA) Inc.	(1)	Share USD 1	2,142	2,657,965	100	100	-
Gazit Canada Inc.	(2)	Shares CAD 0.01	1,206	1,675,984	100	100	-
Gazit America Inc.	(2)	Share CAD 1	100	-	100	100	-
Gazit Europe (Netherlands) B.V.	(3)	Share EUR 1	18,500	(139,882)	100	100	-
Gazit Europe (Asia) B.V.	(4)	Share USD 1	18,000	132,522	100	100	-
G-Netherlands B.V.	(5)	Share EUR 18	1,000	(163,278)	100	100	-
Gazit Midas Limited	(6)	Share EUR 1	1,000	2,093,347	100	100	
Gazit Gaia Limited	(7)	Share EUR 1	1,000	-	100	100	-
Gazit Brasil Ltda.	(8)	Participation units and shares	-	1,934,830	100	100	-
Gazit Europe (2019) B.V		Share EUR 1	100	-	100	100	-
Investments in public companies (some of which are owned by the private subsidiaries detailed above)							
Citycon Oyj. ("CTY") (8)	(9)	Share EUR 0.27	87,559,016	3,112,533	52.1	52.1	EUR 6.255

(*) According to the Company's separate financial statements, as of the date of the report on the financial position.
(1) MGN (USA) Inc. holds 100% of Gazit Horizons Inc., Gazit 1995 Inc., MGN America LLC. , Gazit Group USA Inc., Gazit First Generation Inc.
(2) Gazit America's value in the financial statements is included in Gazit Canada's value.
(3) Gazit Europe (Netherlands) B.V. owns a group of German companies that are not presented separately.
(4) Gazit Europe (Asia) B.V. invests in a real estate investment fund in India, resident in Mauritius.
(5) G-Netherlands B.V. owns companies in Macedonia that are not presented separately.
(6) Gazit Midas Limited and Gazit Gaia Limited together own 100% of the share capital of G City Europe Limited.
(7) Gazit Gaia's value in the financial statements is included in the balance of value of Gazit Midas.
(8) U.S. partnership owned 94% by the Company and 6% by a wholly-owned subsidiaries which owns Gazit Brasil Ltda. and in FIM Norstar.
(9) Part of the holding of CTY shares is direct and part is through Gazit Euripe Netherlands B.V. CTY has private subsidiaries that are not presented separately in the table.

Presented below are details of the balance of the Company's debentures, Capital notes and loans to its subsidiaries and related companies:

Company	Linkage basis	Reported balance as of December 31, 2021 (NIS in million)	Repayment years (as per the agreement)
MGN (USA) Inc.	USD	2	2025
Gazit Midas Limited	EUR	293	2023
Gazit Gaia Limited	EUR	1,578	2023
G City Europe Limited	EUR	169	2026
Gazit Germany	EUR	3	2024
Gazit Europe (Netherlands) B.V.	EUR	12	2025
G- Netherlands B.V.	EUR	122	2023
G. Globe Development Ltd.	Unlinked	81	(*)
Gazit Globe Holdings (1992) Ltd. (in voluntary liquidation)	Unlinked	172	(*)
GLA Property Management Ltd.	Unlinked	5	(*)
Akkad Building and Investments Ltd.	Unlinked	19	(*)

(*) The loans are automatically renewed from time to time, subject to the possibility of their being terminated in accordance with the terms set forth in the agreements with respect to such loans.

REGULATION 12: CHANGES IN INVESTMENTS IN SUBSIDIARIES AND IN AFFILIATES(*)

Date of change	Nature of change	Company name	Class of security	Total par value	Cost (NIS thousands)	Average cost per unit
1-12/22	Return of investment (**)	Gazit Brasil Ltda., FIM Norstar	Participation units and shares	185,000,000	117,746	BRL 1.00

(*) Excludes negligible investments in establishing inactive subsidiaries in the reporting period.

(**) See footnote (8) to Regulation 11. The above investment includes the investment of the Company and of Gazit South America Inc.

(***) See footnote 8 of he financial statements regarding the G Europe merger.

REGULATION 13: INCOME FROM SUBSIDIARIES AND AFFILIATES AND INCOME THEREFROM

Presented below are details of the 2022 comprehensive income (loss) of each of the Company's subsidiaries or related companies, and also the Company's income from dividends, management fees and interest from those companies (NIS in thousands):

Company name	Income (loss)	Other Comprehensive income (loss)	Total comprehensive income (loss)	Dividends	Management fees	Interest income (expenses)
G.G. Development Ltd.	(2)	-	(2)	-	-	-
Gazit Globe Holdings (1992) Ltd. (in voluntary liquidation)	(1)	-	(1)	-	-	-
Akkad Building and Investments Ltd.	(8)	-	(8)	-	-	-
GLA Property Management Ltd.	(2)	-	(2)	-	-	-
MGN (USA) Inc. [1]	(75,341)	2,926	(72,415)	-	550	8,301
Gazit Canada Inc.	8,835	22,088	30,923	-	-	(73,907)
Gazit America Inc.						
Citycon Oyj.	(47,800)	134,609	86,809	141,942	-	-
Gazit Europe (Netherlands) B.V. [2]	(6,693)	-	(6,693)	-	-	2,913
G-Netherlands B.V. [3]	(23,475)	-	(23,475)	-	-	4,777
Gazit Europe (Asia) B.V.	7,415	912	8,327	-	-	(2,579)
Gazit Brasil Ltda. [4]	(170,219)	-	(170,219)	-	-	-
Gazit Midas Ltd. [5]	37,919	(118,188)	(80,269)	-	-	17,922
Gazit Gaia Ltd. [5]				-	-	23,900
Gazit Hercules 2020	114	-	114	-	-	-
Gazit Europe (2019) B.V. [6]	1,839	-	1,839	-	-	-

(1) Results for MGN (USA) Inc. include the results of Gazit Horizons Inc., Gazit 1995 Inc., Gazit Group USA and MGN America LLC.

(2) Represents the results of the Company's operations in Germany.

(3) Results of G-Netherlands B.V. include the results of G-Bulgaria EAD, G-Plovdiv EAD, and G-Macedonia Ltd.

(4) Represents the results of Gazit Brasil Ltda's operations as well as the results of the operations of FIM Norstar, which are both held by Gazit Brasil LP (a U.S. partnership).

(5) The income includes the results of Gazit Gaia Limited and Gazit Midas Limited.

(6) Results for Gazit Europe (2019) B.V. include the results of NB (2019) B.V.

REGULATION 20: STOCK EXCHANGE TRADING

During the reporting year 14,848,020 ordinary shares of the Company of par value NIS 1 each were issued as a result of issuance of shares to institutional entities and Norstar, the vesting of restricted share units (RSU), and exercising of options by directors, officers and employees of the Company and private subsidiaries.

For information regarding the debentures (Series 14 and 16) that were listed for trading in the reporting period, see Regulation 10C above and Appendix B to the Board of Directors' Report.

In 2022, stock exchange trading in the Company's securities was not suspended, other than two trading suspensions due to publication of the annual report and another material report of the Company.

ADDITIONAL DETAILS ABOUT THE COMPANY

REGULATION 21: COMPENSATION OF INTERESTED PARTIES AND SENIOR OFFICERS

Presented below are details of the compensation paid for 2022 to each of the five highest compensation recipients among the senior officers of the Group (the Company or a corporation which it controls). Also presented are the three highest compensation recipients among the senior officers of the Company itself, who were granted compensation with respect to their appointment in the Company. The table also includes details of the compensation paid to the Company's interested parties.

Details of Compensation Recipient				Compensation for Services (NIS in thousands)					
Name	**Position**	**Scope of position**	**Percentage ownership in the corporation**	**Salary**(1)	**Bonus**	**Share-based payment**	**Consultancy fees**	**Other**	**Total**
Scott Ball	CEO of CTY	Full	-	2,436	1,815	9,701		1,590	15,542
Liad Barzilai	CEO of G Europe (former)	Full-time	0.00%	1,362	1,362	0	-	9,314(2)	12,038
Rianne Lee	CEO of G Europe	Full-time	-	1,792	1,769	425	-	4,458(3)	8,444
Jeffrey Mooallem	CEO of Gazit Horizons (former)	Full-time	0.22%	1,776	-	3,464	-	2,402(4)	7,642
Adi Jemini	Deputy CEO and CFO	Full-time	0.1%	2,818	1,673	1,768	-	280(5)	6,539
Chaim Katzman	Vice Chairman of the Board and President of the Company, Chairman of the Board of CTY and G Europe	-	0.226 (6)	3,394	1,874(7)	-	332	-	5,600
Oren Hod	Deputy CEO and COO (former)	Full-time	0.02%	2,327(9)	1,232	1,030	-	899(9)	5,488
Rami (Romano) Vaisenberger	Vice President and Controller	Full-time	0.06%	1,647	727	1,023	-	-	3,397
Zvi Gordon	VP Investments	Full-time	0.03%	1,080	506	384	-	-	1,970
Ehud Arnon(7)	Chairman of the Board of Directors	-	0.01%	249	-	16	-	-	265
Aviad Armoni	Director of the Company and G Europe	-	0.0%	270	-	15	-	-	285
Zehavit Cohen	Director	-	0.0%	286	-	16	-	-	302
Modi Kingsberg	External director of the Company and Gazit Brasil	-	0.0%	263	-	8	-	-	271
Limor Shofman	External Director	-	0.0%	273	-	16	-	-	289
Shmuel Hauser	External Director	-	0.0%	275	-	16	-	-	291

(1) Regarding the Company's directors, cash compensation to directors for 2022 was included in this column.

(2) Including payment for termination of employment of EUR 708 thousand, as well as a special bonus of EUR 1,925 thousand that was approved by the Board of Directors of G Europe for finalization of the merger between the Company and G. Europe.

(3) Amounts in respect of a retention bonus granted to Mr. Lee as part of the merger transaction between G Europe and the Company's subsidiary.

(4) Amounts paid to Mr. Mooallem under the agreement for termination of his employment in the Company.

(5) Amounts for retention bonus.

(6) Reflects Mr. Katzman's direct holdings in the Company. For a description of Mr. Katzman's holdings in Norstar Holdings Inc., the controlling shareholder of the Company, see Regulation 21A below.

(7) Half of the bonus amount is in respect of a deferred bonus to which Mr. Katzman will be eligible, subject to meeting the FFO goal over three years, as set out below.

(8) Including an amount in respect of the notice period.

(9) Including amounts connected to termination of Mr. Hod's employment in the Company (adjustment period and special bonus), as set out in section H below.

(10) Excluding reimbursement of travel expenses.

A. Additional details and explanations to the table - General

- The compensation amounts are in terms of cost to the Company or to the subsidiary, as the case may be. The salary amounts include the cost of salary-related components.
- The Percentage holding in the corporation's capital included in the table, are correct for the date close to the date of publication of the report , based on the information available to the Company.
- The compensation to which Chaim Katzman was entitled in the Reporting Period in the foreign public subsidiary, CTY is determined and approved in accordance with the laws applicable to CTY, including the rules of the stock exchange on which it is listed for trade and customary principles of corporate governance as follows: The annual general meeting of CTY's shareholders determines the salary of the Chairman of the Board and the other directors of CTY, based on the recommendation of the Board of Directors of CTY that based on the recommendation of its Appointments and Compensation Committee (in which most of the members are independent directors of CTY and Mr. Katzman is the Chairman of the Committee). The Board of Directors of CTY, at the first meeting following its selection at the general meeting, appoints the Chairman and his deputies from among its members.

  Regarding G. Europe, the agreement between it and Mr. Katzman was initially approved due to being a public company and was renewed from time to time by G Europe's Board of Directors at the recommendation of its independent Nominations Committee. With its delisting, the agreement is approved by the G Europe's Board of Directors (without the participation of Mr. Katzman and Mr. Gordon).

B. Additional details and explanations to the table – Details regarding the Vice Chairman of the Board and CEO of the Company, Mr. Chaim Katzman

Since January 31, 2018, Mr. Katzman has been serving as CEO of the Company and Vice Chairman of the Board of Directors.

The salary listed in the table is for management services that Mr. Katzman provides to the wholly owned subsidiary of the Company, and also to other private subsidiaries in the group. It also includes directors' compensation from CTY for his service as Chairman of the Board of Directors of CTY. The amount listed in the table under "Consulting fees" is the annual remuneration for his service as Chairman of the Board of G Europe.

1. Details of the compensation of Mr. Katzman for his service at the Company

In April 2021, the general meeting approved renewing Mr. Katzman's employment agreement (in lieu of the agreement that was valid until January 31, 2021), after receiving the approval of the Company's Compensations Committee and Board of Directors. The employment agreement is for a period of three years, commencing on February 1, 2021, subject to the right of either of the parties to terminate it with advance notice of 180 days.

The maximum annual employment for Mr. Katzman under the agreement will not exceed NIS 5.6 million, linked to the CPI ("Maximum Compensation"), on the assumption that payment of the maximum bonus for a given year, together with the compensation to be paid to him for his term in office in subsidiaries that are not wholly owned by the Company, as may be from time to time[27].

Accordingly, in 2022, Mr. Katzman was eligible for an annual salary that reflects the cost to the Company (Separate Financial Information, as at December 31, 2022, based on the compensation data of Mr. Katzman from the Company's subsidiaries in 2022, as set out in subsections 2 and 3 below) in an amount of NIS 4,684 thousand, as described below.

For his service in the Company, Mr. Katzman is entitled to a fixed salary and ancillary benefits, as well as an annual bonus as set out below:

(a) Fixed salary - the fixed salary to be paid to Mr. Katzman by the Company, separately (the "Fixed Salary from the Company") will be calculated as an amount equivalent to 60% of the annual employment cost in the Company ("Annual Employment Cost of the Group"), which is an amount equivalent to the Maximum Compensation (i.e., NIS 5.6 million) less the total cost of the compensation to be actually paid to Mr. Katzman by the subsidiaries that are not wholly owned by the Company, as may be from time to time.

(b) Target-based annual bonus - as part of the Maximum Compensation, Mr. Katzman will be eligible for an annual bonus equivalent to 40% of the Annual Employment Cost of the Group, as may from time to time, up to the maximum amount of NIS 2,240 thousand (assuming that the Company bears the full Maximum Compensation), paid according to the following manner and conditions:

[27] It is hereby clarified that if Mr. Katzman is entitled to compensation for his term in office in the subsidiaries that are not wholly owned by the Company, then the Company will separately bear the full annual cost of employment in the Group (i.e., NIS 3,360 thousand) and may bear the full Maximum Compensation alone (assuming payment of the full annual bonus for any given year).

(1) Half of the bonus (i.e., up to a maximum amount of NIS 1,120 thousand), will be paid every year in which the annual FFO return[28] on equity of the Company[29] ("the Return") exceeds 6%.

(2) The balance of the bonus that is not paid in any annual assessment, will be paid at the end of the 3 years of the agreement, if the average annual return during the period of the three years exceeded 6%.

Accordingly, Mr. Katzman is eligible for an annual cash bonus in the amount of NIS 1,874 thousand for 2022, half of which is paid, half is deferred until the end of the term of the agreement and NIS 420.5 was deferred to the end of the term of the agreement in respect of 2021, subject to compliance with the average annual return condition, as noted above.

In addition to the fixed salary, Mr. Katzman will be entitled to sick leave and convalescence days as stipulated by law and to 30 vacation days per year, which may be accumulated up to 60 days, and ancillary benefits as customary in the Company, and all provided that the total annual cost of employment in the Company does not exceed the Maximum Compensation as defined above.

Mr. Katzman is entitled to exemption, indemnification, and insurance with terms identical to the other officers at the Company (for details, see Regulation 29A below) and to reimbursement for expenses paid in fact as part of his service as CEO, as customary at the Company (such as travel, etc.), as well as use of the Company's facilities.

For his aforementioned service, Mr. Katzman is not eligible for equity compensation.

In the event that the period of the agreement elapses and a new employment agreement is not signed with Mr. Katzman for his service as CEO of the Company, Mr. Katzman shall be entitled to the fixed salary for an additional six months (during this period, Mr. Katzman shall not be entitled to any payment for the advance notice period).

Should the Company seek to terminate the agreement before three years have passed (other than under circumstances that give the Company cause to terminate the agreement without entitlement to severance pay), Mr. Katzman shall be entitled to the following: (a) an advance notice period of 180 days, during which Mr. Katzman shall be entitled to receive the fixed salary (during the advance notice period, Mr. Katzman will be required to continue to actively serve as CEO of the Company, unless the Company's Board of Directors decides otherwise); (b) fixed salary for an additional six months ("Transition Bonus"). It is hereby clarified that the Transition Bonus shall be paid to Mr. Katzman only if and when Mr. Katzman is not serving as an officer at the Company and/or its subsidiaries during the period for which the Transition Bonus is being paid. In the event of death or incapacity, Mr. Katzman (or his estate) shall be entitled to payment of the fixed salary for 12 months (during this period, Mr. Katzman will not be entitled to any payment whatsoever for the advance notice period).

2. <u>Details of the compensation of Mr. Katzman from G Europe</u>

Mr. Katzman, who is serving as Chairman of ATR's Board of Directors, provides consulting services to G Europe Group under a consulting agreement from August 2008 entered into with a company wholly owned by G Europe. The agreement is renewed from time to time for further periods of one year each time, unless either of the parties gives notice of its desire not to renew the agreement. In return for the consultancy services, Mr. Katzman is entitled to an annual consideration that amounted to EUR 700 thousand in 2022. In addition, Mr. Katzman is also entitled to reimbursement for expenses incurred in connection with the provision of the services (Mr. Katzman is not entitled to directors' fees from G Europe).

3. <u>Details of the directors' compensation of Mr. Katzman from CTY</u>

Commencing from June 2010, Mr. Katzman has been serving as Chairman of the Board of Directors of CTY. For his service as Chairman of the Board of Directors of CTY in 2022, Mr. Katzman is entitled to annual compensation of EUR 165 thousand.

4. In addition, Mr. Katzman is entitled to indemnification and insurance arrangements from the Company and its subsidiaries in which he serves as a director, in accordance with such arrangements applicable to the other board members of such companies.

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[28] The FFO is FFO to be published by the Company in its Board of Directors' Reports for 2021 through 2023.

[29] "Company equity" will be the Company's known equity as per its consolidated financial statements (excluding minority interests) on the date on which the foregoing conditions come into force (i.e., December 31, 2020), with the addition of capital raising and less any special dividends during the period, and time weighted.

