



**City**

**The heart of it.**

**Q2**

**FINANCIAL REPORT**

**2022**

**THIS DOCUMENT IS AN ENGLISH TRANSLATION OF THE HEBREW VERSION OF THE COMPANY'S FINANCIAL STATEMENTS AND THE MANAGEMENT DISCUSSION AND ANALYSIS FOR THE SECOND QUARTER OF 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. THE ENGLISH TRANSLATION WAS NOT PUBLISHED AND HAS NOT BEEN SUBMITTED TO THE ISRAELI SECURITIES AUTHORITY FOR ITS REVIEW.**



**QUARTERLY REPORT as of June 30, 2022:**

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**DIRECTORS' REPORT ON THE COMPANY'S BUSINESS****G CITY LTD.****Directors' Report to the Shareholders****For the period ended June 30, 2022**

The Board of Directors of G City Ltd. (formerly Gazit Globe Ltd.) (the "Company") is pleased to present the Directors' Report of the Company for the period ended June 30, 2022 (the "Reporting Date):

The scope of this report is limited and is prepared under the assumption that the Company also has the periodic report of the Company for the year ended December 31, 2021 which was published on March 23, 2022 (reference number: 2022-01-033577) (the "Periodic Report").

It is clarified that the description in this report includes only information which, in the Company's opinion, is material information. However, in some cases, for the sake of completeness, additional information is included which is not necessarily material information.

**1. The Company and its Operations****1.1. Overview**

The Company, directly and through its public and private investees<sup>1</sup> (collectively: the "Group"), engages in acquisition, improvement, development and operating of income-producing properties for mixed-use, including retail, office and residential located 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 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.

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

The Company's shares are listed on the Tel Aviv Stock Exchange Ltd. ("TASE" or "Tel Aviv Stock Exchange") under the "GCT" ticker.

Currently, the Company operates mainly through its wholly-owned private subsidiaries that are consolidated in its financial statements and in which the Company outlines the strategy, is responsible for their financing activities, and oversees their operations. These operations are conducted through the Company (the Company's activity in the field of real estate in Israel will hereinafter be referred to as "G- Israel"), through G City Europe (formerly: Atrium European Real Estate Limited.) ("G Europe")<sup>2</sup>, through the Company's subsidiaries in Brazil ("Gazit Brasil"), through Gazit Horizons Inc. ("Gazit Horizons") in the U.S.A and a subsidiary operating in Canada ("Gazit Canada"), including through partnership "G Tripllle"

Additionally, Public entity operates under the Company's control with a similar strategy that are consolidated in its financial statements, in which the Company is the largest shareholder. These operations are conducted through Citycon Oyj. ("CTY").

In accordance with this strategy, on February 18, 2022, a wholly owned subsidiary of the Company (collectively: "the Subsidiary") merged into G Europe, a wholly owned subsidiary of the Company under which the subsidiary acquires all G Europe shares not owned by the Company, constituting 25% G Europe's share capital at a price of EUR 3.63 per share and an estimated total consideration of EUR 376 million (NIS1.4 billion) in cash payment. The proposed price was adjusted for the distribution of a special dividend which G Europe distributed in the amount of EUR 0.6 per share. For further details, refer to Note 3b2 to the financial statements.

<sup>1</sup> 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.

<sup>2</sup> For details regarding the acquisition of G Europe's minority shareholders and its transformation into a private company, in February 2022, refer to Note 3b2 to the financial statements.

## **DIRECTORS' REPORT ON THE COMPANY'S BUSINESS**

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### **1.2. The impact of the Covid-19 virus and Russia and Ukraine Conflict on the group's activities**

- a. **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.
- b. **The Russia and Ukraine conflict-** In February 2022, the Russian army invaded Ukraine and as of the date of this report, fighting is taking place between the parties. In response to the invasion, 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 during events, including on additional territories, as far as these are occupied by Russia. 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 13.9 million, respectively. During the reporting period, G Europe's activity in Russia were marginally impacted. Russia's occupancy as the reporting date was 90.9% and the collections for the reporting date was 93%.

G Europe has preformed 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.

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.

**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**

**DIRECTORS' REPORT ON THE COMPANY'S BUSINESS**

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.

For details regarding macroeconomic changes in territories where the company operates, primarily high inflation rates and increases in interest rates, and their impact on the company, refer to section 3.1(2) below.

**.1.3. Group Properties as of June 30, 2022**

	<u>Country of operation</u>	<u>Holding interest</u>	<u>Income-producing properties</u>	<u>Properties under development</u>	<u>Other properties</u>	<u>GLA (square meters in thousands)</u>
CTY	Finland, Norway, Sweden, Estonia and Denmark	52.1%	36	-	-	1,074
G Europe	Poland, Czech Republic and Russia	100.0%	24	-	-	719
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	71
Gazit Canada	Canada	100.0%	1	-	-	18
Total carrying value			<b>92</b>	<b>3</b>	<b>2</b>	<b>2,219</b>
Jointly controlled properties (proportionate consolidation)			9	-	-	109
Total			<b>101</b>	<b>3</b>	<b>2</b>	<b>2,328</b>

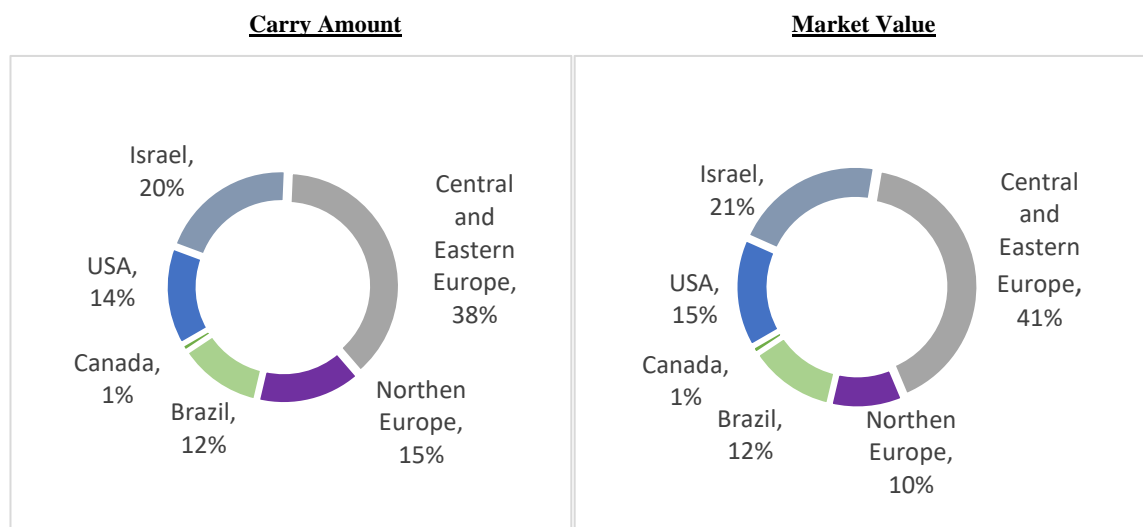
The balance of investment properties and investment properties under development

	<u>Country of operation</u>	<u>Income-producing properties</u>	<u>Properties under development<sup>1</sup></u>	<u>lands</u>	<u>Total</u>
		<u>NIS million</u>			
CTY	Finland, Norway, Sweden, Estonia and Denmark	13,748	1,587	-	15,335
G Europe	Poland, Czech Republic and Russia	8,181	357	632	9,170
Gazit Brasil	Brazil (Sao Paulo)	2,568	-	102	2,670
G Israel	Israel	3,638	219	582	4,439
Gazit Horizons	USA	1,561	913	159	2,633
Gazit Canada	Canada	217	-	-	217
Total carrying value		<b>29,913</b>	<b>3,076</b>	<b>1,475</b>	<b>34,464</b>
Jointly controlled properties (proportionate consolidation)		2,160	-	119	2,279
Total		<b>32,073</b>	<b>3,076</b>	<b>1,594</b>	<b>36,743</b>

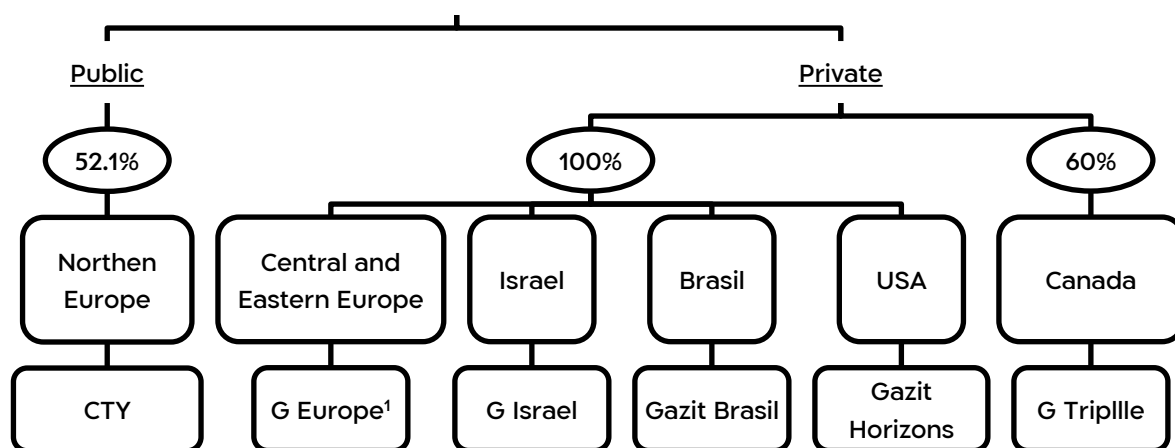
<sup>1</sup> Includes expansions of income producing properties.

**DIRECTORS' REPORT ON THE COMPANY'S BUSINESS**

**1.4. Breakdown of the Company's Investments by Region (on an expanded solo basis) as of June 30, 2022:**



**1.5. The Company's Major Holdings (holding structure and interests as of June 30, 2022):**



<sup>1</sup> 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%).

**DIRECTORS' REPORT ON THE COMPANY'S BUSINESS****1.6. Highlights – Second Quarter of 2022 (the "Quarter")**

(NIS in millions, other than per share data)	June 30, 2022	December 31, 2021	
Net debt to total assets (Expanded Solo)	63.9%	63.2%	-
Net debt to total assets (Consolidated) <sup>1</sup>	58.0%	53.3%	-
Equity attributable to equity holders of the Company	6,021	5,307	-
Equity per share attributable to equity holders of the Company (NIS)	36.1	35.0	-

	Three months ended June 30,		Change
	2022	2021	
Rental income and others	580	557	4.1%
NOI <sup>3</sup>	409	394	3.8%
NOI adjusted for exchange rates	409	368	11.1%
Proportionately consolidated NOI <sup>4</sup>	336	274	22.6%
Proportionately consolidated NOI adjusted for exchange rates	336	257	30.7%
Cash flow from operating activities per share- Expanded Solo (NIS) <sup>5</sup>	0.74	0.76	(2.6%)
Economic FFO <sup>6</sup>	143	104	37.5%
Economic FFO per share (NIS) <sup>6</sup>	0.86	0.69	24.6%
Economic FFO adjusted for exchange rates	143	99	44.4%
Economic FFO per share adjusted for exchange rates (NIS)	0.86	0.65	32.3%
Number of shares used in calculating the Economic FFO per share (in thousands)	166,798	152,039	9.7%

Acquisition, construction and development of investment property	200	579	-
Disposition of investment property	371	485	-
Fair value gain (loss) from investment property and investment property under development, net	331	(49)	-
Net income (loss) attributable to equity holders of the Company	(74)	(18)	-
Diluted net earnings (loss) per share (NIS)	(0.45)	(0.12)	-
Cash flows provided by (used in) operating activities	258	116	-

- 1 For details regarding net debt to total assets (Consolidated) including interest bearing debt, refer to Section 7 below.
- 2 Refer to section 2.5 below.
- 3 NOI ("Net Operating Income") – Rental income and others, net of property operating expenses and others.
- 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.

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**1.6. Highlights – First Quarter of 2022 (the "Quarter") (Cont.)**

- In the quarter, the company completed the issuance of 2 million shares and 1 million options of the company's shares to the controlling shareholder ("Norstar"), in consideration of NIS 65 million.
- As of June 30, 2022, the Company and its subsidiaries had liquidity including revolver undrawn credit facilities available for an immediate drawdown of NIS 5.9 billion (of which NIS 3.9 billion in the Company and its wholly-owned subsidiaries including cash and cash equivalents, traded securities and short-term deposits in the amount of NIS 2.4 billion).
- As a result of fluctuations in currency exchange rates of the US dollar, the Euro, the Brazilian real and the Canadian dollar against the NIS, the equity attributable to the Company's equity holders decreased in the Quarter by NIS 20 million (net of the effect of cross-currency swap transactions).
- In general, fluctuations in the exchange rates of the US dollar, the Euro, the Brazilian real and the Canadian dollar 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).
  - 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.



**DIRECTORS' REPORT ON THE COMPANY'S BUSINESS****1.7. Highlights – First Six months of 2022 (the "Reporting Period")**

(NIS in millions, other than per share data)	Six months ended June 30,		
	2022	2021	Change
Rental income	1,137	1,142	(0.4%)
NOI	789	782	0.9%
NOI adjusted for exchange rates	789	727	8.5%
Proportionately consolidated NOI <sup>1</sup>	642	536	19.8%
Proportionately consolidated NOI adjusted for exchange rates	642	502	27.9%
Cash flow from operating activities per share-Expanded Solo (NIS) <sup>2</sup>	1.18	1.53	(22.9%)
Economic FFO <sup>3</sup>	210	212	(0.9%)
Economic FFO per share (NIS) <sup>3</sup>	1.30	1.40	(7.1%)
Number of shares used in calculating the FFO per share (in thousands)	162,995	151,920	7.3%

Acquisition, construction and development of investment property	734	854	-
Disposition of investment property	870	1,000	-
Fair value loss from investment property and investment property under development, net	376	(33)	-
Net income (loss) attributable to equity holders of the Company	(395)	119	-
Diluted net income (loss) per share (NIS)	(2.45)	0.78	-
Cash flows from operating activities	347	205	-

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

<sup>2</sup> Refer to section 2.2 below.

<sup>3</sup> The Economic FFO is presented according to the management approach and in accordance with the EPRA guidance. For the Economic FFO calculation, refer to section 2.3 below.

- In the quarter, the company issued 14.5 million shares and 7.25 million options for the company's shares to three institutional entities and Norstar Holdings Inc. in consideration of NIS 468 million
- As a result of fluctuations in currency exchange rates of the U.S. dollar, the Euro and the Brazilian real against the NIS, the equity attributable to the Company's equity holders increased in the Reporting Period by NIS 96 million (net of the effect of cross-currency swap transactions).

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**2. Additional Information Concerning the Company's Assets and**  
**2.1. Summary of the Company's Holdings as of June 30, 2022:**

Name of company	Type of security/ property	Amount (millions)	Holding interest (%)	Book value (NIS in millions)	Market value as of 30.6.2022 (NIS in millions)
CTY	Shares (OMX)	87.6	52.1	3,286	2,063
Israel	Income-producing property and land	-	-	4,431	-
Brazil	Income-producing property and land	-	-	2,633	-
USA <sup>1</sup>	Income-producing property and land	-	-	3,106	-
Canada <sup>1</sup>	Income-producing property	-	-	276	-
Europe <sup>1</sup>	Income-producing property and land	-	-	8,862	-
<b>Total assets</b>		-	-	<b>22,594</b>	-

Set forth below are the Company's monetary balances (including balances of its privately-held subsidiaries) ("expanded solo basis") as of June 30, 2022:

	NIS in millions
The Company's Debentures	8,534
G Europe's Debentures	3,154
Debts to financial institutions	6,738
Total debentures and debts to financial institutions (*)	<b>18,426</b>
Other monetary liabilities	1,050
Total monetary liabilities	<b>19,476</b>
Less - monetary assets <sup>2</sup>	4,824
Less - other investments <sup>3</sup>	215
Monetary liabilities, net <sup>4</sup>	<b>14,437</b>

Year	The Company's Debentures	G Europe's Debentures	Financial Institutions	Mortgages	Total	%
2022	619	554	429 <sup>5</sup>	28	1,630	9
2023	996	-	740	876	2,612	14
2024	1,208	-	812	97	2,117	11
2025	1,092	1,526	166	147	2,931	16
2026	1,130	-	47	671	1,848	10
2027	1,290	1,074	231	454	3,049	17
2028	1,119	-	29	243	1,391	8
2029	766	-	34	141	941	5
2030 and thereafter	314	-	388	1,205	1,907	10
<b>Total</b>	<b>8,534</b>	<b>3,154</b>	<b>2,876</b>	<b>3,862</b>	<b>18,426</b>	<b>100</b>

1 Includes investment in properties through a joint venture presented in the financial statements using the equity method.

2 Including cash and cash equivalents, traded securities and deposits in the amount of NIS 2.4 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 1,240 million, deferred tax liability in the amount of NIS 676 million with respect to investment property and other investments and NIS 220 million in non-controlling interests in part of the company's properties.

5 Includes commercial paper in the amount of NIS 163 million.

**DIRECTORS' REPORT ON THE COMPANY'S BUSINESS****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.

	Six months ended		Three months ended		Year ended
	June 30,		June 30		December 31,
	2022	2021	2022	2021	2021
<b>NIS in millions (except for per share data)</b>					
Dividends from public investees	80	240	40	122	434*
EBITDA from private companies, net of Capex and other income **	393	265	219	129	476
<b>Total income</b>	<b>473</b>	<b>505</b>	<b>259</b>	<b>251</b>	<b>910</b>
General and administrative expenses	(37)	(35)	(19)	(19)	(72)
Interest expenses, net	(240)	(190)	(122)	(93)	(363)
Taxes	(4)	(49)	5	(24)	(44)
<b>Total expenses</b>	<b>(281)</b>	<b>(274)</b>	<b>(136)</b>	<b>(136)</b>	<b>(479)</b>
<b>Cash flows from operating activity</b>	<b>192</b>	<b>231</b>	<b>123</b>	<b>115</b>	<b>431</b>
<b>Cash flows from operating activity per share</b>	<b>1.18</b>	<b>1.53</b>	<b>0.74</b>	<b>0.76</b>	<b>2.84</b>

\* Including dividend in the amount of NIS 37 million (0.24 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 3b2 to the financial statements ).

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

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**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.