C. Additional details and explanations to the table – Details regarding Scott Ball, CEO of the consolidated subsidiary CTY

Scott Ball is the CEO of CTY since 2019. According to Mr. Ball's employment agreement, he is entitled to an annual salary of EUR 660 thousand as well as one-time fringe benefits (including in connection with relocation of his residence) amounting to EUR 449 thousand in the reporting period. There is also an annual measurable target-based bonus plan for Mr. Ball at the discretion of CTY's Board of Directors, while the maximum bonus in respect of 2022 was EUR 540 thousand, of which EUR 513 thousand has been paid to Mr. Ball. In addition, Mr. Ball was allotted 570 thousand RSUs that will vest in three equal tranches in 2023, 2024 and 2025. The RSUs are eligible for payment of dividends distributed through to the vesting date and are subject to restrictions until January 2025. Mr. Ball was also allotted 2,111,111 warrants convertible into CTY shares at an exercise price of EUR 7.38 per share.

D. Additional details and explanations to the table – Details regarding Liad Barzilai, former CEO of the consolidated subsidiary G Europe

Mr. Barzilai was the CEO of G Europe from December 2016 until May 2022. In respect of his employment in 2022, Mr. Barzilai's fixed salary (including fringe benefits) amounted to EUR 385. Mr. Barzilai was also entitled to an annual bonus, while in respect of 2022 he received a bonus of EUR 385 thousand. Upon termination of his employment at G Europe, he was granted severance pay of EUR 708 thousand. In December 2021, the Board of Directors of G Europe undertook to grant a retention bonus of EUR 1,925 to Mr. Barzilai, which was subject to closure of the merger transaction between the Company and G Europe, and his undertaking to be employed by G Europe after the transaction.

E. Additional details and explanations to the table - Details regarding Ms. Rianne Lee, CEO of ATR

Mr. Lee is the CEO of G Europe since June 2022 and its former CFO.

For information about Mr. Lee's terms of tenure as CFO of G Europe until June 2022, see section E of Regulation 21 in the Company's annual report for 2021.

Mr. Lee's employment agreement as Company CEO is valid for 3 years from June 2022 and will be renewed from time to time for further three-year terms unless one of the parties notifies of termination or non-renewal at least 6 months in advance. According to the said agreement, Mr. Lee's annual salary is EUR 400 thousand plus relocation expenses amounting to EUR 122 thousand per year as well as standard fringe and social benefits. Mr. Lee is also eligible for an annual measurable target-based bonus as to be set by G Europe's Board of Directors, in a maximum amount of 125% of his annual salary, while the target bonus is 100% of his annual salary. Mr. Lee was granted an annual bonus of EUR 500 thousand for 2022. According to Mr. Lee's previous employment agreement, due to privatization of G Europe and at the decision of its Board of Directors, one year after closure of the transaction between the Company and G Europe, Mr. Lee is entitled toa retention bonus of EUR 1,260 thousand.

According to the terms of the agreement, in June 2022, Mr. Lee was allotted 182,511 phantom units that confer equity compensation and are based on the value of a Company share and the NAV value of G Europe's assets. The phantom units will vest in one tranche at the end of three years, subject to Mr. Lee being employed in the Group, and upon vesting, Mr. Lee will be entitled to financial compensation equal to the phantom units multiplied by the value of a Company share (at the average price in the 30 trading days preceding the vesting date). On the vesting date, the quantity of phantom units will be adjusted to 20% (i.e. between 146,009 and 219,013 units) according to the decrease or increase in the NAV value of G Europe's assets as at March 31, 2025 compared to their value on March 31, 2022, while the maximum target NAV value is EUR 1,238,924 thousand (and it is clarified that if the NAV value is lower or higher than 20% of the value as at March 31, 2022, Mr. Lee will be entitled to minimum 146,009 phantom units and maximum 219,013 phantom units). On the vesting date, Mr. Lee will also be entitled to the amount of the dividends distributed by the Company from the grant date until the vesting date in respect of the number of units allotted to him. The number of phantom units will be subject to standard adjustments.

In the event that the Company terminates Mr. Lee's employment, in addition to a 6-month notice period, he will be entitled to severance pay of EUR 136 thousand if his employment is terminated at or before the end of the first term of the agreement (May 2025), and if termination of his employment is after this date, he will be entitled to severance pay according to local law, which will be calculated from the date of the last renewal of the agreement. In the event of termination of Mr. Lee's employment, whether initiated by the Company or Mr. Lee, he will be entitled to the proportionate part of the vested phantom units as at the date of termination of employment adjusted to the NAV value at that time and according to the vesting periods and vesting mechanisms set out in the agreement with him.

In case of an exit event (as defined below), Mr. Lee will be entitled to a special bonus of twice his annual salary, a bonus of EUR 800 thousand and the proportionate share of the phantom units allotted to him (based on the date of termination of employment). For the agreement purposes, exit event is defined as the sale of G Europe's entire issued capital, the sale of all or most of its assets, or an IPO of G Europe following which the Group holds less than 50% of G Europe's share capital (all according to the terms of the agreement). The bonus will be determined either 12 months after the exit event date, during which Mr. Lee will continue to be employed by G Europe; the last day of the term of Mr. Lee's employment agreement (as shall be at that time); or the date of termination of Mr. Lee's employment if is initiated by Company, whichever is earlier.

F. Additional details and explanations to the table - Details regarding Mr. Jeffrey Mooallem, former CEO of the consolidated subsidiary, Gazit Horizons

1. From May 2017 until January 2023, Mr. Jeffrey Mooallem was the CEO of Gazit Horizons, under an employment agreement dated April 3, 2017, as amended in March 2021 and July 2022. According to the terms of the original agreement with Mr. Mooallem, until August 2022 his base annual salary was USD 450 thousand as well as social benefits and fringe benefits as is the practice at Gazit USA.

   According to his employment terms, Mr. Mooallem was entitled to an annual bonus equal to at least 80% of his annual salary, and not exceeding 125% of his annual salary.

   Under the amendment to the employment agreement of July 2022, it was agreed to extend the agreement with Mr. Mooallem for a six-month term (until January 2022) for a total salary for 6 months of USD 1,050,000. It was also agreed with Mr. Mooallem that he would not be paid an annual bonus or equity compensation for 2022.

2. In addition, according to the terms of Mr. Mooallem's original employment agreement he was granted equity compensation through Company securities that were allotted at the decision of Gazit Horizons' Board of Directors and the Company's Compensation Committee, while in the reporting period, 93,201 Company shares worth USD 800 thousand were allocated to Mr. Mooallem.

G. Additional details and explanations to the table - Details regarding Mr. Adi Jemini, Vice President and CFO of the Company

1. Since September 2015, Mr. Jemini has been serving as CFO of the Company, and in January 2017 he was also appointed as Vice President of the Company.

   On June 2020, the employment agreement with Mr. Jemini was renewed, valid for a period of 5 years as of June 15, 2020, subject to the right of either of the parties to terminate the agreement with an advance notice of 180 days (the "2020 Agreement"). For his aforementioned appointment, Mr. Jemini will be entitled to a monthly salary of USD 12,450, and social and fringe benefits as customary.

   Under the 2020 Agreement Mr. Jemini is entitled to an annual bonus that is not to exceed 100% of his annual salary. The bonus is determined on the basis of measurable targets and based on the discretion of the Company's Compensation Committee and Board of Directors, and the target bonus shall not exceed 100% of his annual salary, in accordance with the Company's compensation policy (see section 17 of the chapter Description of the Company's Business).

   Mr. Jemini was granted a bonus of USD 502 thousand for 2022, in accordance with the 2020 Agreement.

   In addition, Mr. Jemini is entitled to special reimbursement for expenses for his stay in Israel to cover housing expenses and Subsistence allowance , in an amount of USD 33,600 per year (not grossed), which will be paid monthly in equal installments.

   As of September 2018, Mr. Jemini has also served as CEO of the wholly owned subsidiary of the Company (hereinafter in this section the "Subsidiary") under an employment agreement for a period of 5 years, commencing on June 15, 2020, subject to the right of either of the parties to terminate the agreement with an advance notice of 180 days (the "2020 Subsidiary Agreement"). For his aforementioned appointment, Mr. Jemini is entitled to a monthly salary of USD 29,050 and standard fringe benefits (including car expenses and life and health insurance coverage as customary in the United States). In addition, Mr. Jemini is entitled to reimbursement for special expenses related to his travel, of USD 79,200 per year and reimbursement of the cost of a car. Under the 2020 Subsidiary Agreement, Mr. Jemini is entitled to an annual bonus that is not to exceed 100% of his annual salary. The bonus shall be determined on the basis of measurable targets of the Subsidiary, and the discretion of the Company's Compensation Committee and Board of Directors, and the target bonus shall be 100% of his annual salary.

   For 2022, Mr. Jemini was granted an annual bonus in the amount of NIS 1,171 thousand, in accordance with the 2020 Subsidiary Agreement.

2. According to the above employment agreements, Mr. Jemini is entitled to a retention bonus to be paid in three equal tranches, as of July 2022, after the elapse of two, three and four years from entry into force of the agreement, and in each tranche he will be paid an amount equal to 2 monthly salaries, subject to continuation of employment by the Company or subsidiary, as applicable, throughout the relevant term of the employment agreement. Should Mr. Jemini decide to terminate his employment prior to the end of the relevant agreement period, he will be required to refund to the Company or the Subsidiary, as applicable, the full amounts paid to him on account of the retention bonus until such date.

3. In addition, under the employment agreements, Mr. Jemini is also entitled to indemnification, exemption and insurance as customary at the Company.

4. Under the engagements with Mr. Jemini, he was granted equity compensation, as described in section 6 below.

5. In the event that the employment agreements with Mr. Jemini are not renewed, he shall be entitled to payment in the amount of his salary according to the relevant agreement that was not renewed, with the addition of the social and fringe benefits in the relevant agreement for an additional nine months. Additionally, should the Company or the Subsidiary, as relevant, seek to terminate the employment of Mr. Jemini (other than termination for cause) Mr. Jemini shall be entitled to the following compensation: (a) advance-notice period of 180 days, during which he shall be entitled to receive his full salary and all attaching benefits, with the addition of an amount equal to four monthly salaries, including social benefits; (b) an additional payment in an amount that is the lower of: his monthly salary (excluding fringe benefits) for 12 additional months or his monthly salary (excluding fringe benefits) for the period remaining until the end of the agreement period, with the addition of three months; (c) the proportionate share of the annual bonus to which he is entitled under the compensation policy; (d) acceleration of the vesting period of all equity compensation components allocated to him that have not yet vested.

   In the event of the termination of Mr. Jemini's employment with the Company or the Subsidiary, as relevant, at the Company’s initiative during the 12-month period following an event of change of control in the Company (as defined in the agreement), or at Mr. Jemini’s initiative in the said period, he shall be entitled to the following compensation (in lieu of the compensation described in this section above): acceleration of the vesting period of all components of equity compensation granted to him that have not yet vested, as well as a bonus that is equal to 200% of his base annual salary for the year of completion of the change of control, provided that this bonus does not exceed an amount that reflects his base salary for the period remaining until the end of the employment agreement, with the addition of 3 months.

6. The share-based payment item of the above table includes the cost recognized in the Company’s financial statements in the reporting year in respect of warrants and RSUs (non-marketable):

Grant date	Quantity	Exercise price	Value and comments
June 2020	2,205,659 options (661,698 were allocated under the employment agreement with the Company and 1,543,961 under the employment agreement with the subsidiary)	NIS 22.762	Fair value of option - NIS 1.972
	231,014 Restricted share units (RSU) (69,304 were allocated under the employment agreement with the Company and 161,710 under the employment agreement with the subsidiary)	NIS 19.83	allocated at a value of NIS 19.83 per unit.

(1) Additional information regarding the options: The exercise price shown in the table is linked to the Israeli Consumer Price Index and is subject to customary adjustments (including with respect to distribution of bonus shares issuance of rights and a dividend). The options that were allocated will vest in 5 equal tranches, starting upon the elapse of one year from the grant date. The options granted under the 2020 Agreement with the Company were granted pursuant to Section 102 of the Income Tax Ordinance for the capital gains track (with a trustee). Options that have not been exercised within 90 days of the date of the termination of Mr. Jemini's engagement with the Company will expire. The final expiry date of the options allocated in June 2020 is 6 years from their grant date. The options will also be exercisable by means of a cashless exercise.

(2) Additional information regarding the Restricted share units (RSU): The RSUs allocated in June 2020 will vest in 5 equal tranches. In the event of a dividend distribution, Mr. Jemini shall be entitled to remuneration that reflects the benefit relating to the dividend distribution in respect of the RSUs that have not yet vested on the dividend distribution date.

H. Additional details and explanations to the table - Details regarding former EVP and COO of the Company, Oren Hod

1. From June 2020 through to December 2022, Mr. Hod was EVP and COO of the Company.

   For his foregoing tenure, Mr. Hod will be entitled to a monthly salary of NIS 120,000 as well as social benefits, a company car and the standard fringe benefits. In addition, Mr. Hod may also have been entitled to an annual bonus in a total amount not exceeding 100% of his annual salary, which will be determined on the basis of measurable targets and the discretion of the Company's Compensation Committee and Board of Directors, when the target for Mr. Hod's annual bonus will be 75% of his annual salary, in accordance with the Company's compensation policy (see section 17 of the Description of the Company's Business).

2. The employment agreement also entitles Mr. Hod to an indemnity undertaking, exemption and directors and officers liability insurance coverage as is standard in the Company.

3. Mr. Hod was granted equity compensation, as set out in section 6 below.

4. Mr. Hod's employment agreement includes special compensation in the event of termination of his employment, based on the employment termination circumstances. In July 2022, the Company's Compensation Committee approved the terms for termination of Mr. Hod's employment and in addition to compensation to which he was entitled under his employment agreement with the Company, that included: 6 months' notice (including related rights), transition bonus of 6 base salaries, acceleration of the unvested equity compensation components granted to him, and the proportionate share of the annual bonus in respect of 2022 of 9.8 annual base salaries, Mr. Hod was granted a special bonus of two base salaries.

5. The table below includes the cost recorded in the reporting year in the Company's financial statements for options and RSUs (non-marketable) under the Share-Based Payment column:

Grant date	Quantity	Exercise price	Value
June 2020	648,980 options	NIS 22.762	Fair value of option - NIS 3.3283
	114,711 RSUs	---	At a value of NIS 19.83 per share

   (a) Additional information regarding the options: The exercise price in the table is linked to the Israeli consumer price index and subject to customary adjustments (including with respect to distribution of bonus shares, issuance of rights and a dividend distribution). The options were supposed to vest in three equal tranches, starting from the elapse of one year from the grant date, but due to termination of Mr. Hod's employment in the Company, the said options will expire on March 31, 2023 (if not exercised before then). The options were allocated according to the provisions of Section 102 of the Income Tax Ordinance under capital gains tracks. The options will also be exercisable by means of a cashless exercise.

   (b) Additional information regarding the Restricted share units (RSU): The RSUs were supposed to vest in three equal tranches starting upon the elapse of one year from the grant date, but due to termination of Mr. Hod's employment in the Company, on December 31, 2022, 38,237 RSUs vested. In the event of a dividend distribution, Mr. Hod shall be entitled to remuneration that reflects the benefit relating to the dividend distribution in respect of the RSUs that have not yet vested on the dividend distribution date.

6. In the Reporting Period, Mr. Hod was a director of G Europe, for his foregoing service, Mr. Hod did not received directors compensation from G Europe.

I. Additional details and explanations to the table - Details regarding Mr. Romano (Rami) Vaisenberger, VP and Accountant of the Company

1. Mr. Vaisenberger has been employed in the Company as of 2004 and has been serving as VP and Accountant of the Company since April 2011.

2. On March 1, 2021, a new employment agreement with Mr. Vaisenberger took effect (which replaced the previous agreement between the parties), under which he is entitled to a gross monthly salary of NIS 85 thousand (linked to the

annual increase of the Consumer Price Index), social benefits, a company car, standard fringe benefits, exemption, an indemnification undertaking and directors and officers insurance coverage as is customer in the Company.

3. Mr. Vaisenberger's employment agreement is for a four-year term as of March 2021, subject to the right of either of the parties to terminate the agreement by 180 days' notice.

According to his employment agreement, Mr. Vaisenberger is entitled to an annual bonus in an amount that is not to exceed 75% of his annual salary. The bonus is determined on the basis of measurable targets and based on the discretion of the Company's Compensation Committee and Board of Directors, in accordance with the Company's compensation policy (see section 17 to the Description of the Company's Businesses). Mr. Vaisenberger was granted an annual bonus for 2022 in a total amount of NIS 727 thousand.

In addition, Mr. Vaisenberger may be entitled to a retention bonus valued at NIS 680 thousand, which will be paid by allocation of 35,070 RSUs, as set out in the table in section 6 below.

4. Under the engagements with Mr. Vaisenberger, he was granted equity compensation, as described in section 6 below.

5. In the event that the agreement comes to an end and a new employment agreement has not been signed with Mr. Vaisenberger, he shall be entitled to 3 additional monthly base salaries, including all related social benefits (and shall not be entitled to payment for the advance-notice period).

Additionally, should the Company terminate the employment of Mr. Vaisenberger (other than termination for cause), he shall be entitled to the following compensation: (a) 180 days' notice period for which he shall be entitled to receive his full salary and all attaching benefits; (b) an additional payment in an amount that is the lower of: His monthly salary (without any additional terms and/or benefits) or his monthly salary (without any additional terms and/or benefits) for the period remaining until the end of the employment agreement plus three months; (c) the proportionate share of the annual bonus to which he is entitled under the compensation policy; (d) acceleration of the vesting period of all equity compensation components.

In the event of termination of Mr. Vaisenberger's employment at the Company's initiative in a period of 12 months after a change in control of the Company (as defined in the agreement) or at Mr. Vaisenberger's initiative in the said period, he shall be entitled to the following compensation (in lieu of the compensation described in this section above): (a) acceleration of the vesting period of all equity compensation components allocated to him that have not yet vested; and (b) the lower of: (1) a bonus that is equal to 200% of his base annual salary for the year of completion of the change of control ; or (2) his monthly salary for the period remaining to the end of the update employment agreement plus three months.

6. The table below includes the cost recorded in the reporting year in the Company's financial statements for options and RSUs (non-marketable) under the Share-Based Payment column:

Grant date	Quantity	Exercise price	Value
June 2020	308,452 options (non-marketable) (2)	NIS 22.762	Fair value of option - NIS 3.3283
	54,520 Restricted share units (RSU) (2)		At a value of NIS 19.83 per unit
March 2021	130,163 options (non-marketable) (4)	NIS 20.406	Fair value of option - NIS 5.732
	38,478 Restricted share units (RSU) (5)		At a value of NIS 20.39 per unit
	35,070 Restricted share units (RSU) (6)		At a value of NIS 20.39 per unit

(1) Additional information regarding the options: The exercise price in the table is linked to the Israeli consumer price index and subject to customary adjustments (including with respect to distribution of bonus shares, issuance of rights and a dividend distribution). The options will vest in three equal tranches, starting from the elapse of one year from the grant date. The options allocated were allocated according to the provisions of Section 102 of the Income Tax Ordinance under capital gains tracks. Options that are not exercised within 90 days of the date of termination of Mr. Vaisenberger's employment in the company will expire. The final expiry date of all options is at the end of four years from their grant date. The options will also be exercisable by means of a cashless exercise.