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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:

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2022	2021	2022	2021	2021
<b>NIS in millions (other than per share data)</b>					
<b>Net income (loss) for the period attributable to equity holders of the Company</b>	<b>(395)</b>	<b>119</b>	<b>(74)</b>	<b>(18)</b>	<b>646</b>
<b>Adjustments:</b>					
Fair value loss (gain) from investment property and investment property under development, net	(376)	33	(331)	49	(621)
Capital loss on disposition of investment property	28	24	(20)	2	43
Changes in the fair value of financial instruments, including derivatives, measured at fair value through profit or loss	727	(183)	347	(43)	(580)
Adjustments with respect to equity-accounted	6	3	7	1	(15)
Deferred taxes and current taxes with respect to disposition of properties	(135)	83	7	(11)	629
Acquisition costs recognized in profit or loss	-	2	-	-	4
Loss from early redemption of interest-bearing liabilities and financial derivatives	3	25	(1)	(1)	39
Non-controlling interests' share in above adjustments	41	3	19	26	83
<b>Nominal FFO (EPRA Earnings)</b>	<b>(101)</b>	<b>109</b>	<b>(46)</b>	<b>5</b>	<b>228</b>
<b>Additional adjustments:</b>					
CPI linkage and exchange rate differences	322	109	197	106	212
Depreciation and amortization	10	10	5	5	20
Other adjustments <sup>(1)</sup>	28	8	12	5	29
<b>Economic FFO according to the management approach (Economic Adjusted EPRA Earnings)</b>	<b>259</b>	<b>236</b>	<b>168</b>	<b>121</b>	<b>489</b>
<b>Economic FFO per share according to the management approach (in NIS)</b>	<b>1.60</b>	<b>1.55</b>	<b>1.01</b>	<b>0.80</b>	<b>3.23</b>
Coupon per hybrid debentures	(49)	(24)	(25)	(17)	(72)
<b>Economic FFO according to the management approach (Economic Adjusted EPRA Earnings)</b>	<b>210</b>	<b>212</b>	<b>143</b>	<b>104</b>	<b>417</b>
<b>Economic FFO per share according to the management approach (in NIS)</b>	<b>1.30</b>	<b>1.40</b>	<b>0.86</b>	<b>0.69</b>	<b>2.75</b>
<b>Economic FFO adjusted for exchange rates according to the management approach</b>	<b>210</b>	<b>196</b>	<b>143</b>	<b>99</b>	
<b>Economic FFO adjusted for exchange rates according to the management approach (in NIS)</b>	<b>1.30</b>	<b>1.30</b>	<b>0.86</b>	<b>0.65</b>	
<b>Number of shares used in the Economic FFO per share calculation (in thousands)<sup>(2)</sup></b>	<b>162,113</b>	<b>151,920</b>	<b>166,122</b>	<b>152,039</b>	<b>151,976</b>

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.

**DIRECTORS' REPORT ON THE COMPANY'S BUSINESS****Economic FFO guidance**

The Company as many other real estate companies in North America and Europe, presents FFO guidance. The purpose of the Company's guidance is to disclose Management's view as to the expected financial and operating performance of the Company.

Presented below is the 2022 guidance, based on publicly available information and Management's assessments, including the FFO guidance of public investees, where published, and on the following assumptions:

- Known exchange rates and interest rates as of the operating date.
- Acquisitions, sales, investments in development of properties according to the Company's plan.
- Excluding unanticipated material events that affect the Group's operations.

	<u>1-6/22</u>	<u>2022</u>	<u>2021</u>
	<u>Actual</u>	<u>Guidance</u>	<u>Actual</u>
NIS in millions			
Economic FFO according to the management approach	259	476-509	489
Coupon per hybrid debentures	(49)	(99)	(72)
Economic FFO per share according to the management approach deducting hybrid debenture coupon	210	377-410	417
NIS			
Economic FFO according to the management approach	1.60	2.90-3.10	3.23
Coupon per hybrid debentures	(0.30)	(0.60)	(0.48)
Economic FFO per share according to the management approach deducting hybrid debenture coupon	1.30	2.30-2.50	2.75

**The Company's Economic FFO guidance for 2022 is forward-looking information, as defined in the Securities Law, 1968, which is based on the aforementioned assumptions, including assessments and estimates by Management of the of Company and the Group companies pertaining to future events and matters whose materialization is not certain nor under the Group's control. There is no certainty that the guidance will be realized, wholly or partly, and actual results could be different from those set forth above due, inter alia, to their dependence on events that are not under the control of the Company and of the Group.**

**DIRECTORS' REPORT ON THE COMPANY'S BUSINESS**

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 March 31, 2021, 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.

	<b>Three months ended June 30,</b>		<b>Year ended December 31,</b>
	<b>2022</b>	<b>2021</b>	<b>2021</b>
	<b>NIS in millions</b>		
Rental income	580	557	2,296
Property operating expenses	171	177	714
NOI for the period	409	380	1,582
Less - minority's share in NOI	(90)	(84)	(530)
Add - Company's share in NOI of associate and jointly controlled companies	17	10	49
<b>NOI for the period - the Group's proportionate share</b>	<b>336</b>	<b>306</b>	<b>1,101</b>
<b>Annual NOI - the Group's proportionate share</b>	<b>1,344<sup>1</sup></b>	<b>1,096<sup>1</sup></b>	<b>1,101</b>

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

New properties, properties under development and land, which are not yet income-producing and which are presented at their fair values in the Group's books (according to the proportionate consolidation method) as of June 30, 2022, amounted to NIS 4,068 million.

The Group's monetary liabilities, net of monetary assets (according to the proportionate consolidation method) as of June 30, 2022, amounted to NIS 21,438 million.

**DIRECTORS' REPORT ON THE COMPANY'S BUSINESS****2.5. Net Asset Value (EPRA NRV, EPRA NTA and EPRA NDV)**

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 the fair value of financial liabilities, as well as 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 NRV, EPRA NTA and EPRA NDV:

	<u>June 30</u>		<u>December 31,</u>
	<u>2022</u>	<u>2021</u>	<u>2021</u>
	<u>NIS in millions</u>		
<b><u>EPRA NRV</u></b>			
Equity attributable to the equity holders of the Company, per the financial statements	6,021	5,849	5,307
Exclusion of deferred tax liability on revaluation of investment property to fair value (net of minority's share) <sup>1</sup>	1,149	936	1,306
Fair value asset adjustment for derivatives, net <sup>2</sup>	(260)	(136)	(207)
<b>EPRA NRV</b>	<b>6,910</b>	<b>6,649</b>	<b>6,460</b>
<b>EPRA NRV per share (in NIS)</b>	<b>41.4</b>	<b>43.6</b>	<b>42.0</b>
<b><u>EPRA NTA</u></b>			
Equity attributable to the equity holders of the Company, per the financial statements	6,021	5,849	5,307
Exclusion of deferred tax liability on revaluation of investment property to fair value (net of minority's share) <sup>1</sup>	649	547	731
Goodwill adjustment attributable to assets	(243)	(298)	(267)
Fair value asset adjustment for derivatives, net <sup>2</sup>	(260)	(136)	(207)
<b>EPRA NTA</b>	<b>6,167</b>	<b>5,962</b>	<b>5,564</b>
<b>EPRA NTA per share (in NIS)</b>	<b>37.0</b>	<b>39.1</b>	<b>36.5</b>
<b><u>EPRA NDV</u></b>			
Equity attributable to the equity holders of the Company, per the financial statements	6,021	5,849	5,307
Goodwill adjustment attributable to assets	(243)	(298)	(267)
Fair value asset adjustment for derivatives, net	1,948	(909)	(1,082)
<b>EPRA NDV</b>	<b>7,726</b>	<b>4,642</b>	<b>3,958</b>
<b>EPRA NDV per share (in NIS)</b>	<b>46.3</b>	<b>30.5</b>	<b>26.0</b>
<b>Issued share capital of the Company used in the calculation (in thousands of shares)<sup>3</sup></b>	<b>166,866</b>	<b>152,536</b>	<b>152,508</b>

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.



## DIRECTORS' REPORT ON THE COMPANY'S BUSINESS

### 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 acres, 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 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 two properties in Norway that are not at the core of its business for about 145 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 for EUR118 million (NIS 422 million).

The effect of the investments on the operating results of the Group will be reflected in full in 2022 onwards.

#### Property activities

##### 1) Highlights of operational data:

	Income producing properties <sup>1</sup>	GLA (in thousands of square meters)	Occupancy rate in core properties	
			30.6.2022	30.6.2021
G Israel	13	161	97.9%	98.0%
Gazit Brasil	7	176	94.5%	93.2%
Gazit Horizons	13	85	93.5%	90.5%
CTY	37	1,120	94.2%	93.1%
G Europe	25	748	91.7%	92.2%

	Average basic monthly rent per square meter		Change in same property NOI <sup>2</sup>		NOI (million)	
	30.6.2022	30.6.2021	Reporting period	Quarter	Q2. 2022	Q2. 2021
G Israel	NIS 113.9	NIS 113.2	34.3%	10.1%	NIS 48.5	NIS 43.8
Gazit Brasil	R\$ 73.7	R\$ 65.6	70.2%	85.3%	R\$59.8	R\$ 40.9
Gazit Horizons	\$ 51.6	\$51.6	6.9%	9.4%	\$ 4.6	\$ 3.0
CTY	€ 23.6	€ 22.8	6.1%	9.1%	€ 52.7	€ 50.8
G Europe	€ 16.1	€ 14.6	8.6%	14.6%	€ 31.9	€ 28.5

<sup>1</sup> Includes jointly controlled properties.

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

## DIRECTORS' REPORT ON THE COMPANY'S BUSINESS

## 2) Projects in construction and development stage in the Private Companies (Gross)

Commercial and Office Projects		Gross GLA Area (SQM)	GCITY Share	Expected Completion	Fair Value As of 30.6.22 (100%, Million NIS)	Cost to Complete (100%, Million NIS)	Expected Annual NOI (100%, NIS Million)
The Project	Plan						
<b>Savyon</b>	Expanding commercial and office area.	5,600	100%	Q4-22	75	23	9
<b>Water Plant Kfar Saba Plot 50</b>	Completing the water plant project, 2 commercial floors	3,700	25.5%	Q3-23	28	26	3
<b>G City Rishon Lezion</b>	Office Tower: Excavation and deepening work have been completed. Foundation works have been accomplished	65,100	100%	Q1-26	144	769	67
<b>G Kfar Saba</b>	Expanding commercial area: The project is in planning and licensing stage	6,000	51%	To be updated	28	106	85
<b>G Kfar Saba</b>	Office Tower: City zoning plan has been approved for an office tower. The project in currently at the first stage of planning, the company is looking to change the zoning to a residential tower	26,100	51%	To be updated	19	365	29
<b>Home-Depot New York</b>	Renovation of a 4-story property, for the Home Depot new store	9,000	100%	Q3/23	532	-	27
<b>Market Place, Boston</b>	Adding 7 stories of office space above the existing 3-story building	16,000	65%	2025	-	346	37
					<b>826</b>	<b>1,635</b>	<b>181</b>
<b>Total 100%</b>					<b>783</b>	<b>1,264</b>	<b>147</b>