(2) Additional information regarding the Restricted share units (RSU): The RSUs will vest in three equal tranches starting upon the elapse of one year from their grant date. In the event of a dividend distribution, Mr. Vaisenberger shall be entitled to remuneration that reflects the benefit relating to the dividend distribution in respect of the RSUs that have not yet vested on dividend distribution date.

(3) Restricted share units (RSU) which were allocated as a retention bonus, and vested in one tranche three years after their grant date.

(4) Additional information regarding the options: The exercise price in the table is linked to the Israeli consumer price index and subject to customary adjustments (including with respect to distribution of benefit shares, issuance of rights and a dividend distribution). The options will vest in four equal tranches, starting from the elapse of one year from the grant date. The options allocated were allocated according to the provisions of Section 102 of the Income Tax Ordinance under capital gains tracks. Options that are not exercised within 90 days of the date of termination of Mr. Vaisenberger's employment in the company will expire. The final expiry date of all options is at the end of five years from their grant date. The options will also be exercisable by means of a cashless exercise.

(5) Additional information regarding the Restricted share units (RSU): The RSUs will vest in four equal tranches starting upon the elapse of one year from their grant date. In the event of a dividend distribution, Mr. Vaisenberger shall be entitled to remuneration that reflects the benefit relating to the dividend distribution in respect of the RSUs that have not yet vested on dividend distribution date.

(6) Restricted share units (RSU), which were allocated in March 2021 as a retention bonus and will vest in a single tranche four years after their grant date.

J. Additional details and explanations to the table - Details regarding Mr. Zvi Gordon, VP Investments of the Company

1. Mr. Gordon, who is Mr. Katzman's son-in-law, has served as the VP Investments of the Company since June 2017.

According to Mr. Gordon's current employment agreement, as approved in March 2020 by the Company's general meeting (following approval by the Compensation Committee and Board of Directors), which is valid for three years as of March 15, 2020, he was entitled to a salary of USD 250,000 (linked to the annual increase in the US CPI). Mr. Gordon is also entitled to an annual cash bonus, in total amount of which shall not exceed 75% of his base annual salary for any year whatsoever, for achieving 100% of the targets in a specific year. Mr. Gordon was granted an annual bonus of USD 150.5 thousand for 2022.

The annual bonus was paid to Mr. Gordon according to meeting of measurable targets that will be determined according to the Company's indexes only, as approved by the Compensation Committee and Board of Directors uniformly and the same as for all Company officers, at the beginning of each year, according to the Company's indexes set out in its compensation policy.

Mr. Gordon was also entitled to the standard social benefits and fringe benefits as customary (and the Company will bear the tax gross up for such benefits) as well as indemnity, exemption and insurance as is standard in the Company.

In accordance with the employment agreement with Mr. Gordon, he was granted equity compensation, as set out in section 2 below.

In the event of the termination of Mr. Gordon's employment before the end of three years (other than under circumstances that give the Company cause to terminate the agreement without entitlement to severance pay), as well as in the event of resignation that is deemed by law as dismissal, or in the event of death or loss of working capacity, Mr. Gordon was entitled to the following: (a) advance-notice period of 90 days, during which Mr. Gordon shall be entitled to receive the fixed salary and the benefits to which he is entitled during the notice period; and (b) the proportionate amount of the annual bonus to which Mr. Gordon would have been entitled for the year during which his term ended.

In the event of the termination of Mr. Gordon's employment at the Company's initiative during a 12-month period following an event of change of control in the Company (as defined in the agreement) or at Mr. Gordon's initiative in the said period, he was be entitled to (in lieu of the compensation described in this section above): acceleration of the vesting period of all components of equity compensation granted to him that have not yet vested, as well as a bonus that is equal to 200% of his base annual salary for the year of completion of the change of control, provided that such grant does not exceed an amount that reflects his base salary for the period remaining to the end of the employment agreement, with the addition of 3 months.

On March 15, 2023, the term of the agreement with Mr. Gordon ended, and as at the publication date of the report, The Company is working to renew it, subject to receipt of all approvals required by law (including the approval of the Company's general meeting by special majority among the minority shareholders).

2. The table below includes the cost recorded in the reporting year in the Company's financial statements for options and RSUs (non-marketable) under the Share-Based Payment column:

Grant date	Quantity	Exercise price	Value
March 2020	972,656 options	NIS 39.99	Fair value of option - NIS 1.058
	39,873 Restricted share units (RSU)		At a value of NIS 26.76 per unit

(a) Additional information regarding the options: The exercise price in the table is linked to the Israeli consumer price index and subject to customary adjustments (including with respect to distribution of benefit shares, issuance of rights, but excluding adjustment in respect of a dividend). The options will vest in three equal tranches, starting from the elapse of one year from the grant date. Options that are not exercised within 90 days of termination of the agreement with Mr. Gordon with the Company will expire. The final expiry date of all options is at the end of four years from their grant date. The options will also be exercisable by means of a cashless exercise.

(b) Additional information regarding the Restricted share units (RSU): The RSUs vest in three equal tranches starting upon the elapse of one year from the grant date. In the event of a dividend distribution, Mr. Gordon shall be entitled to remuneration that reflects the benefit relating to the dividend distribution in respect of the RSUs that have not yet vested on dividend distribution date.

If the new employment agreement with Mr. Gordon is not renewed at the end of three years, he will be entitled to vesting of the last equity compensation tranche granted under the proposed employment terms, pursuant to its terms (i.e. The last tranche will vest on June 19, 2023), provided that Mr. Gordon was employed in the Company for the entire agreement period.

3. Compensation for Mr. Gordon's tenure as a director in CTY

As of June 2020, Mr. Gordon has been serving as a director in CTY. For such tenure, Mr. Gordon is entitled to the standard directors compensation at CTY, which in 2022 amounted to EUR 58,400. Such compensation is offset from the salary to which Mr. Gordon is entitled from the Company.

K. Additional details and explanations to the table - Details regarding directors' fees

1. Until May 1, 2022, the external directors in the Company, as well as the other directors in the Company who do not hold an additional position in the Company and are not considered as controlling shareholders of the Company, were entitled to a monetary compensation and an equity compensation as follows: (1) monetary compensation - compensation in the amount of the "fixed compensation" as set in the Companies Regulations (Regulations for Compensation and Expenses of an External Director), 2000, (the "Compensation Regulations"), based on the ranking of the Company; and (2) equity compensation - for every year in office, 1,500 Restricted Share Units ("RSUs") were issued to each of the aforesaid directors, in accordance with the Company's Securities Compensation Plan from 2011 ("the 2011 Plan"), or another plan, as shall be in effect on the relevant dates, and under the material terms specified below: the RSUs will vest over a period of two years from their grant date. A director whose office ends in the course of a year of office or prior to the vesting of a specific tranche shall be entitled to the vesting of the proportionate share of such tranche (subject to the payment of the par value of the exercise shares). In addition, the directors were entitled to various defenses under the 2011 Plan, including in relation to dividends. Pursuant to said defense, in the event of the payment of a dividend by the Company to the holders of its ordinary shares during the vesting period, no adjustment will be made in respect of the dividend, however each of the directors shall be entitled to a cash grant in a (gross) amount that is equal to the amount of the dividend that would have been paid to the director for the holding of ordinary shares in the number of the RSUs that have not yet vested on the date of the dividend distribution.

2. As of May 1, 2022, the compensation for the directors of the Company was revised, as may be from time to time, in such a way that the annual compensation paid to directors of the Company is equivalent to the maximum annual compensation permitted for an expert director. The board meeting compensation paid to the directors of the Company did not change, and is an amount equivalent to the compensation set under the Compensation Regulations, based on the rank of the Company. Furthermore, as of said date, no equity-based compensation is paid to the directors of the Company.

3. In addition to the above, Mr. Kingsberg, Ms. Cohen and Mr. Armoni, who serve as directors on behalf of the Company at Gazit Brasil, Gazit Horizons and G City Europe, respectively, are entitled to compensation that shall not exceed the lower of these two amounts: (1) an amount calculated based on the number of meetings of the Board of Directors of the relevant subsidiary attended, with the compensation for each meeting not exceeding the total amount per meeting stated in the compensation regulations, according to the rank of the relevant subsidiary; or (2) the fixed annual compensation as set forth in the compensation regulations according to the subsidiary's rank. In 2022, the Company paid NIS 10 thousand to Mr. Kingsberg On for his tenure at Gazit Brasil, NIS 10 thousand to Ms. Cohen for her tenure in Gazit Horizons and NIS 2.8 thousand to Mr. Armoni for his tenure in G City Europe.

4. In June 2018, Mr. Arnon's employment terms as Chairman of the Company's Board of Directors were approved at the general meeting (after receiving the approval of the Compensation Committee and the Company's Board of Directors). Mr. Arnon is entitled to: (1) annual compensation equal to 130% of the annual compensation paid to a director with accounting and financial expertise at the Company, as occurring from time to time; (2) compensation for meeting participation equal to the participation compensation to which all directors with accounting and financial expertise are entitled at the Company, as occurring from time to time (for details, see section 2 above). Until May 1, 2022, Mr. Arnon was also entitled to a once-a-year grant of 1,500 Restricted share units (RSU) according to the Company's compensation plan and under the terms at which they are granted to all of the Company's directors. Mr. Arnon is also entitled to directors' and officers' insurance, exemption and a letter of indemnification, worded as customary at the Company.

5. On December 27, 2018, the general meeting approved (following approval by the Audit and Compensation Committee and the Board of Directors of the Company) a grant to the directors of the Company (who are not external directors or independent directors or directors who are also controlling shareholders of the Company) who also serve as directors for the subsidiaries that are wholly owned and controlled by the Company, as it will be from time to time, compensation which is similar (with necessary changes) to the compensation which is granted and/or will be granted to external directors who serve in additional position at the Company, as it will be from time to time. To date, none of the directors are eligible for compensation under this section. (For information about the compensation granted to Mr. Kingsberg, Mr. Armoni and Ms. Cohen in respect of their tenure as directors in private subsidiaries of the Company, and submitted separately for approval by the competent organs in the Company, see Section 3 above).

L. Moshe Radman was a director in the Company between December 28, 2021 and December 22, 2022. During the reporting period, Mr. Radman provided consultation services to the Company for integration of innovation in the Group. The agreement included a one-time payment in the amount of NSI 25 thousand (plus VAT), and consultation services of up to an average 25 hours per month (calculated annually) in return for an hourly rate of NIS 250 plus VAT (without any commitment from the Company to a minimum number of hours).

REGULATION 21A: CONTROLLING SHAREHOLDER OF THE COMPANY

The controlling shareholder of the Company is Norstar Holdings Inc. ("Norstar"), a foreign resident company registered in Panama, whose shares are listed on the Tel Aviv Stock Exchange Ltd.

To the best of the Company's knowledge, the controlling shareholder of Norstar is Mr. Chaim Katzman, who owns, directly and indirectly, Norstar shares through private companies wholly owned by him and by members of his family (9.38% of Norstar's issued share capital (9.96% fully diluted) and 9.45% of the voting rights (9.76% fully diluted)), as well as through First US Financial LLC, which owns approximately 7.19% of Norstar's share capital (7.54% fully diluted) and 7.25% of the voting rights therein (7.59% fully diluted), and through Aurora Capital Holdings LLC ("Aurora"), which holds 9.88% of Norstar's share capital (9.57% fully diluted) and 9.96% of the voting rights (9.64% fully diluted) ("FUF" ,"Aurora" and jointly with Mr. Katzman: "Katzman Group").

In addition, Katzman Group is considered as "jointly owning," as this term is defined in the Securities Law, with the Katzman Family Foundation, which owns approximately 2.25% of Norstar's issued share capital (2.87% fully dilutes) and 2.27% of the voting rights therein (2.89% fully diluted).

Furthermore, on March 27, 2022, Chaim Katzman, the controlling shareholder of the Company, signed an agreement with E.Y.L Sela 1991 Ltd. ("Sela") under which Sela granted Mr. Katzman power of attorney to vote in respect of all Sela's shares in Norstar (which as at the date of this report constitutes 3.54% of the Company's share capital and 3.57% of its voting rights), as shall be from time to time. Under the agreement, Sela granted Katzman Group the right of first refusal in respect of Norstar securities which Sela seeks to sell, and Mr. Katzman granted Sela the tag-along right in the event of the sale of Norstar shares by Katzman Group, all except in the event of transfer to an authorized transferee. According to the provisions of the said agreement, Sela became part of the group that controls Norstar. The agreement will be valid until either five year from the date of the agreement or the date at which any of the parties (including an authorized transferee of the parties) no longer holds securities of the Company, whichever is earlier.

REGULATION 22: TRANSACTIONS WITH A CONTROLLING SHAREHOLDER

Below is a breakdown of details, to the best of the Company's knowledge, concerning each transaction with the controlling shareholder or in which the controlling shareholder has a personal interest in its approval, which the Company engaged in during the Reporting Year or subsequent to the Reporting Year and until the submission of the Report or that was still in force at Reporting Date:

1. Agreement with Norstar - For details regarding the agreement between the Company and Norstar and a wholly owned subsidiary of Norstar, see section 23 of Chapter A of the Periodic Report.
2. For details regarding the employment and compensation agreements of the Company's controlling shareholder, Mr. Chaim Katzman, with the Group's companies, see the details presented under Regulation 21 above.
3. For details regarding the employment agreement with Mr. Zvi Gordon, the son-in-law of Mr. Chaim Katzman, who is the Vice Chairman of the Board of Directors, CEO of the Company and its controlling shareholder and a director of CTY, see Regulation 21 above.
4. For details regarding officers' insurance, exemption and indemnification undertaking, pursuant to which Messrs. Chaim Katzman, the controlling shareholder of the Company, and Zvi Gordon, Mr. Katzman's son-in-law, are also beneficiaries, see the details presented under Regulation 29a below.
5. In February 2016, the Company's Board of Directors, following the approval by the Audit Committee, approved a procedure regarding joining of passengers who are not involved in the business of the Group (as updated from time to time), whether or not these are "relatives" of any of the controlling shareholder, to exclusively business-related travel by the aircraft that is partially owned by the Company conducted for the purposes of the Company (including private companies that it owns). Pursuant to the procedure, the relevant officer will bear the costs for the passenger that joined him based on the mechanism outlined in the procedure, provided that the total related value of use of the Company's plane in a calendar year does not exceed NIS 1 million. Upon Mr. Katzman's appointment as CEO of the Company, the procedure was updated so that the payment mechanism shall not apply to Mr. Katzman's wife and her joining to Mr. Katzman's business trips, made for the Company's needs.
6. In 2018, the Company's Board of Directors approved, following approval by the Audit Committee, a procedure for leasing the aircraft that is partially owned by the Company to Norstar, from time to time, subject to the plane's availability and the Company's needs. The cost of the lease shall be determined according to a price list, determined by the plane's external management company, in a manner identical to third parties that lease the plane. In the reporting period, the Company's plane was not chartered for use by Norstar.
7. On February 6, 2022, the Company's Board of Directors approved a private placement of 2,000,000 ordinary shares of the Company and 1,000,000 options (non-negotiable) exercisable for 1,000,000 ordinary shares of the Company, to the controlling shareholder of the Company, Norstar Holdings Inc. (through a wholly owned subsidiary, Norstar Israel Ltd.). The foregoing allotment was approved by the general meeting of shareholders on February 14, 2022. For further information, see the reports of February 14, 2022 and March 31, 2022 (Ref. Nos.: 2022-01-018115 and 2022-01-039766), containing information presented here as a reference.
8. On January 29, 2023, the Company's Board of Directors approved a private placement of 3,614,800 ordinary shares to the controlling shareholder of the Company, Norstar Holdings Inc. (through a wholly-owned subsidiary, Norstar Israel Ltd.) and 792,800 ordinary shares to Aurora Capital Holdings LLC (a company controlled by Chaim Katzman). The private placement was approved by the general meeting of shareholders on March 9, 2023. For further information, see the report of January 31, 2023 (Ref. No.: 2023-01-011356).
9. Negligible transactions: As resolved by the Company's Board of Directors, the following transactions are to be considered negligible transactions (for the purpose of Regulation 41(a)(6)(1) of the Securities Regulations (Annual Financial Statements), 2010):

   9.1 The lease of properties, during the normal course of business and at market terms, to an interested party (including a controlling shareholder), to companies under his control or to companies in which he is an interested party (all of these are referred to below as "Related Parties"), when the revenues from the annual rental of the properties do not exceed (in the aggregate) 0.1% of the annual rental income in the Company's consolidated financial statements.

   9. 2 An engagement made by the Company to jointly acquire, together with Related Parties, goods or services from a third party, when such engagement is made during the normal course of the Company's business and at market terms, and with regard to which the Audit Committee has determined that the allocation of the costs and expenses in the engagement is fair and equitable taking into account the circumstances of the matter, and while the annual expenses with respect to such engagements (in the aggregate) do not exceed 0.1% of the annual gross expenses presented in the Company's consolidated financial statements for the year preceding the date of the engagement.

In the Company's opinion, the scope of the aforesaid transactions is negligible in relation to the scope of the Company's operations, and accordingly complies with the requirements of the aforementioned Regulation 41(a)(6)(1).

REGULATION 24: HOLDINGS OF INTERESTED PARTIES

For an updated description regarding interested parties' holdings in the Company in shares or other securities of the Company, see the immediate report dated January 5, 2023 regarding the status of interested parties' holdings in the Company (Ref. No.: 2023-01-003762), and the report regarding changes in interested parties' holdings dated January 8, 2023, January 19, 2023 and January 26, 2023 (Ref. Nos.: 2023-01-004449, 2023-01-009255 and 2023-01-011613). The information set out in these reports is presented here as a reference.

Presented below are the details, to the best of the Company's knowledge, of the shares and other securities owned by interested parties that are not members of an institutional reporting group, in each of the Company's subsidiaries, immediately prior to the date of the report:

Owner's name	**Name and class of securities**	**Quantity of securities**	**Percentage of holding**		**Percentage of holding (fully diluted)**	
			Capital	**Voting**	**Capital**	**Voting**
Chaim Katzman	Citycon Oyj, ordinary share	35,771	0.0%	0.02%	0.02%	0.02%

REGULATION 24A: REGISTERED CAPITAL, ISSUED CAPITAL AND CONVERTIBLE SECURITIES

For details regarding the registered capital and the issued capital of the Corporation immediately prior to the date of the report, refer to Note 25 to the financial statements.