## DIRECTORS' REPORT ON THE COMPANY'S BUSINESS

Residential for Rent Projects		Gross GLA Area (SQM)	GCITY Share	Expected Completion	Fair Value As of 30.6.22 (100%, Million NIS)	Cost to Complete (100%, Million NIS)	Expected Annual NOI (100%, NIS Million)
The Project	Plan						
<b>Tel Hashomer Apartment for Rent'</b>	Construction of 4 residential apartment buildings with 243 apartments for rent (before right additions/Shabas reliefs) for long-term leasing, for a period of 20 years	30,670	100%	Q2-25	535	319	24
<b>Brickell, Miami</b>	Constructing a 48-story tower above the commercial floors, it was approved to expand the building right to 504 units	42,000	100%	2025	159	844	50
<b>AER Tampa</b>	Development of a premier luxury rental building with 334 units for rent	37,000	94%	2024	100	430	37
<b>Promenada, Warsaw</b>	A residential for rent project, adjacent to the existing mall Atruim Promenada. The project will be built on a land of approx. 9,300 sqm owned by the company	63,000	100%	Q4-23   200 units	116	788	45
<b>Rubikon, Warsaw</b>	A residential leasing project which includes 541 units, located in the western side of Warsaw in Wtochy square	15,970	100%	Q4-22	109	30	8
<b>Raclawicka, Krakow</b>	A residential leasing project which includes 109 units, in the northern area of Krakow in Krowodrza square	4,676	100%	Q3-22	52	3	3
				<b>Total 100%</b>	<b>1,071</b>	<b>2,413</b>	<b>167</b>

\*The information above includes information regarding projects under planning and construction (including additional projected area, projected time to complete, cost to complete and projected annual NOI), which constitutes a forward-Looking Statements, as defined under Israeli Securities Law – 1968. Such information is based on the Company's estimations as of the date of this presentation and might change in the future. Actual results may vary significantly from those presented above, depending on a variety of factors, including the risk factors which characterize the group's activities, as detailed in the company's periodic report (including under the heading "risk factors") and other information reported by the company to the Securities Authority, including economic conditions that effect geographic areas, changes in the rental policy of the marketing chains, and material tenants, risks involved in activity in the area of renewal and development of properties, competition, increase in operating expenses and other expenses, the developments in the economic and geopolitical environment in the areas of activity of the company and its held companies, as well as obtaining regulatory approvals required to exploit the development potential , and therefore the results of the company's activity, may differ substantially from the above.

**DIRECTORS' REPORT ON THE COMPANY'S BUSINESS****3) Effect of the Macro-Economic Environment on the Group's Activity**

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.

Presented below are macro-economic data for the countries where the Group operates<sup>1</sup>:

	Growth (GDP)		Rate of unemployment	Inflation forecast	Yield on government debentures (10 years)	Debt rating (S&P)
	2022 forecast	2021				
Israel	5.00%	8.00%	3.90%	4.0%	2.460%	AA-
Poland	4.60%	5.90%	5.40%	13.6%	2.730%	A-
Finland	1.80%	3.50%	7.90%	1.8%	1.388%	AA+
Norway	3.50%	3.90%	1.70%	4.6%	2.716%	AAA
Brazil	1.60%	4.80%	11.17%	9.8%	9.870%	BB-
Czech Republic	2.00%	3.60%	3.30%	13.8%	3.685%	AA-
Russia	(8.00%)	4.70%	3.93%	14.4%	NA	NR
Sweden	2.30%	5.10%	8.43%	6.4%	.341% <sup>1</sup>	AAAu
USA	2.00%	5.70%	3.60%	8.0%	2.777%	AA+u
Canada	3.60%	4.70%	5.07%	6.9%	2.759%	AAA

International debt rating of Group companies:

Rating Agency	G City <sup>2</sup>	CTY	G Europe
Moody's	iA1 <sup>3</sup> / Stable	Baa3/ Stable	Ba2/ Negative
S&P	iA+ <sup>3</sup> / Negative	BBB-/ Negative	-
Fitch	-	-	BB/Stable

<sup>1</sup> Data source: Bloomberg – August 2022.

<sup>2</sup> The Company has a short-term issuer rating of 'iA1-I' and 'P-1.il' by S&P Maalot and Midroog, respectively.

<sup>3</sup> The Company's secured debentures (Series O), rated by S&P Maalot and Midroog at a rating level of 'iAAA-' and 'Aa3.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), approximately 58% of the total debt, and the increase in the index increases the company's financing expenses, respectively. 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 company's debt is long-term debt with fixed interest rate (87% 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's financing 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.

**DIRECTORS' REPORT ON THE COMPANY'S BUSINESS**

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**3.2. Material Events at the Group During the quarter**

- A. For details regarding the completion of the acquisition of the minority shares in G Europe, by way of merger, refer to Note 3b2 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 buyback of G Europe's debentures in the amount of EUR 80 million, refer to Notes 3a1 and 3a2 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.

**3.4. Financial Position****Current assets**

Current assets, as of June 30, 2022, total NIS 4.4 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.

**Equity-accounted investees**

The balance of equity-accounted investees amounted to NIS 1.7 billion as of June 30, 2022, similar to NIS 1.5 billion as of December 31, 2021. The balance of the equity-accounted investees is primarily comprised of 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 below). The balance of the financial derivatives is presented net of amounts received under CSA (Credit Support Annex) agreements entered 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 June 30, 2022, the aforesaid balance of financial derivatives amounted to NIS 361 million, compared to NIS 200 million as of December 31, 2021.

**DIRECTORS' REPORT ON THE COMPANY'S BUSINESS**

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**Investment property and investment property under development**

Investment property and investment property under development (including assets held for sale that are presented under current assets), as of June 30 2022, amounted to NIS 34.5 billion, compared to NIS 33.2 billion as of December 31, 2021.

The increase in these balances during the quarter is primarily due from fluctuation in exchange rates and increase in the value of net assets in the amount of NIS 376 million.

**Intangible assets, net**

Intangible assets, net, as June 30 2022, totaled NIS 476 million, compared to NIS 512 million as of December 31, 2021. The intangible assets primarily consist of goodwill relates to properties in Norway own by CTY.

**Current liabilities**

Current liabilities, as of June 30 2022, totalled NIS 3.9 billion, compared to NIS 3.1 billion as of December 31, 2021. The balance mainly includes short-term credit from banks and others and current maturities of long-term liabilities, in the amount of NIS 3.0 billion, compared to NIS 2.0 billion as of December 31, 2021.

**Non-current liabilities**

Non-current liabilities, as of June 30 2022, totaled NIS 24.2 billion, compared to NIS 24.4 billion as of December 31, 2021. The decrease in non-current liabilities is primarily due to a decrease in deferred taxes.

**Equity attributable to the equity holders of the Company**

Equity attributable to the equity holders of the Company, as of June 30 2022, amounted to NIS 6,021 million, compared to NIS 5,307 million as of December 31, 2021.

The increase is due to the issuance of the Company's shares and options in the amount of NIS 468 million and from an increase in capital reserves in the amount of NIS 747 million (mainly from foreign currency translation reserve). The aforesaid increase was offset by the declared dividend of NIS 106 million and a loss attributed to the Company's shareholders in the amount of NIS 395 million.

The equity per share attributable to the equity holders of the Company as of June 30 2022 totaled NIS 36.1 per share, compared to NIS 35.0 per share as of December 31, 2021, after a dividend distribution of NIS 0.64 per share during the Reporting period.

**Non-controlling interests**

Non-controlling interests, as of June 30 2022, amounted to NIS 7.1 billion, compared to NIS 8.2 billion as of December 31, 2021. The balance primarily comprised 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 to the acquisition of the minority shares in G Europe (refer to Note 3b2 to the financial statements) in the amount of NIS 1.1 billion, from the portion of other shareholders in dividend distributed by the subsidiaries in the amount of NIS 0.3 billion. The aforesaid decrease was offset by net income attributed to non-controlling interest in the amount of NIS 0.4 billion.

**DIRECTORS' REPORT ON THE COMPANY'S BUSINESS****3.5. Results of Operations and their analysis****A. Results of operations are as follows:**

	Six months ended		Three months ended		Year ended
	June 30,		June 30,		December
	2022	2021	2022	2021	31,
	Unaudited				Audited
NIS in millions (except for net earnings (loss) per share data)					
Rental and other income	1,137	1,142	580	557	2,296
Property operating and other expenses	348	360	171	153	714
Net operating income	789	782	409	394	1,582
Fair value gain (loss) from investment property and investment property under development, net	376	(33)	331	(49)	621
General and administrative expenses	(189)	(169)	(91)	(86)	(342)
Other income	30	16	26	16	16
Other expenses	(58)	(37)	(6)	(14)	(58)
Company's share in earnings (losses) of equity- accounted investees, net	2	7	(6)	4	41
Operating income (loss)	950	566	663	265	1,860
Finance expenses	(1,362)	(522)	(678)	(310)	(1,017)
Finance income	45	375	25	145	886
Profit (loss) before taxes on income	(367)	(419)	10	100	1,729
Taxes on income (tax benefit)	(123)	(138)	8	15	690
Net income (loss)	(244)	(281)	2	85	1,039
Attributable to:					
Equity holders of the Company	(395)	(119)	(74)	(18)	646
Non-controlling interests	151	(162)	76	103	393
	(244)	(281)	2	85	1,039
<u>Net earnings (loss) per share attributable to equity holders of the Company (in NIS):</u>					
Total basic net earnings (loss)	(2.44)	0.78	(0.45)	(0.12)	4.26
Total diluted net earnings (loss)	(2.45)	0.78	(0.45)	(0.12)	4.25

**DIRECTORS' REPORT ON THE COMPANY'S BUSINESS****The statement of comprehensive income is as follows:**

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2022	2021	2022	2021	2021
	Unaudited				Audited
	NIS in millions				
Net income (loss)	(244)	281	2	85	1,039
Other comprehensive income (loss) (net of tax effect):					
<u>Amounts that will not be reclassified subsequently to profit or loss</u>					
Net gains of financial assets at fair value through other comprehensive income	1	12	2	3	27
<u>Amounts that will not be reclassified subsequently to profit or loss</u>					
Exchange differences on translation of foreign operations	849	32	277	22	(1,862)
Net gains on cash flow hedges	103	33	44	4	57
Total other comprehensive (loss) gain	953	77	323	29	(1,778)
Total comprehensive (loss) gain	709	358	325	114	(739)
Attributable to:					
Equity holders of the Company	353	289	139	133	(222)
Non-controlling interests	356	69	186	(19)	(517)
	709	358	325	114	(739)



**DIRECTORS' REPORT ON THE COMPANY'S BUSINESS**

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**B. Analysis of results of operations for the second quarter of 2022****Rental income and others**

Excluding the average exchange rates the rental income and others in the Quarter increased by 11.8% compared with the corresponding quarter the prior year. The increase is due to the restrictions imposed by governments in countries which the company operates following the Covid-19 pandemic as well as investments in assets during the past 12 months.