For details regarding the convertible securities of the Corporation immediately prior to the date of the report, refer to Note 26 to the financial statements.

REGULATION 24B: COMPANY SHAREHOLDERS REGISTER

For information about the Company's shareholders register, see the Company's immediate report of March 19, 2022 (Ref. No. 2023-01-028629), which is included below by way of reference.

ADDITIONAL DETAILS ABOUT THE COMPANY

REGULATION 26: DIRECTORS OF THE CORPORATION

Presented below are details of the members of the Board of Directors, to the best of the Company's knowledge:

Name:	**Ehud Arnon, Chairperson of the Board of Directors**
Identity no.:	50001239
Date of birth:	May 9, 1950
Address for serving legal documents:	15 Tchernichovsky Street, Jerusalem 92531
Nationality:	Israeli, Austrian
Membership of Board sub-committees:	Nominating Committee
Serves as external director:	No
Possesses accounting and financial expertise or a professional qualification:	Yes
Is an independent director:	No
Employee of the Company, a subsidiary, a related company or an interested party (detail the position(s) held):	No
Date of appointment:	March 28, 2018
Education:	BA in Economics and International Relations, Hebrew University; MBA in Business Administration, Hebrew University
Employment over the past five years:	Director in companies (as listed below)
Companies of which he is a director (other than the Company):	Hertz Properties Group Limited
Relative of another of the Company's interested parties:	No

Name:	**Chaim Katzman - Vice Chairperson of the Board and CEO of the Company**
Identity no.:	030593859
Date of birth:	November 4, 1949
Address for serving legal documents:	1696 NE Miami Gardens, North Miami Beach, FL 33179, USA
Nationality:	Israeli, American
Membership of Board sub-committees:	Investments Committee
Serves as external director:	No
Possesses accounting and financial expertise or a professional qualification:	Yes
Is an independent director:	No
Employee of the Company, a subsidiary, a related company or an interested party (detail the position(s) held):	CEO of the Company. See the details below regarding his tenure as Chairperson of the Board of Directors and as a director of various subsidiaries of the Company
Date of appointment:	May 1, 1995
Education:	LLB, Tel-Aviv University
Employment over the past five years:	Vice Chairperson of the Board and CEO of the Company and Norstar Holdings Inc. Chairperson of the Board of Directors of the following companies: The Company (until January 2018): CTY, G Europe, Norstar Holdings Inc. (until January 2018) and private subsidiaries of these companies and of the Company, including Gazit Horizons, G Israel and Gazit Brasil; Former director of First Capital Inc.
Companies of which he is a director (other than the Company):	Norstar Holdings Inc., G Europe, CTY, and private subsidiaries of these companies and of the Company, as well as the Katzman Family Foundation, Koah (2000) Holdings Ltd. and Ganei Binyamina Ltd. Chaim Katzman also serves as a director in foreign companies through which he holds control of Norstar Holdings Inc.
Relative of another of the Company's interested parties:	No (however, his son-in-law, Zvi Gordon, serves as VP Investments at the Company)

Name	**Zehavit Cohen**
Identity no.:	058344797
Date of birth:	November 16, 1963
Address for serving legal documents:	4 Berkovich St., Museum Tower, 22nd Floor, Tel Aviv 6423806
Nationality:	Israeli, American
Membership of Board sub-committees:	Audit, Balance Sheet and Compensation Committee, Nominating and Corporate Governance Committee, Corporate Responsibility Committee, Investments Committee
Serves as external director:	No
Possesses accounting and financial expertise or a professional qualification:	Yes
Is an independent director:	Yes
Employee of the Company, a subsidiary, a related company or an interested party (detail the position(s) held):	Director in Gazit Horizons
Date of appointment:	March 8, 2016
Education:	B.A. in Accounting from Duquesne University; an MBA in Finance from the University of Pittsburgh, and an MA in Accounting from the University of Pennsylvania, U.S.A.
Employment over the past five years:	CEO of Apax Partners Israel Ltd.
Companies of which he is a director (other than the Company):	Apax Partners Israel Ltd., Apax Partners LLP, AP, Amy Consulting Ltd., Ten Petroleum Company Ltd., Swan Holdco Ltd., Swan Debtco Ltd, Swan Holdco Ami Ltd, Swan Topco Ltd., Zebra Holdco Ltd., Zebra Midco Ltd, Zebra Topco Ltd, Tiger Topco Ltd, Tiger Midco Ltd. Tiger Holdco Ltd., Moose Topco Ltd. Moose Midco Ltd. Moose Holdco Ltd., Gorilla Topco Ltd., Gorilla Midco Ltd., Gorilla Holdco Ltd., Go Global Travel Ltd., Max Stock Ltd., Goor Topco Ltd, Goor Holdco Ltd, Rot Topco Ltd., Rot Midco Ltd., Rot Holdco Ltd., Ramet-Trom Ltd., Mac Topco Ltd., Rich Topco Ltd., S.R Accord Ltd, Gazit Horizons Inc.. Coy Holdco Ltd, Coy Midco Ltd, Native Systems Ltd Infinity Labs R&D Ltd., Lynx Ferret Holdco Ltd., Lynx Ferret Topco Ltd., Zuchon Topco Ltd.
Relative of another of the Company's interested parties:	No

Name:	**Limor Shofman Gutman**
Identity no.:	024388191
Date of birth:	August 27, 1969
Address for serving legal documents:	136 Ehad Ha'am Street, Tel-Aviv
Nationality:	Israeli
Membership of Board sub-committees:	The Company's Audit, Balance Sheet and Compensation Committee, Nominating and Corporate Responsibility Committees and Corporate Governance, and Committee for the Affairs of Gazit Canada.
Serves as external director:	Yes
Possesses accounting and financial expertise or a professional qualification:	Yes
Is an independent director:	Yes (external director)
Employee of the Company, a subsidiary, a related company or an interested party (detail the position(s) held):	No
Date of appointment:	January 1, 2019
Education:	LLB, Bar Ilan University; Certificate in Positive Psychology, Maytiv Center for the Research and Application of Positive Psychology and the School of Psychology at IDC Herzliya, Coaching Course at The Co-Active Institute
Employment over the past five years:	Head of the Capital Market, Companies and Securities Department at Law Offices of Matry, Meiri & Co.; member of the Administrative Council and Chairperson of the Board of Directors of ProWoman Association; co-founder of IMFA that established a private integrative rehabilitation hospital (Medical Care); member of the Board of the Nachum Gutman Museum; mentor and coach of managers and entrepreneurs; founder and partner of Hub and Market Place of Wellness Tech.
Companies of which he is a director (other than the Company):	Nahum Gutman Museum
Relative of another of the Company's interested parties:	No

Name:	**Shmuel Hauser**
Identity no.:	053488342
Date of birth:	May 13, 1955
Address for serving legal documents:	19 Amirim St., Savion
Nationality:	Israeli
Membership of Board sub-committees:	The Company's Audit, Balance Sheet and Compensation Committee, Investments Committee, Nominating and Corporate Governance Committee, Corporate Responsibility Committee
Serves as external director:	Yes
Possesses accounting and financial expertise or a professional qualification:	Yes
Is an independent director:	Yes (external director)
Employee of the Company, a subsidiary, a related company or an interested party (detail the position(s) held):	No
Date of appointment:	January 1, 2019
Education:	BA in Statistics and Economics, Hebrew University; MA in Finance, Hebrew University; PhD, Temple University, Philadelphia, USA
Employment over the past five years:	Chairperson of the Israel Securities Authority; Vice President and Professor of Finance at the Ono Academic Campus; Full Professor Emeritus of Finance at the School of Management at Ben-Gurion University until January 2023; Chairperson of esh Ltd.; Co-Chair of the Israeli Accounting Standards Board; member of the advisory committee of the Supervisor of Banks at Bank of Israel; member of the licensing committee of the Supervisor of Banks at Bank of Israel; member of the advisory committee of the Capital Market, Insurance and Savings Authority; member of the debt settlement committee of the Ministry of Finance; member of the Investment Committee of the Israel Democracy Institute, member of the Board of Etoro, partner in Quantex Expected Return.
Companies of which he is a director (other than the Company):	Cellcom Ltd., esh Ltd. (Pocketful).
Relative of another of the Company's interested parties:	No

Name:	**Aviad (Adi) Armoni**
Identity no.:	055992598
Date of birth:	July 7, 1959
Address for serving legal documents:	16 Harechesh Street, Tel-Aviv
Nationality:	Israeli
Membership of Board sub-committees:	Audit, Balance Sheet, Compensation Committee and Cyber Committee
Serves as external director:	No
Possesses accounting and financial expertise or a professional qualification:	Yes
Is an independent director:	Yes
Employee of the Company, a subsidiary, a related company or an interested party (detail the position(s) held):	Director of G Europe
Date of appointment:	May 26, 2020
Education:	PhD in Business Management and Information Systems (Tel Aviv University; MBA in Finance (Tel Aviv University; B.Sc in Industrial Engineering and Management (Tel Aviv University).
Employment over the past five years:	Founder and CEO of KBIS Ltd.; dean of the School of Business Management and Head of Information Systems - College of Academic Studies Due to Mr. Armoni's education and extensive professional experience in information systems, he has an understanding and background in information security
Companies of which he is a director (other than the Company):	Director at G City Europe Limited, Bina Consulting and Management Services Ltd., Getter Tech Ltd.; KBIS Ltd.
Relative of another of the Company's interested parties:	No

Name:	**Modi Kingsberg**
Identity no.:	007715915
Date of birth:	December 30, 1946
Address for serving legal documents:	8 Hapardes Street, Kiryat Ono
Nationality:	Israeli
Membership of Board sub-committees:	Audit, Balance Sheet and Compensation Committee, and Cyber Committee
Serves as external director:	Yes
Possesses accounting and financial expertise or a professional qualification:	Yes
Is an independent director:	Yes
Employee of the Company, a subsidiary, a related company or an interested party (detail the position(s) held):	Director of Gazit Brasil
Date of appointment:	January 1, 2022
Education:	BA in Economics, Tel Aviv University
Employment over the past five years:	External director, chairperson of the audit committee and member of the investment committee of the Gal and Kalanit provident funds of the teachers' union; external director and member of the audit, investment and budget committees of the Jewish Agency's pension and budget funds; external director on the audit committee and member of the investment committee of the Machar provident fund
Companies of which he is a director (other than the Company):	Gazit Brasil, Gal and Kalanit Provident Fund Management, The Management Company of the Provident and Pension Fund of the Jewish Agency for Israel Ltd.
Relative of another of the Company's interested parties:	No

ADDITIONAL DETAILS ABOUT THE COMPANY

REGULATION 26A: SENIOR OFFICERS

Presented below are details of the senior officers of the Company, who do not serve as directors, to the best of the Company's knowledge:

Name:	**Adi Jemini**
Identity no.:	032862443
Date of birth:	March 19, 1978
Position held in the Company, in a subsidiary, in a related company or in an interested party:	Vice President and CFO of the Company and Gazit USA, Market Risks Officer, together with the President of the Company; Director at G Israel Shopping Centers Ltd, Gazit Horizons, and Gazit Brasil; manager and director in additional private subsidiaries of the Company
Date of appointment:	January 16, 2016
Education:	B.Sc. in Accounting from Virginia Polytechnic Institute
Employment over the past five years:	Position in the Group, as set out above
Interested party in the Company or a relative of a senior officer of the Company or of another interested party in the Company:	No

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Name:	**Rami (Romano) Vaisenberger**
Identity no.:	016708695
Date of birth:	January 29, 1973
Position held in the Company, in a subsidiary, in a related company or in an interested party:	Vice President and Controller; Controller of Norstar Holdings Inc., Director in the Company's private subsidiaries and Norstar Holdings Inc.
Date of appointment:	July 1, 2004
Education:	B.A. in Business Management, Major in Accounting (College of Management)
Employment over the past five years:	His current position, Controller in Norstar Holdings Inc., Director in the Company's private subsidiaries and Norstar Holdings Inc.
Interested party in the Company or a relative of a senior officer of the Company or of another interested party in the Company:	No

Name:	**Zvi Gordon**
Identity no.:	332533710
Date of birth:	October 15, 1985
Position held in the Company, in a subsidiary, in a related company or in an interested party:	VP Investments at the Company, Chief Investment Officer at Norstar Holdings Inc., controlling shareholder of the Company, CEO of Norstar Israel Ltd. (a company wholly-owned by Norstar Holdings Inc.); Director at CTY and G Europe
Date of appointment:	June 19, 2017
Education:	MBA from MIT Sloan School of Management, BA in Philosophy, Politics and Law from State University of New York Binghamton
Employment over the past five years:	VP Mergers & Acquisitions at Gazit USA Inc., Chief Investments Officer at Norstar Holdings Inc. (previously served as chief administrative officer); director at CTY, G Europe and other private subsidiaries of the Group
Interested party in the Company or a relative of a senior officer of the Company or of another interested party in the Company:	Yes Zvi Gordon is Chaim Katzman's son-in-law.

ADDITIONAL DETAILS ABOUT THE COMPANY

Name:	**Keren Kalifa**
Identity no.:	033475864
Date of birth:	November 26, 1976
Position held in the Company, in a subsidiary, in a related company or in an interested party:	CEO of Israel Real Estate Division
Date of appointment:	September 1, 2022
Education:	BA in Economics and Business Management, Ben Gurion University
Employment over the past five years:	VP of Assets Department at Harel Insurance Company Ltd., director at Vitania Ltd., Harosh Ltd., Ashtrom Management.
Interested party in the Company or a relative of a senior officer of the Company or of another interested party in the Company:	No

Name:	**Revital Kahlon**
Identity no.:	036307221
Date of birth:	June 12, 1979
Position held in the Company, in a subsidiary, in a related company or in an interested party:	VP Headquarters, Legal Counsel and Company Secretary
Date of appointment:	June 1, 2015
Education:	LLB and BBA from the Hebrew University of Jerusalem
Employment over the past five years:	CEO, Legal Counsel and Company Secretary
Interested party in the Company or a relative of a senior officer of the Company or of another interested party in the Company:	No

ADDITIONAL DETAILS ABOUT THE COMPANY

Name:	**Doron Cohen**
Identity no.:	028015592
Date of birth:	October 10, 1970
Position held in the Company, in a subsidiary, in a related company or in an interested party:	Internal auditor of the Company and of Norstar Holdings Inc.
Date of appointment:	July 22, 2019
Education:	CPA, BA in Business Administration, Academic Track, Ono Academic College
Employment over the past five years:	Partner and Audit Manager in Fahn Kanne Control Management Ltd.
Interested party in the Company or a relative of a senior officer of the Company or of another interested party in the Company:	No

REGULATION 26B: AUTHORIZED SIGNATORY FOR THE COMPANY

As of the date of the report, the Company has no independent authorized signatories.

REGULATION 27: AUDITORS OF THE COMPANY

Kost Forer Gabbay & Kasierer, CPAs, 144 Menachem Begin Road, Tel-Aviv.

REGULATION 28: AMENDMENT OF THE MEMORANDUM OR ARTICLES OF ASSOCIATION

On May 12, 2022, the general meeting of Company shareholders approved renaming of the Company from Gazit Globe Ltd. to G. City Ltd. following renaming of the Company in its articles of association and memorandum.

REGULATION 29: RECOMMENDATIONS AND RESOLUTIONS OF THE DIRECTORS

A. Payment of a dividend or making of a distribution, as defined in the Companies Law, by any other means, or the distribution of a stock dividend: for information about the distribution of a dividend in the reporting period, see the consolidated statements of changes in equity and Note 25F to the financial statements.

   Buyback of the Company’s shares: None

   Change in the Company’s authorized or issued capital:

   Change in registered capital – None.

   Change in issued capital – Refer to Regulation 20 above.

B. Amendment of the memorandum or articles of association: See Regulation 28.

C. Redemption of redeemable securities: On October 31, 2022 and November 13, 2022, marketable securities of the Company were redeemed. For information, see the reports of October 31, 2022 and November 14, 2022 (Ref. Nos. 2022-01-131752 and 2022-01-136855). On November 28, 2022, final redemption of marketable securities of the Company was carried out. For information, see the report of November 29, 2022 (Ref. No. 2022-01-143677).

   Early redemption of debentures: None, but it should be noted that in the reporting period, the Company executed a buy-back of debentures according to its securities buy-back program that was approved by its Board of Directors in March 2023, as specified in section 3.8 of the Board of Directors' report.

   Transaction between the Company and an interested party not conducted on market terms: None

D. Resolutions of the general meeting on the matters detailed in sections A through E above that are not in accordance with the recommendations of the Board of Directors: None

E. Resolutions by an annual extraordinary general meeting:

   1. On March 30, 2022, the Company's general meeting approved a private placement of 2,000,000 ordinary shares of the Company and 1,000,000 options convertible into ordinary shares of the Norstar Holdings Inc., the controlling shareholder of the Company (see the immediate report regarding convening of a special general meeting dated February 14, 2022 (Ref. No.: 2022-01-018115) and the immediate report regarding the results of the general meeting dated March 31, 2022 (Ref. No.: 2022-01-03966)), containing information presented hereby by way of reference:

   2. On May 12, 2022, the following resolutions were passed (see the immediate report regarding convening of a general and special general meeting dated April 16, 2022 (Ref. No. 2022-01-044410) and the immediate report on the results of the general meeting on May 12, 2022 (reference number: 2022-01-057649), containing information presented here by way of reference:

      2.1 Renaming of the Company;

      2.2 Approval of the terms of tenure of Modi Kingsberg, an external director in the Company, in respect of his tenure as director in Gazit Brasil.

   3. On December 22, 2022, the following resolutions were passed (see the immediate report regarding convening of a general and special general meeting dated November 16, 2022 (Ref. No. 2022-01-137605) and immediate report regarding the results of the general meeting dated December 22, 2022 (Ref. No. 2022-01-154318), containing information presented here as a reference:

      3.1 Reappointment of the Company's independent auditor

      3.2 Reappointment of directors serving in the Company: Ehud Arnon, Chaim Katzman, Zehavit Cohen, Aviad Armoni.

      3.3 Approval of the terms of tenure of Aviad Armoni, an independent director of the Company, in respect of his tenure as ordinary director of G City Europe.

   4. On March 9, 2023, the Company's general meeting approved a private placement of 3,614,800 ordinary shares of NIS 1 par value each of the Company as well as a private placement of 792,800 ordinary shares of NIS 1 par value each of the Company to Aurora Capital Holdings LLC, a private company controlled by Chaim Katzman, the controlling shareholder of the Company, the Vice President of the Board of Directors and CEO of the Company (see the immediate report convening a general and special meeting dated January 31, 2023 (Ref. No. 2023-01-011356)) and immediate report on the results of the general meeting dated March 9, 2023 (Ref. No. 2023-01-045237), containing information presented here as a reference.

ADDITIONAL DETAILS ABOUT THE COMPANY

REGULATION 29A: RESOLUTIONS OF THE COMPANY

A. Approval of acts pursuant to Section 255 of the Companies Law: None.

B. Acts pursuant to Section 254(a) of the Companies Law that have not been approved, whether or not such acts have been presented for the approval referred to in Section 255 of the Companies Law: None.

C. Transactions requiring special approval pursuant to Section 270(1) of the Companies Law, provided that these are exceptional transactions, as defined in the Companies Law, which have been approved during the reporting year: None.

D. Exemption, insurance or an undertaking to indemnify officers, as is defined in the Companies Law, that is valid at the reporting date:

- **Insurance**: At the reporting date, all the Company's officers were covered by insurance, which was last renewed in April 2022 and the Company is taking steps to renew it. The aforementioned insurance was renewed pursuant to the decision of the general meeting on November 22, 2016, which approved expanding the limitations of the insurance coverage to the maximum coverage limit of USD 125 million (per event and per year). Pursuant to a resolution of the Company's Board of Directors, at the reporting date the coverage limit is USD 50 million (per event and per year). The insurance policy underlying the resolution of the general meeting will be renewed from time to time for additional insurance periods, but no more than five years from the renewal date of the policy for the first time under the resolution (meaning, until January 2028 (inclusive).

  In addition, following the delisting of the Company's shares from trade on the Toronto and New York stock exchanges, the Company purchased a Run-Off insurance policy for director and officer liability up to the liability limit of USD 100 million (the liability limit in the existing policy), plus reasonable legal expenses exceeding the liability limit in accordance with section 66 of the Insurance Contract Law - 1981. The aforementioned insurance policy will cover the liability of the officers and directors currently in office and who served at the Company up to March 12, 2019, for their actions or faults during the period of their service at the Company until the aforementioned date, for listing the Company's shares for trade on the New York and Toronto stock exchanges (NYSE and TSX). The policy will be for a period of 7 years (meaning, up to March 11, 2026).

  Pursuant to the provisions of Section 275 of the Companies Law, which set forth, inter alia, that transactions involving the service and employment terms of a controlling shareholder will be approved once every three years, on April 20, 2021 and March 15, 2020, respectively, as part of the approval of the terms of office and employment by the general meeting of Chaim Katzman, who serves as chairperson of the Board of Directors and CEO of the Company, and Zvi Gordon, the son-in-law of Chaim Katzman, who serves as VP Investments of the Company and VP Mergers & Acquisitions in Gazit USA, a wholly-owned subsidiary of the Company, the general meeting approved (after the approval of the Company's Board of Directors and Compensation Committee) the application of the D&O insurance and the run-off policy for Chaim Katzman and Zvi Gordon (for further information, see the Company's immediate reports of April 21, 2021 and February 9, 2020 (reference numbers: 2021-01-067503 and 2020-01-014232, respectively), under the same terms as the other officers of the Company.

  On December 28, 2021, the general meeting of the Company (after approval by the Company's Compensation Committee and Board of Directors) approved the acquisition of D&) insurance within the maximum liability limit of USD 125 million (per case and per year). The insurance policy underlying the decision of the general meeting will be renewed from time to time for additional insurance periods, with the last renewal underlying this resolution being for an insurance period ending no later than five years from January 12, 2023 (meaning, January 2028 (inclusive)). The agreement for the insurance policy will be on market terms and it is not likely to have a material effect on the Company's profitability, property, or liabilities. In this regard, the Compensation Committee will confirm, when renewing the policy, that the cost of the insurance premium and deductible for the Company will be in accordance with market conditions at the time of preparing the policy and that the cost of the policy is not material to the Company, based on the information submitted to them by the Company's insurance consultants.

- **Indemnification** - Pursuant to the provisions of the Company's articles of association, and pursuant to the resolution of the Company's general meeting from December 31, 2006, December 13, 2011 and October 17, 2017, the Company undertook to indemnify in advance anyone serving as an officer of the Company (including directors), including an officer in the Company serving on behalf of the Company or at its request as an officer in another company (meaning, a subsidiary of the Company, a related corporation of the Company or another corporation whatsoever (including a foreign corporation) which the Company owns and/or shall own from time to time through its securities and/or through its voting rights and/or through its right to appoint directors therein) and additional position holders at the Company or at a different company of the Company. The undertaking to indemnify was provided with respect to liabilities and expenses, pursuant to the provisions of the Law on Streamlining Enforcement Procedures at the Securities Authority (Legislative Amendments), 2011. The maximum accumulated indemnification amount which the Company might pay any officer, as aforesaid, will be no greater than 25% of the Company's shareholders' equity according to its last financial statements published prior to the actual indemnification payment. Pursuant to the terms of tenure of Chaim Katzman, the Vice Chairperson of the Board, Company CEO and Controlling Shareholder, he is entitled to a letter of indemnity as is standard in the Company (for information about renewal of Mr. Katzman's employment agreement, which is subject to the approval of the Company's general meeting, including renewal of the letters of compensation and indemnification thereunder, see section B in Regulation 21 above).

- **Exemption** - In addition, the Company resolved to exempt in advance the aforesaid officers (including directors) from liability for damage caused and/or that will be caused to the Company by the officers due to breach of the duty of care owed to it, other than in the case of a breach of the duty of care in making a distribution, as defined in the Companies Law. According to the Company's updated compensation policy, letters of exemption, if granted (as from the date of adoption of such policy) will not apply to a resolution or transaction in which the controlling shareholder or any officer in the Company (including an officer other than the officer to which the letter of exemption relates) has a personal interest (with the exception of a personal interest resulting from service as an officer in both the Company and in a related company of the Company). Such an exemption was also granted to Chaim Katzman, Deputy Chairperson of the Board, the Company's CEO and controlling shareholder, and Zvi Gordon, Chaim Katzman's son-in-law, who serves as VP of Mergers & Acquisitions in Gazit USA, a wholly-owned subsidiary of the Company, and as the Company's VP of Investments, within the terms of their employment with the Company.

For details and the wording of the undertaking to indemnify and the exemption, see the report of the summons to the general meeting dated October 17, 2017 (Reference number: 2017-01-078685) and the corrected report of the summons to the general meeting dated December 24, 2018 (Ref. No.: 2018-01-126159).

March 28, 2023	G City Ltd.
Date	Name of Company

Names of Signatories:	**Position:**
Ehud Arnon	Chairperson of the Board of Directors
Chaim Katzman	Vice Chairperson of the Board and President

CORPORATE GOVERNANCE QUESTIONNAIRE – G-CITY

INDEPENDENCE OF THE BOARD OF DIRECTORS

			Correct	Incorrect
1.		In every reporting year, two or more External Directors served with the Corporation This question can be answered "Correct" if the time period during which two External Directors did not serve does not exceed 90 days, as stated in Section 363A(b)(10) of the Companies Law, but whatever the answer (Correct/Incorrect), the time period (in days) is to be stated during which two or more External Directors did not serve with the Corporation in the Reporting Year (also including the period of service approved retroactively, distinguishing between the various External Directors): Director A: Ronnie Bar-On[1] Director B: Shmuel Hauser Director C: Limor Shofman Guttman Number of External Directors serving with the Corporation as of the date of publishing this questionnaire: 4 [1] Ronnie Bar On terminated his tenure in the Company on April 30, 2022.	√	

			Correct	Incorrect
2.		Ratio[2] of Independent Directors[3] serving with the Corporation as of the date of publishing this questionnaire: 71% Ratio of Independent Directors prescribed by the Articles[4] of the Corporation[5]: 33% ☐ Not relevant (not prescribed in the Articles).	____	____
3.		A check was performed in the Reporting Year on the External Directors (and the Independent Directors) and it was found that, in the Reporting Year, they were in compliance with the provisions of Section 240(b) and (f) of the Companies Law with regard to the External (and Independent) Directors serving with the Corporation not having an Interest, and also that the conditions necessary for them to serve as an External (or Independent) Director had been fulfilled.	√	
4.		None of the Directors who served with the Corporation during the Reporting Year are answerable[6] to the CEO, directly or indirectly (except for a Director who is an employee representative, if the Corporation has such employee representation). If you answer "Incorrect" (i.e., the Director is answerable to the CEO, as stated) – state the ratio of Directors who failed to meet the aforesaid restriction: ____.	√	
5.		All Directors who disclosed having a Personal Interest in the approval of a transaction on the agenda of the meeting did not attend the discussion and did not participate in the aforesaid vote (other than a discussion and/or a vote in circumstances which comply with Section 278(b) of the Companies Law): If you answer "Incorrect" – Was it in order for the Director to present a particular topic in accordance with the provisions at the end of Section 278(a): ☒Yes ☐ No (Check the appropriate box). Note the rate of meetings in which the aforesaid Directors attended the discussion and/or participated in the vote other than in circumstances as provided in subsection a: ________.	√	

2 In this questionnaire, "Ratio" is the particular number out of the total, for example 3/8.

3 Including "External Directors" as defined in the Companies Law.

4 For the purposes of this question – "Articles" includes in accordance with a specific statutory provision applicable to the Corporation (in the case of a banking corporation for example – the directives of the Supervisor of Banks).

5 A debenture company is not required to answer this section.

6 For the purposes of this question - serving as a Director of an affiliate that is controlled by the Corporation shall not be deemed as being "answerable". On the other hand, the serving of a Director of the Corporation who serves as an Officer (other than Director) and/or is employed in an affiliate that is controlled by the Corporation shall be deemed as being "answerable" for the purposes of this question.

It should be noted that the percentage of meetings in which the Directors were present during the discussion and/or participated in the vote, except under circumstances set out in subsection A.

			Correct	Incorrect
6.		A Controlling Shareholder (including his Relative and/or anyone acting on his behalf), who is not a Director or another Senior Officer of the Corporation, was not present at the meetings of the Board of Directors held in the Reporting Year. If you answer “Incorrect” (i.e., a Controlling Shareholder and/or his Relative and/or anyone acting on his behalf, who is not a member of the Board of Directors and/or a Senior Officer of the Corporation was present at the aforesaid meetings of the Board of Directors) – the following details regarding the presence of any additional person at the aforesaid meetings of the Board of Directors are to be provided: Identity: ___________ Position in the Corporation (if any): Details of the Interest vis-à-vis the Controlling Shareholder (if the person present is not the Controlling Shareholder himself): Was the person attending in order to present a particular topic: ☐ Yes ☐ No (Check the appropriate box). Rate of attendance[7] at the meetings of the Board of Directors held in the Reporting Year in order to present a particular topic: Attendance for other purposes: ☐ Not applicable (the Corporation does not have a Controlling Shareholder).	√	

[7] Differentiating between the Controlling Shareholder, his Relative and/or anyone acting on his behalf.

EXPERTISE AND QUALIFICATIONS OF THE DIRECTORS

				Correct	Incorrect
7.		The Corporation's By-Laws do not contain a provision restricting the possibility of immediately terminating the service of all the Corporation's Directors, who are not External Directors (for this purpose – a decision by a simple majority is not considered a restriction)[8]. If you answer "Incorrect" (i.e., such a restriction does exist), state –			√
		A.	The time period prescribed in the By-Laws for a Director's service: in-between annual general meetings of the shareholders of the Company.		
		B.	The required majority prescribed in the By-Laws for terminating the service of the Directors: A Special Resolution of the General Meeting, viz. 75% or more of the voting power of all the shares whose holders were present and voted on said Resolution.		
		C.	Legal quorum prescribed in the By-Laws at the General Meeting for the purpose of terminating the service of the Directors: A legal quorum will exist at General Meetings of the Company when at least two shareholders with voting rights (personally or through proxies) are present, who together hold at least 30% of the Company's voting rights.		
		D.	The required majority to change these provisions in the By-Laws: A majority of the shareholders who hold shares that confer on them 60% or more of the voting rights of all the shares whose holders were present and voted on said Resolution (except for abstentions), either personally or through proxies, including a voting paper.		
8.		The Corporation has taken action to prepare a training program for new Directors, in relation to the Corporation's business and in relation to the law applicable to the Corporation and the Directors, as well as having taken action to prepare a continuing training program for serving Directors, that is customized, inter alia, to the duties that the Director performs at the Corporation. If you answer "Correct" – state whether the program was in operation in the Reporting Year: ☒Yes ☐ No (Check the appropriate box).		√	

[8] A debenture company is not required to answer this section.

				Correct	Incorrect
9.		A.	The Corporation has prescribed the minimum number of Directors on the Board of Directors that are required to possess Accounting and Financial Expertise. If you answer "Correct" – state the minimum number prescribed: Three directors	_____	_____
		B.	Number of Directors that served with the Corporation during the Reporting Year - Possessing Accounting and Financial Expertise[9]: Ten Directors Possessing Professional Qualifications[10]: -- In the event of there being changes in the number the aforesaid Directors in the Reporting Year, the figure to be provided will be the lowest number (except in the 60-day time period from the occurrence of the change) of Directors of each type who served in the Reporting Year.		
10.		A.	In each Reporting Year, the composition of the Board of Directors included members of both sexes. If you answer "Incorrect" – state the time period (in days) during which the aforesaid did not apply: ____. This question can be answered "Correct" if the time period in which Directors of both sexes were not serving does not exceed 60 days, but whatever the answer (Correct/Incorrect), the time period (in days) is to be stated during which Directors of both sexes were not serving with the Corporation: ____.	√	
		B.	Number of Directors of each sex serving on the Board of Directors of the Corporation as of the date of publishing this questionnaire: Men: 5, Women: 2	_____	_____

[9] As assessed by the Board of Directors, in accordance with the provisions of the Companies Regulations (Terms and Tests for Director Possessing Accounting and Financial Expertise and for a Director Possessing Professional Qualifications), 2005.

[10] See footnote 9.

MEETINGS OF THE BOARD OF DIRECTORS (AND CONVENING A GENERAL MEETING)

				Correct	Incorrect
11.		A.	Number of meetings of the Board of Directors held during each quarter of the Reporting Year: First quarter (2022): 7 Second quarter: 6 Third quarter: 5 Fourth quarter: 7	_____	_____
		B.	Against the name of each of the Directors who served with the Company during the Reporting Year, state the attendance rate[11] at meetings of the Board of Directors (in this subsection – include meetings of Committees of the Board of Directors of which the Director is a member, as stated below) that were held during the Reporting Year (in relation to his period of service): (Additional rows should be added in accordance with the number of Directors.) * As the Audit Committee also acts as the Compensation Committee and Financial Statements Review Committee, attendance rates at meetings of the Audit Committee also relate to its meetings of the Compensation Committee and Financial Statements Review Committee.	_____	_____

[11] See footnote 2.

Name of Director	Attendance rate at meetings of the **Board of Directors**	Attendance rate at meetings of the **Audit Committee***[12]	Attendance rate at meetings of the **Financial Statements Review Committee**[13]	Attendance rate at meetings of the **Compensation Committee**[14]	Attendance rate at meetings of **other Committees of the Board of Directors of which he is a member** (noting the name of the Committee)
Ehud Arnon	100%				Nominations and Corporate Governance Committee – 100%
Chaim Katzman	96%				Board Investment Committee – 100%
Modi Kingsberg	100%	100%			Cyber Committee – 100%
Aviad Armoni	100%	100%			Cyber Committee – 100%
Zehavit Cohen	100%	100%			Nominations and Corporate Governance Committee – 100% Corporate Responsibility Committee – 100% Board Investment Committee – 100%
Shmuel Hauser	100%	100%			Nominations and Corporate Governance Committee – 100% Corporate Responsibility Committee – 100% Board Investment Committee – 100%
Limor Shofman Guttman	100%	100%			Nominations and Corporate Governance Committee – 100% Corporate Responsibility Committee – 100%
Moshe Radman	100%				Cyber Committee – 100%

			Correct	Incorrect
12.		In the Reporting Year, the Board of Directors held at least one discussion regarding the management of the Corporation's business by the CEO and the Officers answerable to him, without them being present, and they were given an opportunity to express their position.	√	

[12] For a Director who is a member of said Committee.

[13] For a Director who is a member of said Committee.

[14] For a Director who is a member of said Committee.

SEPARATION OF THE FUNCTIONS OF THE CEO AND THE CHAIRMAN OF THE BOARD OF DIRECTORS

			Correct	Incorrect
13.		Throughout the Reporting Year, a Chairman of the Board of Directors served with the Corporation. This question can be answered "Correct" if the time period in which a Chairman of the Board of Directors was not serving with the Corporation does not exceed 60 days, as referred to in Section 363A(2) of the Companies Law, but whatever the answer (Correct/Incorrect), the time period (in days) is to be stated during which a Chairman of the Board of Directors was not serving with the Corporation, as stated: ____.	√	
14.		In each Reporting Year, a CEO served with the Corporation. This question can be answered "Correct" if the time period in which a CEO was not serving with the Corporation does not exceed 90 days, as referred to in Section 363A(6) of the Companies Law, but whatever the answer (Correct/Incorrect), the time period (in days) is to be stated during which a CEO was not serving with the Corporation, as stated: ____.	√	
15.		In a Corporation in which the Chairman of the Board of Directors also serves as the CEO of the Corporation and/or exercises the powers thereof, the dual service was approved pursuant to the provisions of Section 121(c) of the Companies Law[15]. × Not applicable (so long as the aforesaid dual service does not exist in the Corporation).		
16.		The CEO is not a Relative of the Chairman of the Board of Directors. If you answer "Incorrect" (i.e., the CEO is a Relative of the Chairman of the Board of Directors) –	√	
		A. State the family relationship between the parties: ________.	_____	_____
		B. The service was approved pursuant to Section 121(c) of the Companies Law[15]: ☐ Yes ☐ No *(Check the appropriate box.)*	_____	_____
17.		A Controlling Shareholder or his Relative does not serve as CEO or as a Senior Officer of the Corporation, except as a Director. ☐ Not applicable (the Corporation does not have a Controlling Shareholder).		√

[15] In a debenture company – approval pursuant to Section 121(d) of the Companies Law.