The aforesaid increase was offset from the sale of non-core assets during the past 12 months.

Rental income and others increased by 4.1% to NIS 580 million in the Quarter, compared with NIS 557 million in the corresponding quarter the prior year.

**Property operating expenses and others**

Property operating expenses and others totaled NIS 171 million in the Quarter, representing 29.5% of total rental income and others, compared with NIS 163 million, representing 29.3% of total rental income and others in the corresponding quarter the prior year.

**Net operating income (NOI)**

Excluding the change in the average exchange rates, the net operating rental income in the Quarter increased by 11.1% 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 3.8% to NIS 409 million in the Quarter (70.5% of total rental income), compared with NIS 394 million (70.7% of rental income) in the corresponding quarter the prior 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 in the Quarter a fair value gain on its properties in a gross amount of NIS 331 million, compared to fair value loss of NIS 49 million in the corresponding quarter in the prior year. The fair value gain in the quarter is mainly due to the properties in the USA resulting from an increase in the properties flow, from the properties of G Europe in Russia following the strengthening of the Russian ruble as well as from the properties in Israel resulting from the increase in the consumer price index in Israel.

**General and administrative expenses**

General and administrative expenses totaled NIS 91 million (15.7% of total income) in the Quarter, compared to NIS 86 million (15.4% of total income) in the corresponding quarter in the prior year.

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

In the Quarter, the Company's share in loss of equity-accounted investees amounted to NIS 6 million (compared to a gain of NIS 4 million recorded in the corresponding quarter in the prior year) and is primarily comprised of the Group's share in the net earnings of CTY, Gazit Horizons, G Europe and Gazit Canada (G Tripllle).

**Finance expenses**

Finance expenses amounted to NIS 678 million in the Quarter, compared to NIS 310 million in the corresponding quarter in the prior year. The increase in finance expenses in the quarter compared to the corresponding quarter in the prior year is primarily due to a loss from revaluation of financial instruments derivatives in the amount of NIS 135 million compared with income from revaluation of financial instruments in the corresponding quarter in the prior year and from the linkage differences expenses in respect of debt linked to the consumer price index in Israel (which increased in the quarter at a rate of 1.9% compared to an increase of about 1.3% in the corresponding quarter in the prior year) in the amount of NIS 202 million in the quarter, compared with expenses from linkage differences in the amount of NIS 98 million in the corresponding quarter in the prior year as well as a loss from revaluation of marketable securities in the quarter in the amount of NIS 149 million.

**DIRECTORS' REPORT ON THE COMPANY'S BUSINESS**

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**Finance income**

Finance income totaled NIS 25 million in the Quarter, compared to NIS 145 million in the corresponding quarter in the prior year. Finance income in the Quarter primarily comprises from dividend income in the amount of NIS 6 million (an income of NIS 83 million was recorded in the corresponding quarter in the prior year) and interest income in the amount of NIS 13 million (an income of NIS 8 million was recorded in the corresponding quarter in the prior year). In addition, financing income in the corresponding quarter in the prior year included an income from the revaluation of derivative financial instruments in the amount of NIS 45 million.

**Taxes on income (tax benefit)**

Tax expenses totaled NIS 8 million in the Quarter, compared with tax expenses of 15 million in the corresponding quarter in the prior year. Tax expenses in the Quarter comprises primarily of deferred tax income of NIS 10 million, arising mainly from net changes in the temporary differences between the tax base and fair value of investment property and investment property under development, including disposition of properties as well as structural change in the Group and carry forward losses (in the corresponding quarter last year, net deferred tax expenses of NIS 23 million arising primarily as the net changes in the temporary differences between the tax base and the fair value of investment property and investment property under development, including disposition of properties). In the Quarter, the Group companies recorded current tax expenses in an amount of NIS 25 million, compared with current tax income of NIS 8 million in the corresponding Quarter in the prior year. In addition, in the corresponding Quarter in the prior year tax income was recorded with respect to prior years in the amount of NIS 7 million.

**DIRECTORS' REPORT ON THE COMPANY'S BUSINESS**

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**C. Analysis of Results of Operations for the Reporting Period****Rental and other income**

Excluding the change in the average exchange rate rental and other income in the Reporting Period increased by 7.2% as compared to the corresponding period in the prior year. The increase is mainly due to the effects of the Covid-19 epidemic during the aforementioned periods as well as from investments in properties during the last 12 months. The aforementioned increase was offset by the sale of non-core properties during the last 12 months.

Rental and other income decreased by 0.4% to NIS 1,137 million in the Reporting Period, compared to NIS 1,142 million in the corresponding period in the prior year.

**Property operating and other expenses**

Property operating and other expenses and others totalled NIS 348 million in the Reporting Period, representing 30.6% of total rental and other income, compared to NIS 360 million, representing 31.5% of total rental and other income, corresponding period in the prior year. The decrease in property and other operating expenses is due to the reduction of property operation expenses.

**Net operating income (NOI)**

Excluding the change in the average exchange rates the net operating income in the Reporting Period increased by 8.5%, compared with the corresponding period in the prior year.

The decrease in net operating income is due to the reasons described in income from rental income and others above.

Net operating income increased by 0.9% to NIS 789 million in the Reporting Period (69.34 of rental income), compared to NIS 782 million (68.5% of rental income) in the corresponding period the prior 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 Group recognized, in the Reporting Period, a fair value gain on its properties in a gross amount of NIS 376 million, compared to a loss of NIS 33 million, in the corresponding period in the prior year. The fair value gain in the Reporting period is mainly due to properties in the USA resulting from an increase in properties flow, from the properties of G Europe in Russia following the strengthening of the Russian ruble as well as from the properties in Israel resulting from the increase in the consumer price index in Israel.

**General and administrative expenses**

General and administrative expenses totalled NIS 189 million (16.9% of total revenues), in the reporting Period, compared to NIS 169 million (14.8% of total revenues) in the corresponding period in the prior year. The increase in general and administrative expenses is due to one-time expense related to the merger with G Europe.

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

In the Reporting Period, the Company's share in earnings of equity-accounted investees amounted to NIS 2 million (compared to earnings of NIS 7 million recorded in the comparable period in the prior year) and is primarily comprised of the Group's share in the net earnings of CTY, Gazit Horizons, G Europe and Gazit Canada (G Tripille).

**Finance expenses**

Finance expenses amounted to NIS 1,362 million in the Reporting Period, compared to NIS 522 million in the comparable period in the prior year. The increase in finance expenses in the Reporting Period, compared to the corresponding period in the prior year is primarily due to a loss from revaluation of financial instruments derivatives in the amount of NIS 547 million compared with income from revaluation of financial instruments in the corresponding period in the prior year and from the linkage differences expenses in respect of debt linked to the consumer price index in Israel (which increased in

**DIRECTORS' REPORT ON THE COMPANY'S BUSINESS**

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the reporting period at a rate of 3.1 % compared to an increase of 1.4% in the corresponding period in the prior year) in the amount of NIS 326 million in the reporting period, compared with expenses from linkage differences in the amount of NIS 102 million in the corresponding period in the prior year, as well as a loss from revaluation of marketable securities in the reporting period in the amount of NIS 118 million.

The average interest on the Company's interest bearing liabilities (on expanded solo basis) 3.20% compared to 3.57% in the corresponding period in the prior year.

**Finance income**

Finance income totaled NIS 45 million in the Reporting Period, compared to NIS 375 million in the corresponding period in the prior year. Finance income in the Reporting Period primarily comprises from dividend income in the amount of NIS 16 million (an income of NIS 222 million was recorded in the corresponding period in the prior year including a gain from revaluation of marketable securities) and interest income in the amount of NIS 25 million (an income of NIS 18 million was recorded in the corresponding period in the prior year).

**Taxes on income (tax benefit)**

Tax income totaled NIS 123 million in the Reporting Period, compared to tax expenses of NIS 138 million in the corresponding period in the prior year. Tax income in the Reporting Period primarily consists of deferred tax income in the amount of NIS 135 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 due to the disposal of properties as well as structural change in the Group and carry forward losses (in the comparable period in the prior year – net deferred tax expenses of NIS 102 million relating to 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 due to the disposal of properties). In the Reporting Period, Group companies recorded current tax expenses of NIS 42 million, compared to current tax expenses of NIS 40 million in the corresponding period in prior year. In addition, tax income for previous years was recorded in the amount of NIS 30 million compared to NIS 1 million in the corresponding period in the prior year.