AUDIT COMMITTEE

				Correct	Incorrect
18.		The following did not serve on the Audit Committee in the Reporting Year –		_____	_____
		A.	The Controlling Shareholder or his Relative. □ Not applicable (the Corporation does not have a Controlling Shareholder) .	√	
		B.	The Chairman of the Board of Directors.	√	
		C.	A Director who is employed by the Corporation or by the Controlling Shareholder of the Corporation or by a Corporation under his Control.	√	
		D.	A Director who regularly provides services to the Corporation or to the Controlling Shareholder of the Corporation or to a Corporation under his Control.	√	
		E.	A Director whose main source of income is the Controlling Shareholder. □ Not applicable (the Corporation does not have a Controlling Shareholder) .	√	
19.		A person not entitled to be a member of the Audit Committee, including a Controlling Shareholder or his Relative, was not present in the Reporting Year at meetings of the Audit Committee, except in accordance with the provisions of Section 115(e) of the Companies Law.		√	
20.		A legal quorum for holding discussions and taking decisions at each of the meetings of the Audit Committee held in the Reporting Year was a majority of the Committee's members, with the majority of those present being Independent Directors and at least one of whom was an External Director. If you answer "Incorrect" – state the ratio of meetings at which the aforesaid requirement was not fulfilled: ____.		√	

		Correct	Incorrect
21.	The Audit Committee held at least one meeting in the Reporting Year, in the presence of the Internal Auditor and the Independent Auditor and without the presence of the Corporation's Officers who are not members of the Committee, with regard to defects in the Corporation's business management.	√	
22.	At each meeting of the Audit Committee at which a person not entitled to be a member of the Committee was present, this was with the approval of the Chairman of the Committee and/or at the request of the Committee (with regard to the Corporation's Legal Counsel and its Corporate Secretary who is not a Controlling Shareholder or his Relative).	√	
23.	In the Reporting Year, arrangements, which had been prescribed by the Audit Committee, were in force regarding the manner of handling complaints from the Corporation's employees in connection with defects in its business management and regarding the protection given to employees revealing the aforesaid.	√	
24.	The Audit Committee (and/or the Committee for the Review of the Financial Statements) was satisfied that the scope of the work of the Independent Auditor and his professional fees in relation to the financial statements in the Reporting Year were adequate for the performance of suitable audit and review work.	√	

DUTIES OF THE FINANCIAL STATEMENTS REVIEW COMMITTEE (HEREAFTER – THE COMMITTEE) IN ITS WORK PRIOR TO THE APPROVAL OF THE FINANCIAL STATEMENTS

			Correct	Incorrect
25.	A.	Note the length of time (in days) prescribed by the Board of Directors as being a reasonable time for the sending of the Committee's recommendations prior to the discussion at the Board of Directors on approving the financial statements: Between two and four days, depending on circumstances.	_____	_____
	B.	Number of days that actually elapsed between the date of sending the recommendations to the Board of Directors and the date of the discussion at the Board of Directors on approving the financial statements: First quarter report (2022): 2 Second quarter report: 2 Third quarter report: 1 Annual report: 1	_____	_____
	C.	Number of days that elapsed between the date of sending the draft financial statements to the Directors and the date of the discussion at the Board of Directors on approving the financial statements: First quarter report (2022): 4 Second quarter report: 3 Third quarter report: 2 Annual report: 2		
26.		The Independent Auditor of the Corporation participated in all the meetings of the Committee and the Board of Directors, at which discussions took place regarding the Corporation's financial statements relating to the periods included in the Reporting Year. If you answer "Incorrect" – state the ratio of meetings attended by the Independent Auditor: ____.	√	

			Correct	Incorrect
27.	Throughout the Reporting Year and until the publication of the annual report, the Committee fulfilled all the conditions detailed below:		_____	_____
	A.	Its members numbered at least three (at the date of the discussion by the Committee and the approval of the aforesaid Reports).	√	
	B.	All the conditions prescribed in Section 115(b) and (c) of the Companies Law (regarding the service of members of the Audit Committee) were fulfilled.	√	
	C.	The Chairman of the Committee is an External Director.	√	
	D.	All its members are Directors and a majority of its members are Independent Directors.	√	
	E.	All its members are capable of reading and understanding financial statements and at least one of the Independent Directors possesses Accounting and Financial Expertise.	√	
	F.	The members of the Committee provided a Declaration prior to their appointment.	√	
	G.	A legal quorum for holding discussions and taking decisions at the Committee was a majority of its members, provided that the majority of those present were Independent Directors and among them was at least one External Director.	√	
	If you answer "Incorrect" with regard to one or more of the subsections to this question, note with respect to which report (periodic/quarterly) the aforesaid condition was not fulfilled and also which condition was unfulfilled: _______.		_____	_____

COMPENSATION COMMITTEE

				Correct	Incorrect
28.		The Committee comprised, in the Reporting Year, at least three members and the External Directors constituted the majority thereof (on the date of the discussion at the Committee). ☐ Not relevant (no discussion was held).		√	
29.		The terms of service and employment of all members of the Compensation Committee in the Reporting Year are in accordance with the Companies Regulations (Rules Regarding Compensation and Expenses for External Directors), 2000.		√	
30.		The following did not serve on the Compensation Committee in the Reporting Year –		_____	_____
		A.	The Controlling Shareholder or his Relative. ☐ Not relevant (the Corporation does not have a Controlling Shareholder) .	√	
		B.	The Chairman of the Board of Directors.	√	
		C.	A Director who is employed by the Corporation or by the Controlling Shareholder of the Corporation or by a Corporation under his Control.	√	
		D.	A Director who regularly provides services to the Corporation or to the Controlling Shareholder of the Corporation or to a Corporation under his Control.	√	
		E.	A Director whose main source of income is the Controlling Shareholder. ☐ Not relevant (the Corporation does not have a Controlling Shareholder).	√	
31.		A Controlling Shareholder or his Relative was not present in the Reporting Year at meetings of the Compensation Committee, unless determined by the Chairman of the Committee that any of them is needed in order to present a particular topic.		√	
32.	The Compensation Committee and the Board of Directors did not make use of their powers pursuant to Sections 267A(c), 272(c)(3) and 272(c1)(1)(c) to approve a transaction or a compensation policy, over the objections of the General Meeting. If you answer "Incorrect", state – Type of transaction approved as aforesaid: _____ Number of occasions when use was made of said powers in the Reporting Year: _____			√	

INTERNAL AUDITOR

		Correct	Incorrect
33.	The Chairman of the Board of Directors or the CEO of the Corporation has organizational responsibility for the Internal Auditor in the Corporation.		√
34.	The Chairman of the Board of Directors or the Audit Committee approved the work plan in the Reporting Year. In addition, note the audit topics dealt with by the Internal Auditor in the Reporting Year: see section 5.2 to the Directors' Report (Check the appropriate box).	√	
35.	The scope of the Internal Auditor's work in the Corporation in the Reporting Year (in hours[16]): 2,750.	_____	_____
	In the Reporting Year, a discussion was held (at the Audit Committee or at the Board of Directors) with regards to the Internal Auditor's findings.	√	
36.	The Internal Auditor is not an Interested Party in the Corporation, his Relative, an Independent Auditor or anyone acting on its behalf and also does not maintain material business relations with the Corporation, its Controlling Shareholder, his Relative or corporations under their Control.	√	

TRANSACTIONS WITH INTERESTED PARTIES

		Correct	Incorrect
37.	The Controlling Shareholder or his Relative (including a company under his Control) is not employed by the Corporation nor does he provide it with management services. If you answer "Incorrect" (i.e., the Controlling Shareholder or his Relative is employed by the Corporation or provides it with management services), state – - The number of Relatives (including the Controlling Shareholder) employed by the Corporation (including companies under their Control and/or by means of management companies): 2 - Have the employment and/or management services agreements with the aforesaid been approved by the organs prescribed by law: × Yes ☐ No (Check the appropriate box.) ☐ Not applicable (the Corporation does not have a Controlling Shareholder) .		√
38.	To the best of the Corporation's knowledge, the Controlling Shareholder does not have other businesses in the Corporation's field of activity (in one or more fields)[17]. If you answer "Incorrect" – state whether an arrangement has been prescribed to delineate Transactions between the Corporation and its Controlling Shareholder: ☐ Yes ☐ No (Check the appropriate box.) ☐ Not applicable (the Corporation does not have a Controlling Shareholder) .	√	

Chairman of the Board: Ehud Arnon

Chairman of the Audit Committee and Financial Statements Review Committee: Modi Kingsberg

[16] Includes work hours invested in investee corporations and in overseas auditing, as applicable.

[17] For details regarding non-compete agreement between the Company and its controlling shareholder, Norstar Holdings Inc, see Section 22.1 of the Description of the Company's Business. In addition, Mr. Katzman, the Company's controlling shareholder, has personal holdings in residence buildings in a non-material manner, which are not in the Company's locations of business.

CHAPTER F

G CITY LTD.

**Presentation of Financial Information from
Consolidated Financial Statements attributed to the Company**

As of December 31, 2022

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AUDITORS' REPORT
To The Shareholders of G City LTD.
8 Aharon Beker St, Tel-Aviv

Regarding the Audit of Components of Internal Control over Financial Reporting Pursuant to Section 9b(c) to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970

We have audited the separate financial information presented pursuant to regulation 9c of the Securities Regulations (Periodic and Immediate Reports), 1970, of G City Ltd. ("the Company") as of December 31, 2022 and 2021 and for each of the three years, the last of which ended December 31, 2022, which was included in the Company's periodic report. The Company's board of directors and management are responsible for the separate financial information. Our responsibility is to express an opinion on the separate financial information based on our audits.

We have not audited financial information from financial statements of an investee, for which the assets net of liabilities attributed thereto, net amounted to NIS 3,904 million and NIS 4,106 million as of December 31, 2022 and 2021, respectively, and for which the Company's share of its earnings (losses) amounted to NIS 58 million, NIS 220 million and NIS (423) million for the years ended December 31, 2022, 2021 and 2020 respectively. The financial statements of this company were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for this company, is based on the reports of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards in Israel, including those 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 separate financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the separate financial information. 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 separate financial information presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the separate financial information referred to above is prepared, in all material respects, in conformity with Regulation 9c to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970.

Tel-Aviv, Israel
March 28, 2023

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

G City LTD.

Financial Information and Financial Data from Consolidated Financial Statements Attributed to the Company

Below is financial data and separate financial information from the Group's consolidated financial statements as of December 31, 2022, published as part of the periodic reports ("consolidated financial statements") attributed to the Company itself, presented in accordance with Regulation 9c of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970.

Significant accounting policies applied for presentation of these financial data were set forth in Note 2 to the consolidated financial statements.

Subsidiaries - as defined in Note 1 to the consolidated financial statements.

Details of Financial Information out of Consolidated Statements of Financial Position Attributed to the Company

	Additional information	December 31, 2022	December 31, 2021
		NIS in millions	
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	a	296	1,073
Short-term loans and current maturities of long-term loans to subsidiaries	e	12	11
Financial Assets	b	65	133
Financial derivatives	b,c	41	93
Other accounts receivable		87	72
Trade Receivables		29	42
Income taxes receivable		2	2
Total current assets		532	1,426
Assets classified as held for sale		152	3
		684	1,429
NON-CURRENT ASSETS			
Financial assets		32	8
Financial derivatives	b,c	1	150
Investment property		3,473	3,658
Investment property under development		790	575
Other accounts receivable	b	219	27
Loans to subsidiaries	e	2,444	2,304
Investments in subsidiaries		11,022	10,831
Fixed and other assets, net		39	40
Total non-current assets		18,020	17,593
Total assets		18,704	19,022

The accompanying information is an integral part of the financial data and the separate financial information.

Details of Financial Information out of Consolidated Statements of Financial Position Attributed to the Company

	Additional information	December 31, 2022	December 31, 2021
		NIS in millions	
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Credit from banks and others	c	-	167
Current maturities of non-current liabilities	c	1,736	1,131
Short-term loans from subsidiaries	e	779	-
Financial derivatives	c	-	17
Trade payables	c	26	24
Other accounts payable	c	69	83
Dividend payable		53	46
Total current liabilities		2,663	1,468
NON-CURRENT LIABILITIES			
Loans from banks and others	c	2,442	2,786
Long-term loans from subsidiaries	e	1,195	1,517
Debentures	c	7,101	7,507
Other liabilities	c	111	16
Financial derivatives	c	196	-
Deferred taxes	d	-	421
Total non-current liabilities		11,025	12,247
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	f		
Share capital		219	204
Share premium		4,529	4,078
Retained earnings		3,674	5,226
Forign currency translation reserve		(4,702)	(5,352)
Other reserves		1,297	1,152
Treasury shares		(1)	(1)
Total equity		5,016	5,307
Total liabilities and equity		18,704	19,022

The accompanying information is an integral part of the financial data and the separate financial information.

March 28, 2023			
Date of approval of the financial statements	Ehud Arnon Chairman of the board	Chaim Katzman CEO and Vice Chairman of the board	Adi Jemini Executive Vice President and CFO

Details of Financial Information out of Consolidated Statements of Income Attributed to the Company

	Additional information	Year ended December 31 2022	2021	2020
		NIS in millions		
Rental income		262	247	2
Property operating expenses		67	94	1
Total gross profit		195	153	1
Fair value gain (loss) from investment property, net		51	212	(9)
General and administrative expenses		(66)	(63)	(44)
Other income (expenses), net		(8)	6	(17)
Management fees from related companies	e	2	2	3
Income (loss) from subsidiaries, net		(266)	617	(325)
Operating income (loss)		(92)	927	(391)
Finance expenses		(1,626)	(523)	(345)
Finance income		7	631	40
Finance income from subsidiaries, net	e	(19)	(72)	(22)
Income (loss) before taxes on income (tax benefit)		(1,730)	963	(718)
Taxes on income (tax benefit)	d	(390)	317	(65)
Net income (loss) attributed to the Company		(1,340)	646	(653)

The accompanying information is an integral part of the financial data and the separate financial information.

Details of Financial Information out of Consolidated Statements of Comprehensive Income Attributed to the Company

	Year ended December 31		
	2022	2021	2020
	NIS in millions		
Net income (loss) attributed to the Company	(1,340)	646	(653)
Other comprehensive income attributed to the Company (net of tax effect):			
<u>Amounts that will not be reclassified subsequently to profit or loss:</u>			
<u>Amounts that will be or that have been reclassified subsequently to profit or loss:</u>			
Exchange differences on translation of foreign operations	(318)	32	(8)
Total other comprehensive income (loss) attributed to the Company	(318)	32	(8)
Other comprehensive loss attributed to subsidiaries (net of tax effect)	1,105	(900)	(1,313)
Total other comprehensive loss attributed to the Company	787	(868)	(1,321)
Total comprehensive loss attributed to the Company	(553)	(222)	(1,974)

The accompanying information is an integral part of the financial data and the separate financial information.

Details of Financial Information out of Consolidated Statements of Cash Flows Attributed to the Company

	Year ended December 31		
	2022	2021	2020
	NIS in millions		
Cash flows from operating activities of the Company:			
Net income (loss) attributed to the Company	(1,340)	646	(653)
Adjustments required to present net cash provided by operating activities of the Company:			
Adjustments to profit and loss items of the Company:			
Depreciation and amortization	3	2	1
Finance expenses (income), net	1,638	(36)	327
Fair value gain (loss) from investment property, net	(51)	(212)	9
Loss (income) from subsidiaries, net	(266)	(617)	325
Cost of share-based payment	3	6	5
Taxes on income (Tax benefit)	(390)	317	(65)
	1,469	(540)	602
Changes in assets and liabilities of the company:			
Decrease (increase) in other accounts receivable	13	21	2
Increase (decrease) in trade payables and other accounts payable	(8)	(12)	26
	5	9	28
Cash paid and received during the year by the company for:			
Interest paid	(352)	(460)	(529)
Interest received	113	19	51
Taxes paid	-	-	(3)
Taxes refund received	46	-	-
Dividend received	-	9	9
Dividend received from subsidiaries	142	162	184
	(51)	(270)	(288)
Net cash used in operating activities of the Company	83	(155)	(311)

The accompanying information is an integral part of the financial data and the separate financial information.

Details of Financial Information out of Consolidated Statements of Cash Flows Attributed to the Company

	Year ended December 31		
	2022	2021	2020
	NIS in millions		
Cash flows from investment activities of the Company:			
Investment in fixed and other assets	(1)	(1)	-
Acquisition of investment property	(255)	(628)	(88)
Proceeds from sale of investment property, net of tax paid	-	216	-
Merger of G Israel into the Company (see note d5 below)	-	32	-
Return on Investments (Investments) in subsidiaries	507	326	85
Loans repaid by (granted to) subsidiaries, net	304	(159)	1,306
Repayment of a loan granted	-	32	-
Proceeds from sale (investment) of marketable securities, net	(6)	132	(228)
Net cash provided by (used in) investment activities of the Company	549	(50)	1,075
Cash flows from financing activities of the Company:			
Capital issuance net of issuance expenses	468	-	-
Exercise of share options into shares	*) -	*) -	*) -
Receipt of short term credit from banks and others	(168)	(41)	(42)
Purchase of treasury shares	-	-	(633)
Dividend paid to equity holders of the Company	(204)	(182)	(293)
Issuance of debentures less issuance expenses	174	1,054	1,422
Repayment and early redemption of debentures	(869)	(348)	(844)
Receipt (repayment) of long-term credit facilities from banks, net	(593)	27	(79)
Repayment of long-term loans	(178)	(41)	(20)
Receipt of long-term loans	-	502	-
Net cash provided (used in) by financing activities of the Company	(1,370)	971	(489)
Exchange differences on balances of cash and cash equivalents	(39)	2	(41)
Increase (decrease) in cash and cash equivalents	(777)	768	234
Cash and cash equivalents at the beginning of year	1,073	305	71
Cash and cash equivalents at the end of year	296	1,073	305
Significant non-cash activities of the Company:			
Dividend payable to equity holders of the Company	53	46	45
Dividend received from a subsidiary against repayment of loans from a subsidiary	-	1,884	-
Issue of debentures against receivables	-	-	90

*) Represents an amount of less than NIS 1 million.

The accompanying information is an integral part of the financial data and the separate financial information.

a. Cash and cash equivalents attributed to the Company

As of the reporting date, the balance of cash and cash equivalents primarily consists of foreign currency.

b. Disclosure regarding financial assets attributed to the Company in accordance with IFRS 7

	December 31	
	2022	2021
	NIS in millions	
Financial assets at fair value through profit or loss:		
Tradable shares (1)	65	120
Tradable debentures (1)	-	13
Participating units in private equity funds (2)	32	8
	97	141
Classifies within current assets	65	133
Classifies within non-current assets	32	8
	97	141

(1) Measured at fair value based on quoted prices in active markets (level 1 in the fair value hierarchy).
(2) Real estate investment funds, mainly in India and Brazil, the fair value of the investments is derived from the fund's Net Asset Value (NAV) (level 3 in the fair value hierarchy).

c. Disclosure regarding financial liabilities attributed to the Company

1. Other accounts payable attributed to the Company

	December 31	
	2022	2021
	NIS in millions	
Accrued expenses	14	18
Interest payable	27	31
Government institutions	9	-
Other provisions (including for legal proceedings)	6	5
Other payable	13	29
	69	83

2. Non-current liabilities attributed to the Company

Composition

	December 31	
	2022	2021
	NIS in millions	
Loans from banks and others (1)	3,160	3,131
Debentures (2)(3)	8,099	8,293
	11,259	11,424

c. Disclosure regarding financial liabilities attributed to the Company (Cont.)