**DIRECTORS' REPORT ON THE COMPANY'S BUSINESS**

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**3.6. Liquidity and Capital Resources**

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 of the Company and its subsidiaries are the cash generated from its income-producing properties, issuing of debentures, hybrid debentures, capital raising, credit facilities and long-term loans (including loans secured property), 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 June 30, 2022, the Company and its subsidiaries have liquidity, including undrawn long term credit facilities<sup>1</sup> available for immediate drawdown and liquid balances totaling NIS 5.9 billion (of which NIS 3.9 billion at the Company and its wholly-owned subsidiaries), including cash and short-term deposits in the amount of NIS 2.5 billion (of which NIS 2.4 billion at the Company and its wholly-owned subsidiaries) and approved undrawn long term credit facilities available for immediate drawdown totaling NIS 3.4 billion.

Furthermore, as of June 30, 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 22.6 billion (65.5% of the total investment property and investment property under development).

As of June 30, 2022, the Company's separate reports (solo) has a negative working capital of approximately NIS 1.2 billion and negative 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<sup>1</sup>, 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 3.4 billion and NIS 1.5 billion, respectively. 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 Company and its subsidiaries, 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 in its subsidiaries.

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<sup>1</sup> Signed credit lines with financial institutions pursuant to which these institutions are obligated to provide the Group with the aforesaid credit, subject to complying with the terms prescribed in the agreements, and with respect to which the Group companies pay various commissions, including commitment fees.

**DIRECTORS' REPORT ON THE COMPANY'S BUSINESS**

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**3.7. Cash flows**

Cash flow generated from operating activities in the Reporting period and in the Quarter totaled NIS 347 million and NIS 258 million, respectively, compared to NIS 205 million and NIS 116 million, respectively, in the corresponding periods in the prior year.

During the Reporting period, the Company and its subsidiaries financed their activities by issuance of debentures and stock options in the amount of NIS 468 million and through the sale of investment property in the net amount of NIS 136 million. These cash flows were primarily used for the purchase of G Europe's minority shares in the amount of NIS 1,100 million, for loans repayments and credit lines in the net amount of NIS 138 million, for dividend payments by the Company and its subsidiaries in the amount of NIS 458 million and for investments in financial properties in net amount of NIS 127 million, for repayment of debentures in net amount of NIS 481 million and for investments in financial assets through joint venture in the amount of NIS 215 million.

During the quarter, the Company and its subsidiaries financed their activities by issuance of debentures and stock options in a the amount of NIS 65 million, through realization of investment property in the net amount of NIS 171 million, through realization of financial properties in the net amount of NIS 126 million and through loans and credit facilities in the net amount of NIS 576 million.

These cash flows were mainly used for dividend payments by the Company and its subsidiaries in the amount of NIS 143 million, for repayment of debentures in net amount of NIS 483 million and for investments in financial assets through joint venture in the amount of NIS 215 million.

**3.8. Repurchase Program**

- A.** On March 23, 2022, 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, 2023. Purchases will be made under the program from time to time and at the discretion of the Company's Management. As of this date, no repurchases have been made under this program.
- B.** On May 23, 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. As of this date, no repurchases have been made under this program.

**DIRECTORS' REPORT ON THE COMPANY'S BUSINESS**

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**4. 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. The Group operates globally and is consequently exposed to currency risks resulting from fluctuations in exchange rates of various currencies (primarily the euro, U.S. dollar and the Brazilian real). Since March 21, 2022, the approval date of the Company's annual report for 2021, there has not been any material changes in the management or nature of the market risks to which the Company is exposed.
- 4.2.** During the period from January 1, 2022 through the date of the approval of the financial statements, the CEO and Executive Vice President and CFO have held and continue to hold regular discussions concerning the exposure to market risks, including changes in exchange rates and interest rates. Furthermore, during such period, the Company's Board of Directors discussed the foregoing risks and the Company's policy regarding them at meetings in which the financial statements as of December 31, 2021 and March 31, 2022 were approved.
- 4.3.** Changes in foreign currency exchange rates – during the period from January 1, 2022 through June 30, 2022, the NIS depreciated against the Euro the Brazilian real and the U.S. dollar by 3.3%, by 19.2%, by 12.5% and by 10.9%, respectively. With regard to the impact of exchange rate changes on the Company's equity, as of June 30, 2022, refer to Appendix A of the Directors' Report. In addition, as of June 30, 2022 until immediately prior to the date of approval of this report, the NIS appreciated against the Euro, the U.S. dollar, the Canadian dollar and the Brazilian real by 9.7%, by 7.0%, by 7.3% and by 4.9%, respectively.

In addition, some of the Company's liabilities (primarily with respect to operations in Israel) are linked to changes in the Israeli consumer price index. During the period from January 1, 2022 through June 30, 2022, the Israeli consumer price index (known index) rose by 3.1%. In addition, as of June 30, 2022, until immediately prior to the date of approval of this report, the Israeli consumer price index (known index) rose by 1.5%.

- 4.4.** 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. Additionally, Management regularly evaluates the linkage bases report and takes appropriate action in accordance with exchange rate fluctuations.

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 the date of approval of this report, refer to the table attached as Appendix A of the Directors' Report.

## **DIRECTORS' REPORT ON THE COMPANY'S BUSINESS**

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### **5. Corporate Governance Aspects**

#### **Donations**

The Group has undertaken to assist the communities in which it operates in accordance with the donation policy approved by the Company's Management. During the Reporting Period, the Group made donations to a variety of projects in the areas of education, culture, welfare, and health in the various countries in which the Company operates.

- A.** The majority of the Group's donations in the Reporting Period was directed to the field of education for the benefit of the "Supporting the South" initiative, which was established by the Company eight years ago. Within the framework of the initiative, the Company supports the educational systems of periphery towns in the Negev, including providing support to elementary and high schools, as well as to several nursery schools and preschool centers.
- B.** Communal involvement – the Group supports a variety of volunteer organizations in the fields of welfare, health and culture.

During the Reporting Period, the Group's donations amounted to NIS 3.0 million.

### **6. Disclosure Regarding the Financial Reporting of the Company Subsequent events**

For details regarding the buyback of G Europe's debentures in the amount of EUR 8 million, refer to Note 3a2 to the financial statements.

### **7. Details Concerning the Company's Publicly-Held Debt Certificates**

- A.** 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, 2021 is NIS 478 million. The valuation of the pledged properties as of December 31, 2021 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).

- B.** 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. 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, refer to Note 3a to the financial statements. 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 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.

For further details regarding G Europe, refer to G Europe's financial statements published on August 10, 2022 (Reference No. 2022-01-101311) in which the information contained herein is hereby incorporated by reference. In February 2022, the Company leased for the benefit of the shareholders (Series P) an additional 17.5 million G Europe shares, due to the distribution of the special dividend declared by G Europe, in accordance with the provisions of the trust deed. Also, the company processed additional G Europe shares as



**DIRECTORS' REPORT ON THE COMPANY'S BUSINESS**

part of the series expansion of shares (series P), as detailed in the update to Section 19 – Update to the description of the company's business.

- C.** The trust deeds by virtue of which the debentures were issued in circulation, do not impose restrictions on the Company on the creation of additional liens on the Company's assets or in connection with the Company's authority to issue additional debentures other than a negative current liability (series M, N, O and P)
- D.** 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.
- E.** For details regarding the issuance of debentures (Series P) secured by a pledge of G Europe shares and its expansion, refer to Note 3a3 to the financial statements.
- F.** The principal covenants attaching to the debentures (Series K, L, M, N ,O and P) of the Company are as follows:

<u>Financial ratio</u>	<u>Covenants</u>	<u>As of June 30, 2022</u>
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, P- Higher than 850, during 3 consecutive quarters	1,720
Minimum shareholders' equity (less non-controlling interests) during one quarter (dollars in millions)	Series M, N, O- Higher than 400 P- Higher than 450	1,720
Ratio of net interest-bearing debt to total consolidated assets And	Series K and L-lower than 80%, during 4 consecutive quarters Series M, N, O and P-lower than 75%	158.5%
Minimum rating of the debentures	Series K, L, M, N and O-'ilBaa3'/'ilBBB-'	'ilA1'/'ilA+'

As of June 30, 2022 and as of the approval of the financial statements, the Company complied with the covenants in respect of its debentures.

August 21, 2022

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

<sup>1</sup> 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.

**DIRECTORS' REPORT ON THE COMPANY'S BUSINESS**

**Appendix A of the Directors' Report**  
**Additional Information regarding Currency Exposure**  
**As of June 30, 2022**

The information below sets forth the scope of the Company's currency exposure (the euro, the U.S. dollar, the Canadian dollar, the NIS and the Brazilian real) in connection with the cross-currency swaps which have been transacted, and the scope of the exposure remaining after taking into account the cross-currency swaps, as of date of publication. 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<sup>1</sup>) and the percentages they represent out of the total assets and liabilities, respectively, on a proportionately consolidated basis<sup>2</sup>, and the total financial adjustments made by the Company by means of cross-currency swap transactions, in order 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 currency do not fully correlate, and the exposure reduction to each such currency is reflected in the differences, as presented in the table. For details regarding cash exposure that is affected by the fair value change of swap transactions as a result of the sharp fluctuations from the Corona virus outbreak, refer to section 4.4 below.

<b>Data presented in millions</b>	<b>NIS</b>	<b>U.S.\$</b>	<b>EUR</b>	<b>C\$</b>	<b>BRL</b>	<b>Total in NIS</b>
Assets in original currency	4,629	1,072	4,766	130	4,404	-
Assets in NIS	4,629	3,568	16,157	335	2,859	27,548
<b>% of total assets</b>	<b>17</b>	<b>13</b>	<b>59</b>	<b>1</b>	<b>10</b>	<b>100</b>
Liabilities in original currency	10,496	468	2,432	75	791	-
Cross-currency swap transactions in original currency	5,729	(188)	(1,018)	-	(958)	-
Liabilities in original currency	4,767	656	3,450	75	1,749	-
Liabilities in NIS adjusted for swaps	4,767	2,183	11,695	193	1,135	19,973
<b>% of total liabilities</b>	<b>24</b>	<b>11</b>	<b>58</b>	<b>1</b>	<b>6</b>	<b>100</b>
Total equity in original currency	(138)	416	1,316	55	2,655	-
Total economic equity <sup>3</sup> in NIS	(138)	1,385	4,462	142	1,724	7,575
<b>% of total equity</b>	<b>-2</b>	<b>18</b>	<b>59</b>	<b>2</b>	<b>23</b>	<b>100</b>

1 According to currency exchange rates as of date of publication.

2 The Company's statement of financial position presented on a proportionately consolidated basis has not been prepared in conformance with generally accepted accounting principles, but rather according to the Company's interest in each of the investees at the stated date.