(1) Composition of loans from banks and others

	Interest rate	December 31	
		2022	2021
	%	NIS in millions	
In NIS non linked *)	4.73%	733	838
NIS linked	1.55%	1,247	1,201
In USD *)	8.30%	167	578
In USD	6.00%	352	454
In CAD *)		-	20
In EUR *)	5.55%	676	58
		3,175	3,149
Less - deferred expenses		(15)	(18)
		3,160	3,131
Less - current maturities		(738)	(345)
		2,422	2,786

*) Variable interest.

To secure credit obtained from banks the Company and its wholly-owned subsidiaries have pledged shares of subsidiaries. Furthermore, sometimes the Company /the Company's wholly-owned subsidiaries have provided cross guarantees to secure the credit obtained from banks; also refer to Note 24b1 to the consolidated financial statements.

(2) Composition of debentures

For details in respect of the composition of Debentures, refer to Note 19 to the consolidated financial statements.

For further information regarding the terms and conditions of the debentures, rating, financial covenants, expansion of debentures, and the issuances of the debentures during the reporting period, refer to Note 19 to the consolidated financial statements.

c. Disclosure regarding financial liabilities attributed to the Company (Cont.)

(3) Maturities

	Loans from banks	Debentures
	NIS in millions	
Year 1 - current maturities	738	998
Year 2	960	1.216
Year 3	63	1,123
Year 4	63	1,154
Year 5	511	1,319
Year 6 there after	825	2,289
	2,422	7,101
	3,160	8,099

(4) Financial instruments attributed to the Company

a) Classification of financial liabilities attributed to the Company

All financial liabilities, other than financial derivatives, are measured at amortized cost. Financial derivatives are measured at fair value through profit or loss or other comprehensive income, see sections c and d below.

b) Financial risk factors attributed to the Company

The Company's global operations expose it to various financial risk factors, such as market risk (including foreign exchange risk, CPI risk, interest risk and price risk), credit risk and liquidity risk. The Company’s comprehensive risk management plan is focused on steps intended to minimize potential negative impacts on its financial results. The Company uses financial derivatives in order to hedge certain risk exposures.

c. Disclosure regarding financial liabilities attributed to the Company (Cont.)

Following is additional information about financial risks and their management:

1) Foreign currency risk
The Company operates in a large number of countries and is therefore exposed to currency risks resulting from exposure to fluctuations in exchange rates of different currencies. Company's policy is to generally maintains a correlation between the currency mix of the various properties (mainly the EUR, USD, CAD, NIS and BRL) and the currency exposure of its equity to those currencies, through hedge transactions and currency exposure management. However, in light of the fluctuations in foreign exchange rates relative to the NIS in the past two years, the Company's Board of Directors has decided to apply hedging transactions to increase equity exposure to the NIS, so that the equity ratio exposed to the NIS will be up to 40% of equity. Also, the Company management examining the currency linkage balance on an ongoing basis and responds in accordance with developments in exchange rates, see section e below.

2) CPI risk
The Company has issued debentures linked to changes in the Consumer Price Index in Israel. For more details regarding the financial instruments that are linked to the CPI in which the Company has exposure to changes in CPI, refer to section f below.

3) Interest risks
Liabilities bearing variable interest rates expose the Company to interest rate risk in respect of cash flow and liabilities bearing fixed interest rates expose the Company to interest rate risk in respect of fair value. As part of the risk management strategy, the Company maintains a proper mix between exposure to fixed interest rate and exposure to variable interest rate. From time to time and according to market conditions, the Company enters into interest rate swaps in which it exchanges variable interest with fixed interest and vice-versa, to hedge its liabilities against changes in interest rates (see section e below). As of the reporting sheet date, 86.8% of the Company's liabilities (86.0% excluding interest rate swap transactions) bear fixed interest rates (91.1% as of December 31, 2021, and (85.7% excluding interest rate swap transactions). For additional details regarding interest rates and maturities, see section c(3) above.

4) Price risk
The Company has investments in marketable financial instruments traded on stock exchanges, classified as financial assets at fair value through profit or loss, and financial derivatives which expose the Company to risk resulting from fluctuations in the fair value of securities based on market prices.

5) Credit risk
The Company is not exposed to significant concentrations of credit risk. Cash and deposits are deposited with major financial institutions. Company management estimates that the risk that these parties will fail to meet their obligations is remote, since they are financially sound.

c. Disclosure regarding financial liabilities attributed to the Company (Cont.)

6) Liquidity risk

The Company's policy is to maintain a certain balance between obtaining long-term financing inter alia, bank loans and debentures and the use of revolving lines of credit from Israeli and international banks for period of 2 to 4 years in which the company can utilize credit for different periods.

As of December 31, 2022 ("the Reporting Date"), the Company has a working capital deficiency of NIS 1,979 million, NIS 1,212 not including debt of wholly owned subsidiaries. The Company and its wholly-owned subsidiaries have approved unutilized credit facilities amounting to NIS 0.9 billion available for immediate drawdown. In addition, after the reporting date, the Company issued 12 million shares to institutional investors, Norstar, and a company owned by Mr. Katzman for total consideration of NIS 148 million (refer also to note 25j of the consolidated financial statements. The Company's management believes that these sources and the positive operating cash flow, will allow the Company to repay its current liabilities when due.

In connection with cross-currency swap transactions of liabilities (see section e below), with respect to part of the swaps, the Company entered into credit support annex agreements ("CSA") of current settlement mechanisms with respect to the fair value of the transactions. Accordingly, the Company may be required to transfer the bank significant amounts from time to time, depending on the fair value of these transactions.

Following is the contractual maturity schedule of the financial liabilities of the Company (including interest) at undiscounted amounts:

As of December 31, 2022

	Less than one year	2 to 3 years	4 to 5 years	Over 5 years	Total
	NIS in millions				
Credit from banks and others	26	-	-	-	26
Trade payables	55	-	-	-	55
Debentures	1,229	2,658	2,612	2,331	8,830
Loans from banks	847	1,130	638	858	3,473
	2,157	3,788	3,250	3,189	12,384

As of December 31, 2021

	Less than one year	2 to 3 years	4 to 5 years	Over 5 years	Total
	NIS in millions				
Credit from banks and others	167	-	-	-	167
Trade payables	24	-	-	-	24
Other accounts payable	83	-	-	-	83
Debentures	1,047	2,522	2,374	3,357	9,300
Loans from banks	424	1,812	135	1,035	3,406
	1,745	4,334	2,509	4,392	12,980

c. Disclosure regarding financial liabilities attributed to the Company (Cont.)

c) Fair value attributed to the Company

Below is the carrying amount and fair value of the groups of financial instruments that are presented in the financial statements not at fair value:

	December 31, 2022		December 31, 2021	
	amount	Fair value	amount	Fair value
	NIS in millions			
Financial liabilities				
Debentures (1)	8,099	5,913	8,293	9,023
Loans from banks and others (2)	3,160	2,940	3,131	3,242
Total financial liabilities	11,259	8,853	11,424	12,265

(1) The fair value is based on quoted prices on an active market as of the reporting date, according to level 1 in the fair value hierarchy.

(2) The fair value for fixed interest loans is based on valuation techniques, according to level 2 in the fair value hierarchy. The fair value of variable interest loans approximates their nominal value. For additional information, refer to Notes 2k and 34b to the consolidated financial statements.

The carrying amount of cash and cash equivalents, other accounts receivable, long-term loans and deposits, credit and loans from banks, trade payables and other accounts payable approximate their fair value.

d) Classification of financial instruments attributed to the Company by fair value ranking

Financial instruments presented at fair value on the balance sheet are classified, by groups having similar attributes, on the following fair value ranking, determined in accordance with the source of data used in determination of fair value:

Level 1: Prices quoted (un-adjusted) on active markets of similar assets and liabilities.
Level 2: Data other than quoted prices included in Level 1, which may be directly or indirectly observed.
Level 3: Data not based on observable market information (valuation techniques not involving use of observable market data).

During 2022, there were no transfers with respect to fair value measurement of any financial instrument between Level 1 and Level 2, and there were no transfers to or from Level 3 with respect to fair value measurement of any financial instrument.

c. **<u>Disclosure regarding financial liabilities attributed to the Company</u> (Cont.)**

Transaction type	Denomination	Outstanding notional amount - NIS in millions		Linkage basis/ Interest receivable *)		Linkage basis / Interest payable *)		Remaining average effective duration	Fair value - NIS in millions	
		31.12.22	31.12.21						31.12.22	31.12.21
Cross currency swaps	EUR-NIS	3,123	3,948	CPI Linked	5.35% - 1.29%	Fixed	6.26% - 2.12%	1.8	915	1,275
	USD-NIS	562	622	CPI Linked	2.80% - 1.29%	Fixed	5.84% - 4.00%	3.9	79	138
	CAD-NIS	-	297	Nominal	4.00%	Fixed	4.95%	-	-	69
Linkage bases swaps	EUR	2,064	1,760	Fixed	4.40%	CPI Linked	2.86% - 2.12%	8.2	(436)	(183)
Interest rate swaps fixed/variable	USD	88	622	Variable		Fixed		7.1	13	1
Cross currency options	EUR- NIS	-	3,248					-	-	(15)
Forward contracts	Different currencies	3,089	5,847					Short term	11	18
									582	1,303
Net proceeds from SWAP CSA transactions									(736)	(356)
									(154)**)	226**)

*) "L" represents Interbank base-rate related to the currency of the transaction.

**) NIS (5) million is presented at fair value through other comprehensive income (2021, liability of NIS 44 million)
NIS (149) million is presented at fair value through profit or loss (2021, NIS 182 million)

c. Disclosure regarding financial liabilities attributed to the Company (Cont.)

1) The Company has loans denominated in foreign currency and forward currency contracts, which were designated by the company as hedge instrument for spot and forward hedges. In addition, the Company has cross currency swap transactions as well as cross currency options designed to hedge its exposure to exchange rates fluctuations. Swap transactions terms have been aligned with the respective periods of the Company's foreign currency cash flows exposures. Although the swap transactions are defined as economic hedges these transactions were not designated as accounting hedges. From time to time, as part of its risk management strategy, the company considers entering into hedging transactions to reduce exposure to fluctuations in the exchange rates of foreign currencies.

a) Sensitivity analysis of market risks

	Sensitivity analysis of financial balances to absolute changes in interest rates			
Impact on pre-tax gain (loss) for the year of a 1% increase in interest rate *)	**USD interest**	**CAD interest**	**EUR interest**	**NIS interest**
	NIS in millions			
31.12.2022	(1)	-	(7)	-
31.12.2021	-	-	(1)	-

*) Decrease in interest rates would affect profit or loss by the same amounts, but in the opposite direction.

	Sensitivity analysis of financial balances to absolute changes in Consumer Price Index			
Effect on pre-tax income (loss)	**+ 2%**	**+ 1%**	**- 1%**	**- 2%**
	NIS in millions			
31.12.2022	(187)	(94)	94	187
31.12.2021	(190)	(95)	95	190

c. Disclosure regarding financial liabilities attributed to the Company (Cont.)

	Sensitivity analysis of derivatives – absolute changes in Consumer Price Index			
Effect on pre-tax income (loss)	+ 2%	+ 1%	- 1%	- 2%
	NIS in millions			
31.12.2022	29	14	(14)	(29)
31.12.2021	56	28	(28)	(56)

	Sensitivity analysis of financial derivatives – relative changes in exchange rates			
Effect on pre-tax income (loss)	+ 10%	+ 5%	- 5%	- 10%
	NIS in millions			
31.12.2022				
Change in exchange rate of EUR	(303)	(152)	152	303
Change in exchange rate of USD	67	34	(34)	(67)
Change in exchange rate of BRL	(122)	(61)	61	122
31.12.2021				
Change in exchange rate of EUR	(365)	(199)	228	466
Change in exchange rate of USD	170	85	(85)	(170)
Change in exchange rate of CAD	(28)	(14)	14	28
Change in exchange rate of BRL	(148)	(74)	74	148

	Sensitivity analysis of financial derivatives – relative changes in exchange rates			
Effect on pre-tax equity (accounting hedge)	+ 10%	+ 5%	- 5%	- 10%
	NIS in millions			
31.12.2022				
Change in exchange rate of EUR	36	18	(18)	(36)
Change in exchange rate of USD	(191)	(95)	95	191
31.12.2021				
Change in exchange rate of EUR	(82)	(41)	41	82
Change in exchange rate of USD	(118)	(59)	59	118
Change in exchange rate of CAD	10	5	(5)	(10)

Effect on pre-tax income (loss)	Sensitivity analysis of financial derivatives – absolute changes in interest rates			
	+ 2%	**+ 1%**	**- 1%**	**- 2%**
	NIS in millions			
31.12.2021				
Change in interest on EUR	228	117	(125)	(259)
Change in interest on USD	48	25	(26)	(54)
Change in interest on NIS - real	(257)	(130)	135	273
31.12.2021				
Change in interest on EUR	293	151	(161)	(334)
Change in interest on USD	147	77	(84)	(175)
Change in interest on CAD	19	10	(10)	(22)
Change in interest on NIS - nominal	(25)	(13)	14	28
Change in interest on NIS - real	(398)	(203)	210	429

Key assumptions for sensitivity analysis of financial instruments

Refer to Note 34e to the consolidated financial statements.

a. Disclosure regarding balances of deferred tax assets / liabilities attributed to the Company, and disclosure regarding tax revenues / expenses attributed to the Company

Taxes on income attributed to the Company

1. For information regarding tax laws applicable to the Company, refer to Note 23a1 to the consolidated financial statements.

2. Tax assessments attributed to the Company

The Company has received assessments deemed final through 2015.

On December 28, 2021, the Company received a tax assessment (best judgment assessments) for the years 2016-2018, the main issues are attribution of financing expenses and the classification of redemption of Preferred shares as a dividend. The company disputes the assessments and believes that it has good claims against it. The company intends to submit an objection on it.
The Company and its consultants assume that the tax assessments do not materially affect the Company's financial statements.

A fully owned subsidiary, which was merged with and into the Company (see section p below), received assessments deemed final through 2018.

3. Tax Ruling to restructure the Gazit Canada and USA group

On March 31, 2015, the Israel Taxes Authority gave its approval for a restructuring of the Gazit entities in Canada and certain Gazit entities in the United States, as follows: in the first stage, Hollywood Properties Ltd. (“Hollywood”) made a tax-free transfer of 92.5% of the shares of Gazit Canada Inc. (“Gazit Canada”) to the Company, pursuant to the provisions of Section 104C of the Income Tax Ordinance (New Version), 1961 (“Income Tax Ordinance”).
In the second stage, Golden Oak Inc. (“Golden”) made a tax-exempt transfer of 33.33% of the shares of MGN (USA) Inc. (“MGN”) to the Company, pursuant to the provisions of Section 104C of the Income Tax Ordinance.
In the third stage, the Company transferred all of its interests in the shares of Gazit 2003 Inc. (“Gazit 2003”) to Gazit Canada in return for an issuance of shares, pursuant to the provisions of Section 104A of the Income Tax Ordinance.
In the fourth stage, Gazit Canada and Gazit 2003 were amalgamated; within the framework of the amalgamation, Gazit 2003 transferred all its assets and liabilities to Gazit Canada.
As part of the tax ruling, terms and restrictions were prescribed in relation to a future sale of transferred shares and the manner for offsetting losses with respect to the sale of the transferred shares. Pursuant thereto, it was prescribed that the date of the restructuring would be the actual share transfer date. Criteria were also set with regard to the original price of the transferred shares following the transfer and also with regard to the profits available for distribution at each of the companies. Likewise, the tax decision is contingent on full compliance with the rest of the terms set forth in the tax decision, and is also subject to the conditions of Part Two of the Income Tax Ordinance.

4. Tax Ruling concerning the merger of Israeli subsidiaries

On January 7, 2018, the Israeli Taxes Authority approved the merger ("the Tax Ruling"), under the provisions of Section 103C of the Income Tax Ordinance (New Version), 1961 ("the Ordinance"), between G. Israel Commercial Centers Ltd. ("the Absorbing Company") and the three companies, Gazit Globe Israel (Development) Ltd., G. West Ltd. and G. Kfar Saba Ltd. ("the Transferring Companies"), pursuant to which the Transferring Companies will transfer all of their assets and liabilities, including all employees and related obligations, to the Absorbing Company, resulting in their winding-up without liquidation, and in consideration

for the allotment to the Company of shares in the Absorbing Company (the "Merger" or the "Restructuring"). The Merger was scheduled for December 31, 2016.
The Tax Ruling determines conditions and restrictions concerning the future sale of shares of the Absorbing Company and of the assets that are transferred as part of the Merger, as well as restrictions on the offsetting of losses accumulated prior to the Merger date and in relation to losses that were grossed-up in the transferring assets and the Transferring Companies.
Additionally, the tax ruling is conditional upon the full compliance with all other terms that are set out in the Tax Ruling and subject to the provisions of Part E-2 of the Ordinance.

5. Tax Ruling, subsidiary in Israel

On July 28, 2020, the Israeli Tax Authorities approved the merger (the "Tax Ruling") of G Israel Commercial Centers Ltd. ("G Israel"), a wholly owned subsidiary of G City Ltd. ("The Company"), with and into the Company (as an absorbing company) in accordance with section 103C of the Israeli Tax Ordinance ("ITO"). The date of the restructuring, according to the Tax Ruling is December 31, 2018.
In accordance with the Tax Ruling, G Israel will transfer its all assets and liabilities including all its employees into the Company, while eliminating G Israel without liquidation, in accordance with the first chapter of part 8 of the Israeli Companies Law ("Statutory Merger").
The Tax Ruling is conditional on compliance with the conditions set forth in the ITO and the Tax Ruling, inter alia, the cost of the company's investment in G Israel shares, will be deleted and fully canceled. Regarding the transferred real estate assets, a reduced purchase tax rate of 0.5% will apply. Furthermore, the Tax ruling sets limitations about offset of losses relates to the transferred assets and the participating companies.

6. Carry-forward losses for tax purposes attributed to the Company
The Company has carry-forward losses for tax purposes. With respect to the tax benefit associated with these losses, the Company has recognized deferred tax assets that their balance as of the reporting date was NIS 564 million (2021 – NIS 306 million), which have been offset against the deferred tax liability of the Company.

7. Deferred taxes attributed to the Company
Composition

	December 31	
	2022	2021
	NIS in millions	
Revaluation of financial investments to fair value	(126)	(274)
Carry-forward losses	564	306
Revaluation of investment property and investment property under development	(438)	(453)
	-	(421)

d. Disclosure regarding balances of deferred tax assets / liabilities attributed to the Company, and disclosure regarding tax revenues / expenses attributed to the Company (Cont.)

8. Taxes on income attributed to the Company included in profit or loss

	Year ended December 31		
	2022	2021	2020
	NIS in millions		
Current taxes	-	94	29
Deferred taxes	(366)	242	(6)
Prior years taxes	(24)	(19)	(88)
	(390)	317	(65)

9. In 2021-2022, there is no current taxes recorded in other comprehensive income. In 2020, NIS 7 million current income tax expenses (tax benefit) were recorded directly to equity in currency translation reserve.

b. Loans, balances and material engagements with subsidiaries

1. Balances with subsidiaries

a) Composition

	December 31	
	2022	2021
	NIS in millions	
Current assets		
Current maturities of long-term loans *)	12	11
Non-current assets		
Investments in subsidiaries	11,022	10,831
Long-term loans and debt *)	2,444	2,304
Current liabilities		
Current maturities of long-term loans *)	779	-
Non-current liabilities		
Long-term loans *)	1,195	1,517

*) see section 4 below.

e. Loans, balances and material engagements with subsidiaries (Cont.)

b) The Company provided unlimited guarantees to secure credit obtained by wholly-owned subsidiaries of the Company, whose total facility principal as of the reporting date amounts to NIS 481 million. For more information, refer to Note 24b(2) to the consolidated financial statements.

As of the reporting date, total debt of the wholly-owned subsidiaries of the Company guaranteed by the Company amounts to NIS 175 million.

2. Transactions with related companies

	Year ended December 31		
	2022	2021	2020
	NIS in millions		
Management fees income 3(a) and 3(b)	2	2	3
Finance income	(19)	(72)	(22)

3. Engagements

a) The Company has entered into agreements with foreign subsidiaries, whereby the Company would provide them with in exchange for a fixed fee. The fees charged by the Company to these subsidiaries in 2022, 2021 and 2020 amounted to NIS 1 million.

b) For information regarding management fees from Norstar Israel, refer to Note 35d to the consolidated financial statement.

4. Loans to Subsidiaries

	Linkage basis	Interest rate	December 31	
			2022	2021
		%	NIS in millions	
Wholly-owned subsidiaries in USA	USD	L+ 1.25	2	91
Wholly-owned subsidiaries in Germany	EUR	E+ 0.5	3	1
Wholly-owned subsidiary in the Netherlands	EUR	E + 1	12	9
Wholly-owned subsidiary in the Netherlands	EUR	5	122	38
Wholly-owned subsidiaries in the Jersey island	EUR	E +1.5	2,040	1,899
Wholly-owned subsidiaries in Israel	NIS	None	277	277
			2,456	2,315

*) see section d5 above.

e. Loans, balances and material engagements with subsidiaries (Cont.)

5. Loans from Subsidiaries

	Linkage basis	Interest rate	December 31 2022	December 31 2021
		%	NIS in millions	
Wholly-owned subsidiaries in USA	USD	None	390	-
Wholly-owned subsidiary in Canada	CAD	C+ 1-1.3	1,538	1,484
Wholly-owned subsidiary in the Netherlands	USD	L+ 2	46	33
			1,974	1,517

*) see section d5 above.
**) The balance includes a loan of NIS 1,196 million with maturity date in 2023, however the loan was classified in the long term since the two parties intend to extend the loan maturity date. The rest of loans from subsidiaries will mature in 2023

6. Maturities

	NIS in millions
Year 1	12
Year 2	2.165
Year 3	2
Year 4	-
Year 5	-
Year 6 and thereafter	-
Renewable annually *)	277
	2,456

*) Loans to subsidiaries renew for an additional 1-year term, unless either party announces that the loan would not be renewed, pursuant to provisions of the agreement.

7. Dividends received from subsidiaries

	Year ended December 31 2022	2021	2020
	NIS in millions		
Citycon OYJ	142	162	184
Canada	-	1,884	-
	142	2,046	184

f. Equity attributed to the Company's shareholders

1. For information regarding a grant of equity instruments to Company employees and officers, refer to Note 26 to the consolidated financial statements.

2. For information regarding issue of 12.5 million shares and 6.25 warrants after the reporting period, refer to Note 25i to the consolidated financial statements.

3. For information regarding the board of directors approval of privet issue to the Company's parent company, Norstar, of 2 million shares and 1 million warrants subject to the approval of the Company's general meeting (by a majority of the minority shareholders), refer to Note 25i to the consolidated financial statements.

4. For information regarding the issuance of 12 million shares to institutional investors, Norstar and a company owned by Mr. Katzman for a consideration of NIS 148 million after the reporting date, refer to note 25j to the consolidated financial statements.

5. For an update on dividend distribution policy of the Company, refer to Note 25f to the consolidated financial statements.

g. Additional Information

1. For details concerning of the terms of employment of Mr. Chaim Katzman, the Company's Vice Chairman, Controlling shareholder and CEO, refer to Note 35c1 of the consolidated financial statements, respectively.

2. On December 27, 2021, the Company signed an agreement to sell approximately 17.3 million CTY shares held directly by the Company, to a wholly-owned subsidiary. Existence of the sale transaction is conditional on finding a Custodian agreed upon by both parties.

   Pursuant to the agreement, the transaction price set as the average CTY share price per the day of payment (VWAP). As of the reporting date, the expected consideration from the transaction is approximately NIS 397 million.

   Regarding an additional sale of CTY shares after the reporting date, refer to paragraph h4 below.

3. For information regarding the effects of the COVID-19 pandemic on the Company, refer to Note 1b to the consolidated financial statements.

4. For information regarding the effects of Russia- Ukraine on the Company, refer to Note 1c to the consolidated financial statements.

5. On January 20, 2022, following the approval of the merger with G Europe, S&P Maalot rating company downgraded the credit rating for all the Company's debentures which are not secured to a rating of 'ilA+', with a stable outlook, and the rating for debentures (Series O) which are secured by investment properties to 'ilAA-' rating level with a stable outlook.

   On June 30, 2022, the rating company reaffirmed the ratings mentioned above and updated the rating outlook from stable to negative.

6. On March 24, 2022, following the completion of the merger with G Europe, Midroog rating company downgraded the ratings for all the Company's debentures which are not secured to a rating of 'A1.il', with a stable outlook, and the rating for the debentures (Series O), which are secured by investment properties, to 'Aa3.il', with a stable outlook.

7. On November 9, 2022, following increase in the Company's leverage, Midroog rating company placed the 'A1.il' credit rating for all the Company's debentures which are not secured, and the 'Aa3.il' credit rating for the debentures which are secured by investment properties, under review with negative implications.

8. On December 25, 2022, following increase in the Company's leverage, Midroog rating company removed from review the Company's credit rating and downgraded the credit rating for the company's debentures series K, L, M, N and P from A1.il to A3.il and debentures series O from Aa3.il to A2.il, with negative outlook.

   As a result of this credit downgrade, the Company is required to increase the interest rate of debentures series M, N, O and P by 0.5%. the Company recorded financial expenses of NIS 82 million for this interest increase.

9. During 2022, the company purchased NIS 48 million par value debentures (Series K, L, M) for a consideration of NIS 41 million, in accordance with the company's repurchase plan. Following the purchases, the company recognized gain from early redemption of NIS 6 million. The debentures were cancelled and delisted.

h. <u>Events subsequent to the reporting date</u>

1. After the reporting date, the company purchased NIS 75 million par value debentures (Series K, L, M, N, P) for a consideration of NIS 70 million, in accordance with the company's repurchase plan. Following the purchases, the company recognized gain from early redemption of NIS 13 million. The debentures were cancelled and delisted.

2. For information regarding the issuance of 12 million shares to institutional investors, Norstar and a company owned by Mr. Katzman for a consideration of NIS 148 million after the reporting date, refer to note 25j to the consolidated financial statements.

3. On February 27, 2023, the Company signed an agreement to sell approximately 19 million CTY shares held directly by the Company, to a wholly-owned subsidiary.
   Pursuant to the agreement, the transaction price set as the average CTY share price per the day of payment (VWAP). The shares were transferred on March 2023, for a consideration of NIS 495 million.

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CHAPTER G

Annual Report regarding the Effectiveness of the Internal Control over the Financial Reporting and the Disclosure
In Accordance with Regulation 9B of the Israeli Securities Regulations

Attached herewith is the Annual Report regarding Effectiveness of the Internal Control over the Financial Reporting and the Disclosure in accordance with Regulation 9B of the Israeli Securities Regulations, 1970:

Management, under the supervision of the Board of Directors of G City Ltd. (the "Corporation"), is responsible for determining and maintaining proper internal control over the Corporation's financial reporting and disclosure.

For the purposes of this matter, the members of management are:

1. Chaim Katzman, CEO and Vice Chairman of the Board of Directors;
2. Adi Jemini, Executive Vice President and CFO;
3. Rami Vaisenberger, Vice President and Controller;

Internal control over financial reporting and disclosure includes the Corporation's existing controls and procedures, which were designed by the CEO and the most senior officer in the finance area or under their supervision, or by another party actually executing their functions, under the supervision of the Corporation's Board of Directors, which aims to provide reasonable assurance regarding the reliability of financial reporting and preparation of the financial statements in accordance with the applicable laws, and to ensure that information the Corporation is required to disclose in the statements it publishes under applicable laws is gathered, processed, summarized and reported on the date and in the format prescribed by the law.

Internal control includes, among other things, controls and procedures that were designed to ensure that information the Corporation is required to disclose, as stated, was accumulated and transferred to the Corporation's management, including to the CEO and to the most senior officer in the finance area or to another party actually executing their functions, in order to enable decisions to be made at the appropriate time, with respect to disclosure requirements.

Due to its inherent limitations, internal control over the financial reporting and disclosure does not provide complete assurance that a misrepresentation or omission of information in the statements will be prevented or discovered.

Management, under the supervision of the Board of Directors, performed an examination and evaluation of the internal control over the Corporation's financial reporting and of disclosure and its effectiveness.

The evaluation of the effectiveness of the internal control over the financial reporting and the disclosure, which management performed, under the supervision of the Board of Directors, included: assessing the financial reporting and disclosure risks at the consolidated Corporation level, assessing the processes and determining which of these are the most material for financial reporting and disclosure, assessing the relevant business units for the purpose of evaluating the effectiveness of internal control, documenting the Corporation's existing controls, evaluating the effectiveness of control planning and analyzing the existing control gaps, remedying control planning deficiencies and testing compensatory controls, evaluating the effectiveness of the operation of the controls and evaluating the overall effectiveness of internal control.

The internal control components are: entity level controls (ELC), controls over the process of preparing the financial statements and their closing, and IT general controls (ITGC). The processes identified by management as highly material processes with respect to financial reporting and disclosure are as follows: the appraisal of investment property process and the treasury process.

Based on the effectiveness evaluation performed by management under the supervision of the Board of Directors as described above, the Corporation's management and Board of Directors reached the conclusion that internal control over the Corporation's financial reporting and disclosure, as of December 31, 2022, is effective.

Officers' Declarations

A. Declaration of the CEO in accordance with Regulation 9B(d)(l):

Officers' Declaration

Declaration of the CEO

I, Chaim Katzman, declare that:

(1) I have examined the periodic report of G City Ltd. (the "Corporation") for 2022 (the "Statements");

(2) As far as I am aware, the Statements do not include any misrepresentation of a material fact and no representation of a material fact that is required has been omitted, so that the representations included therein, in light of the circumstances in which such representations were included, will not be misleading with reference to the period covered by the Statements;

(3) As far as I am aware, the financial statements and other financial information included in the Statements properly reflect, in all material respects, the Corporation's financial position, results of operations and cash flows as of the dates and for the periods to which the Statements relate;

(4) I have disclosed to the Corporation's auditors, the Board of Directors and the Audit Committee of the Board of Directors, based on my most up-to-date evaluation with respect to internal control over the Corporation's financial reporting and disclosure:

(A) All significant deficiencies and material weaknesses in the determination or operation of internal control over financial reporting and disclosure, which could reasonably have an adverse impact on the Corporation's ability to gather, process, summarize or report financial information in such a manner that could cause doubt with respect to the reliability of the financial reporting and preparation of the financial statements in accordance with the provisions of the law; and -

(B) Any fraud, whether or not significant, wherein the CEO is involved or a party under his direct supervision or other employees are involved that have a significant function in internal control over financial reporting and disclosure;

(5) I, alone or together with others in the Corporation:

(A) Have determined controls and procedures, or have verified the determination and existence of controls and procedures under my supervision, which are designed to ensure that significant information relating to the Corporation, including subsidiaries as defined in the Securities Regulations (Annual Financial Statements), 2010, is brought to my attention by others in the Corporation and the subsidiaries, particularly during the period of preparation of the Statements; and -

(B) Have determined controls and procedures, or have verified the determination and existence of controls and procedures under my supervision, which are designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of the financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles.

(C) Have evaluated the effectiveness of internal control over financial reporting and disclosure, and I have presented in this report the conclusions of the Board of Directors and management regarding the effectiveness of internal control as stated as of the date of the Statements.

Nothing stated above detracts from my responsibility or the responsibility of any other person under any law.

March 28, 2023

Chaim Katzman,
CEO and Vice Chairman of the Board of Directors

B. Declaration of the most senior officer in the finance area in accordance with Regulation 9B(d)(2):

Officers' Declaration

Declaration of the most senior officer in the finance area

I, Adi Jemini, declare that:

(1) I have examined the financial statements and other financial information included in the statements of G City Ltd. (the "Corporation") for 2022 (the "Statements");

(2) As far as I am aware, the financial statements and the other financial information included in the Statements do not include any misrepresentation of a material fact and no representation of a material fact that is required has been omitted, so that the representations included therein, in light of the circumstances in which such representations were included, will not be misleading with reference to the period covered by the Statements;

(3) As far as I am aware, the financial statements and other financial information included in the Statements properly reflect, in all material respects, the Corporation's financial position, results of operations and cash flows as of the dates and for the periods to which the Statements relate;

(4) I have disclosed to the Corporation's auditors, the Board of Directors and the Audit Committee of the Board of Directors, based on my most up-to-date evaluation with respect to internal control over the Corporation's financial reporting and disclosure:

(A) All significant deficiencies and material weaknesses in the determination or operation of internal control over financial reporting and disclosure to the extent it relates to the financial statements and the other financial information included in the Statements, which could reasonably have an adverse impact on the Corporation's ability to gather, process, summarize or report financial information in such a manner that could cause doubt with respect to the reliability of financial reporting and preparation of the financial statements in accordance with the provisions of the law; and -

(B) Any fraud, whether or not significant, wherein the CEO is involved or a party under his direct supervision or other employees are involved that have a significant function in internal control over financial reporting and disclosure;

(5) I, alone or together with others in the Corporation:

(A) Have determined controls and procedures, or have verified the determination and existence of controls and procedures under our supervision, which are designed to ensure that significant information relating to the Corporation, including subsidiaries as defined in the Securities Regulations (Annual Financial Statements), 2010, to the extent it is relevant to the financial statements and to other financial information included in the Statements, is brought to my attention by others in the Corporation and the subsidiaries, particularly during the period of preparation of the Statements; and -

(B) Have determined controls and procedures, or have verified the determination and existence of controls and procedures under my supervision, which are designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of the financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles;

(C) Have evaluated the effectiveness of internal control over financial reporting and disclosure, to the extent it relates to the financial statements and to the other financial information included in the Statements as of the date of the Statements; my conclusions regarding my evaluation as stated were presented to the Board of Directors and management and are included in this report.

Nothing stated above detracts from my responsibility or the responsibility of any other

March 28, 2023

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Adi Jemini,
Executive Vice President and CFO

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AUDITORS' REPORT

To the Shareholders of G City LTD.

Regarding the Audit of Components of Internal Control over Financial Reporting

Pursuant to Section 9b(c) to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970

We have audited the components of internal control over financial reporting of G City Ltd. and subsidiaries (collectively, "the Company") as of December 31, 2022. Control components were determined as explained in the following paragraph. The Company's board of directors and management are responsible for maintaining effective internal control over financial reporting, and for their assessment of the effectiveness of the components of internal control over financial reporting included in the accompanying periodic report for said date. Our responsibility is to express an opinion on the Company and subsidiaries' components of internal control over financial reporting based on our audit.

We did not audit the effectiveness of the components of internal control over financial reporting of a certain subsidiary, whose assets and revenues constitute approximately 27% and 29% of the related totals in the consolidated financial statements as of December 31, 2022 and for the year then ended, respectively. The effectiveness of the components of internal control over financial reporting of this company were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the effectiveness of the components of internal control over financial reporting of this company, is based on the report of the other auditors

The components of internal control over financial reporting audited by us were determined in conformity with Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel, "Audit of Components of Internal Control over Financial Reporting" ("Auditing Standard 911"). These components consist of: (1) entity level controls, including financial reporting preparation and close process controls and information technology general controls ("ITGCs"); (2) controls over the Treasury process; (3) controls over the valuation of investment properties process; (4) controls over the rental revenues process; (collectively, "the audited control components").

We conducted our audit in accordance with Auditing Standard 911. That Standard requires that we plan and perform the audit to identify the audited control components and obtain reasonable assurance about whether these control components have been effectively maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, identifying the audited control components, assessing the risk that a material weakness exists regarding the audited control components and testing and evaluating the design and operating effectiveness of the audited control components based on the assessed risk. Our audit of these control components also included performing such other procedures as we considered necessary in the circumstances. Our audit only addressed the audited control components, as opposed to internal control over all the material processes in connection with financial reporting and therefore, our opinion addresses solely the audited control components. Moreover, our audit did not address any reciprocal effects between the audited control components and unaudited ones and accordingly, our opinion does not take into account any such possible effects. We believe that our audit provides a reasonable basis for our opinion within the context described above.

Because of its inherent limitations, internal control over financial reporting as a whole, and specifically the components therein, may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, based on our audit and the report of other auditors, the Company effectively maintained, in all material respects, the audited control components as of December 31, 2022.

We have also audited, in accordance with generally accepted auditing standards in Israel, the consolidated financial statements of the Company as of December 31, 2022, and 2021 and for each of the three years in the period ended December 31, 2022 and our report dated March 28, 2023 expressed an unqualified opinion thereon based on our audits and the reports of the other auditors.

Tel-Aviv, Israel
March 28, 2023

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A Member of Ernst & Young Global