3 Represents the equity attributable to the equity holders of the Company after excluding the provision for deferred taxes with respect to revaluation of investment property.

**UPDATE TO THE DESCRIPTION OF THE COMPANY'S BUSINESS FOR THE 2021 PERIODIC  
REPORT OF G CITY LTD. (formerly GAZIT-GLOBE LTD.)**

Pursuant to Regulation 39A of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970, details are presented below concerning material changes and developments that have taken place in the Company's business since the publication of the Company's Periodic Report for 2020 (the "Periodic Report"), for each matter required to be described in the Periodic Report.

**Update to Section 1 – The Company's operations and its business development**

- A. On May 18, 2022, the company changed its name to G City Ltd. and the company's shares are listed for trading on the Tel Aviv Stock Exchange under the symbol "GTC".
- B. On February 18, 2022, a wholly owned subsidiary of the Company (hereinafter referred to as "the Subsidiary") merged with G Europe, according to which the subsidiary acquired all G Europe shares not owned by the Company, constituting 25% of G Europe's share capital at a price of EUR 3.63 per share and for a total consideration of EUR 376 million (NIS .4 billion) paid in full in cash. The proposed price was adjusted to distribute a special dividend distributed by G Europe in the amount of EUR 0.6 per share. For further details, see Note 3b2 to the financial statements.

**Update to Section 2 – Investment in the company's capital and transactions in its shares in the last two year**

- A. On February 2022, the Company issued 14.5 million shares and 7.25 million stock options for the Company's shares to three institutional entities and Norstar Holdings Inc. the controlling shareholder in the company, in exchange for an amount of NIS 468.
- B. As of January 1, 2022 and up to the publication date of this report, the Company issued 309,161 shares to officers of the Company, employees of the Company and employees of its wholly owned subsidiaries, as a result of the vesting of convertible securities allocated to them as part of their employment conditions.

**Update to Section 3 – Dividend distributions in the last two years**

- A. On April 12, 2022 the Company distributed a dividend to its shareholders in an amount of NIS 53 million (NIS 0.32 per share).
- B. On June 14, 2022, the Company distributed a dividend to its shareholders in an amount of NIS 53 million (NIS 0.32 per share).
- C. For details regarding a dividend declared by the Company after the Reporting Date, refer to Note 5a to the financial statements.

**Update to Section 6 – Acquisition, development and operation of shopping centers in Northern Europe**

During the quarter, CTY sold two non-core properties in Norway for EUR 145 million and also purchased a residential building for rent in Sweden that includes 200 housing units for rent amounting to EUR 70 million.

**Update to Section 7 – Acquisition, development and operation of shopping centers in Central and Eastern Europe**

- A. On August 2022, Atrium European Real Estate Limited changed its name to G City Europe Limited.
- B. For details regarding the purchase of G Europe shares by the Company's wholly-owned subsidiary in the amount of NIS 80 million, refer to Notes 3a1 and 3a2 the financial statements.
- C. On January 17, 2022, following the completion of the Company's merger with G Europe, as described in paragraph 1 above, the rating agency Fitch downgraded G Europe 's long-term issuer rating from 'BBB' to 'BB', with a stable outlook.
- D. On April 6, 2022, following the completion of the merger of G Europe, as described in paragraph 1 above, the rating agency Moody's downgraded G Europe 's unsecured debentures series from 'Baa3' to 'Ba2', with a negative outlook, and the G Europe hybrid debenture rating from 'Ba2' to 'B1' with a negative outlook.
- E. On 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 for EUR118 million (NIS 422 million).

**Update to Section 8 – G Israel**

During March 2022, the company won a tender for the purchase of Beit ICL in the Korazin Givatayim complex, on an area of 7 acres, 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 sq.m. main for public buildings. In June 2022, the Givatayim local committee decided on a plan (subject to adjustments) to increase 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

residential, 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.

#### **Update to Section 10 – Gazit Horizons**

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 \$ 20 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 building located on the riverfront The city's growing artists in front of the Hall of Culture and adjacent to the Tampa Art Museum.

#### **Update to Section 17 – Human capital**

- A. During the reporting period, after receiving the approval of the Compensation Committee, the Company's Board of Directors approved the completion of remuneration for directors who have served or will serve in the Company during the period of restrictions due to special health condition and / or emergency due to Corona virus), in 2022. Completion of such remuneration shall be made in accordance with criteria adopted by the Company's Board of Directors to classify a director's participation in a meeting held by means of communication as a physical meeting, all during the relevant period under the aforesaid temporary order.
- B. On May 2022 the General Meeting of the Company approved directors' remuneration to Mr. Modi Königsberg, who serves as an external director of the Company for his tenure as a director of Gazit Brazil, a subsidiary wholly owned by the Company, in a manner not exceeding Gazit Brazil's Board of Directors in which it will participate, when the remuneration for each meeting does not exceed the maximum amount for a meeting as stated in the Companies Regulations (Rules regarding Remuneration and Expenditure for External Directors), 2000 (hereinafter: "Remuneration Regulations"), according to Gazit Brazil's rank; (2) The annual remuneration set forth in the Remuneration Regulations for a Company in the rank of Gazit Brazil.
- C. On April 30, 2022, Mr. Roni Bar On's tenure as an external director of the company ended, after 9 years of tenure.
- D. The compensation committee and the company's board of directors approved the granting of directors' compensation to Mr. Adi Armoni, who serves as an independent director in the company for his tenure as a director in G Europe, a wholly owned subsidiary of the company, in such a way that he will be entitled to compensation that does not exceed the lower of (1) an amount calculated according to the number of meetings of the G Europe Board of Directors in which he will participate, when the remuneration for each meeting does not exceed the maximum amount per meeting as stated in the Company Regulations (Rules Regarding Remuneration and Expenses for External Directors), 2000 (hereinafter: the "Remuneration Regulations"), according to the rank of G Europe; or (2) The annual remuneration stipulated in the remuneration regulations for a company in the rank of G Europe. The awarding of actual remuneration is subject to receiving the approval of the company's general meeting.
- E. On May 2022, the company's board of directors approved, to receive approval from the company's audit committee, the application of a directors' and officers' liability insurance policy for Mr. Chaim Katzman, the controlling owner of the company who serves as the vice chairman of the company's board of directors and general manager, and Mr. Zvi Gordon, Mr. Katzman's son-in-law who serves as vice president For investments in the company, in respect of their tenure as officers in the company, in the same format and scope as those of the other directors and officers in the company, for a period of three years, in accordance with the company regulations (facilitation of interested party transactions), 2000.
- F. On June 2022, the company agreed with Mr. Hod, who serves as the company's deputy CEO and VP of operations, on the end of his tenure in the company. His employment will end by the end of the year.

#### **Update to Section 19 – Financing**

- A. For details regarding the issuance of debentures (Series P) secured by the lien on G Europe shares, by way of a series expansion, amounting to NIS 174 million, see Note 3a2 to the financial statements.
- B. On January 20, 2022, following the completion of the merger with G Europe as described in paragraph 1 above, the rating agency S&P Maalot downgraded the credit rating for all series of the Company's non-secured debentures to 'ilA+' rating level, with a stable outlook, as well as the credit rating for debentures (Series O) of the company secured by lien lien to 'ilAA 'rating level with a stable outlook.
- C. 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 lien, 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.
- D. On February 2022, the Company leased for the benefit of the shareholders (Series P) an additional 17.5 million ATR shares, due to the distribution of the special dividend declared by G Europe, in accordance with the provisions of the trust deed.

Disclosure regarding effectiveness of assets in accordance with Chapter VI for guidance disclosure regarding investment property activity

**G Savion**

	Second Quarter of 2022	First Quarter of 2022	2021
Value of property income producing (NIS in 000's)	80,046	80,205	77,340
Value of reserved property (NIS in 000's)	76,070	67,332	67,340
Value of property (NIS in 000's)	156,116	147,537	144,680
NOI in the period (NIS in 000's)	2,186	1,053	4,468
Revaluation gains (losses) in the period (NIS in 000's)	2,385	-	(313)
Average occupancy rate in the period	98.6%	98.6%	94.3%
Actual rate of return (%)	5.5%	5.4%	5.8%
Average annual rental per sq. meter (NIS)	140.1	137	137.1
Average annual rental per sq. meter in leases signed in the period (NIS)	-	-	-

**G Rothschild (Company's share of property 51%)**

	Second Quarter of 2022	First Quarter of 2022	2021
Value of property income producing (NIS in 000's)	120,692	117,525	115,986
Value of property construction rights (NIS in 000's)	3,314	3,314	3,314
Value of property (NIS in 000's)	124,006	120,839	119,300
NOI in the period (NIS in 000's)	2,771	1,407	4,289
Revaluation gains (losses) in the period (NIS in 000's)	2,825	-	933
Average occupancy rate in the period	94.1%	94.4%	96.4%
Actual rate of return (%)	4.6%	4.8%	3.7%
Average annual rental per sq. meter (NIS)	97.9	97.1	97.9
Average annual rental per sq. meter in leases signed in the period (NIS)	53.4 <sup>1</sup>	84	89

**G Kohav Hatzafon**

	Second Quarter of 2022	First Quarter of 2022	2021
Value of property (NIS in 000's)	109,048	105,657	104,000
NOI in the period (NIS in 000's)	2,556	1,276	4,781
Revaluation gains (losses) in the period (NIS in 000's)	3,122	-	644
Average occupancy rate in the period	90.2%	90.2%	90.9%
Actual rate of return (%)	4.7%	4.8%	4.6%
Average annual rental per sq. meter (NIS)	261	255.9	250
Average annual rental per sq. meter in leases signed in the period (NIS)	-	-	-

**G Horev Center (Company's share of property 50%)**

	Second Quarter of 2022	First Quarter of 2022	2021
Value of property income producing (NIS in 000's)	112,721	109,654	109,650
Value of reserved property (NIS in 000's)	12,750	12,750	12,750
Value of property (NIS in 000's)	125,471	122,404	122,400
NOI in the period (NIS in 000's)	3,414	1,663	4,620
Revaluation gains (losses) in the period (NIS in 000's)	2,944	-	23,098
Average occupancy rate in the period	94.3%	93.3%	94.6%
Actual rate of return (%)	6.1%	6.1%	4.7%
Average annual rental per sq. meter (NIS)	112.3	109.6	107.7
Average annual rental per sq. meter in leases signed in the period (NIS)	119	151	75

**G CITY LTD. (Previously: GAZIT-GLOBE LTD.)**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**As of June 30, 2022**

**Unaudited**

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## **AUDITORS' REVIEW REPORT TO THE SHAREHOLDERS OF G CITY LTD.**

### **Introduction**

We have reviewed the accompanying financial information of G City Ltd. and subsidiaries ("the Company"), which comprises the condensed consolidated statement of financial position as of June 30, 2022 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six and three months periods then ended. The Company's board of directors and management are responsible for the preparation and presentation of interim financial information for these interim periods in accordance with IAS 34, "Interim Financial Reporting" and are responsible for the preparation of this interim financial information in accordance with Chapter D to the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not review the condensed interim financial information of a certain subsidiary, whose assets constitute approximately 27% of total consolidated assets as of June 30, 2022 and whose included in consolidation constitute approximately 31% and 31% of total consolidated revenues for the six and three months periods then ended, respectively. The condensed interim financial information of those companies was reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to the financial information in respect of those companies, is based on the review reports of the other auditors.

### **Scope of review**

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

### **Conclusion**

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

In addition to the abovementioned, based on our review and the review reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not comply, in all material respects, with the disclosure requirements of Chapter D to the Securities Regulations (Periodic and Immediate Reports), 1970.

Tel-Aviv, Israel  
August 21, 2022

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

**Condensed Consolidated Statements of Financial Position**

	<u>June 30,</u>		<u>December 31,</u>
	<u>2022</u>	<u>2021</u>	<u>2021</u>
	<u>Unaudited</u>		<u>Audited</u>
	<u>NIS in millions</u>		
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	1,689	3,341	3,373
Short-term investments and loans	26	45	30
Financial assets	768	1,803	855
Financial derivatives	162	7	96
Trade receivables	152	220	169
Other accounts receivable	497	443	490
Current taxes receivable	10	9	8
	<u>3,304</u>	<u>5,868</u>	<u>5,021</u>
Assets classified as held for sale	<u>1,118</u>	<u>2</u>	<u>534</u>
	<u>4,422</u>	<u>5,870</u>	<u>5,555</u>
<b>NON-CURRENT ASSETS</b>			
Equity-accounted investees	1,719	1,529	1,453
Other investments, loans and receivables	502	217	298
Financial assets	173	149	153
Financial derivatives	361	253	200
Investment property	28,965	31,783	28,903
Investment property under development	4,418	2,915	3,783
Fixed assets, net	164	166	153
Intangible assets, net	467	605	512
Deferred taxes	61	73	63
	<u>36,830</u>	<u>37,690</u>	<u>35,518</u>
	<u>41,252</u>	<u>43,560</u>	<u>41,073</u>

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



**Condensed Consolidated Statements of Financial Position**

	<b>June 30,</b>		<b>December 31,</b>
	<b>2022</b>	<b>2021</b>	<b>2021</b>
	<b>Unaudited</b>		<b>Audited</b>
<b>NIS in millions</b>			
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Credit from banks and others	730	416	167
Current maturities of non-current liabilities	2,225	586	1,794
Financial derivatives	50	79	36
Trade payables	71	131	181
Other accounts payable	775	774	792
Current taxes payable	30	57	117
	<u>3,861</u>	<u>2,043</u>	<u>3,087</u>
Liabilities attributable to assets held for sale	82	-	-
	<u>3,943</u>	<u>2,043</u>	<u>3,087</u>
<b>NON-CURRENT LIABILITIES</b>			
Debentures	16,533	18,315	16,723
Interest-bearing loans from banks and others	5,398	5,797	5,193
Financial derivatives	215	131	83
Other liabilities	359	398	375
Deferred taxes	1,708	1,744	2,057
	<u>24,213</u>	<u>26,385</u>	<u>24,431</u>
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>			
Share capital	219	204	204
Share premium	4,529	4,076	4,078
Retained earnings	4,725	4,790	5,226
Foreign currency translation reserve	(4,694)	(4,179)	(5,352)
Other reserves	1,243	959	1,152
Treasury shares	(1)	(1)	(1)
	<u>6,021</u>	<u>5,849</u>	<u>5,307</u>
Non-controlling interests	7,075	9,283	8,248
	<u>13,096</u>	<u>15,132</u>	<u>13,555</u>
Total equity	<u>41,252</u>	<u>43,560</u>	<u>41,073</u>

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

August 21, 2022	Ehud Arnon	Chaim Katzman CEO	Adi Jemini
Date of approval of the financial statements	Chairman of the Board	and Vice Chairman of the Board	Executive Vice President and CFO

## Condensed Consolidated Statements of Income

	Six months ended		Three months		Year ended December 31, 2021
	June 30,		ended June 30,		
	2022	2021	2022	2021	
	Unaudited				Audited
	NIS in millions (except for per share data)				
Rental and other income	1,137	1,142	580	557	2,296
Property operating and other expenses	348	360	171	163	714
Net operating rental income	789	782	409	394	1,582
Fair value gain (loss) from investment property and investment property under development, net	376	(33)	331	(49)	621
General and administrative expenses	(189)	(169)	(91)	(86)	(342)
Other income	30	16	26	16	16
Other expenses	(58)	(37)	(6)	(14)	(58)
Company's share in earnings (loss) of equity-accounted investees, net	2	7	(6)	4	41
Operating income (loss)	950	566	663	265	1,860
Finance expenses	(1,362)	(522)	(678)	(310)	(1,017)
Finance income	45	375	25	145	886
Income (loss) before taxes on income	(367)	419	10	100	1,729
Taxes on income (tax benefit)	(123)	138	8	15	690
Net income (loss)	(244)	281	2	85	1,039
Attributable to:					
Equity holders of the Company	(395)	119	(74)	(18)	646
Non-controlling interests	151	162	76	103	393
	(244)	281	2	85	1,039
Net earnings (loss) per share attributable to equity holders of the Company (NIS):					
Total basic net earnings (loss)	(2.44)	0.78	(0.45)	(0.12)	4.26
Total diluted net earnings (loss)	(2.45)	0.78	(0.45)	(0.12)	4.25

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

**Condensed Consolidated Statements of Comprehensive Income**

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2022	2021	2022	2021	2021
	Unaudited				Audited
	NIS in millions				
Net income (loss)	(244)	281	2	85	1,039
Other comprehensive income (loss) (net of tax effect):					
<u>Amounts that will not be reclassified subsequently to profit or loss:</u>					
Net gains on financial assets at fair value through other comprehensive income	1	12	2	3	27
<u>Amounts that will be or that have been reclassified subsequently to profit or loss:</u>					
Exchange differences on translation of foreign operations	849	32	277	22	(1,862)
Net gains on cash flow hedges	103	33	44	4	57
Total other comprehensive income (loss)	953	77	323	29	(1,778)
Total comprehensive income (loss)	709	358	325	114	(739)
Attributable to:					
Equity holders of the Company (1)	353	289	139	133	(222)
Non-controlling interests	356	69	186	(19)	(517)
	709	358	325	114	(739)
(1) Breakdown of total comprehensive loss attributable to equity holders of the Company:					
Net income (loss)	(395)	119	(74)	(18)	646
Exchange differences on translation of foreign operations	659	135	168	147	(940)
Net gains on cash flow hedges	88	26	42	2	46
Net gains on financial assets at fair value through other comprehensive income	1	9	3	2	26
	353	289	139	133	(222)

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

**Condensed 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
	Unaudited NIS in millions								
<u>Balance as of December 31, 2021 (audited)</u>	204	4,078	5,226	(5,352)	1,152	(1)	5,307	8,248	13,555
Loss	-	-	(395)	-	-	-	(395)	151	(244)
Other comprehensive income	-	-	-	659	89	-	748	205	953
Total comprehensive income	-	-	(395)	659	89	-	353	356	709
Issuance of shares and warrants net of issuance expenses	15	431	-	-	22	-	468	-	468
Exercise and expiration of Company's share options into Company shares	*) -	20	-	-	(20)	-	*) -	-	*) -
Cost of share-based payment	-	-	-	-	5	-	5	6	11
Buyback of hybrid debentures from non-controlling interests	-	-	-	-	4	-	4	(28)	(24)
Interest on hybrid debentures paid to non-controlling interests	-	-	-	-	-	-	-	(56)	(56)
Dividend declared **)	-	-	(106)	-	-	-	(106)	-	(106)
Acquisition of non-controlling interests	-	-	-	(1)	(9)	-	(10)	(1,144)	(1,154)
Dividend to non-controlling interests	-	-	-	-	-	-	-	(307)	(307)
<u>Balance as of June 30, 2022</u>	<u>219</u>	<u>4,529</u>	<u>4,725</u>	<u>(4,694)</u>	<u>1,243</u>	<u>(1)</u>	<u>6,021</u>	<u>7,075</u>	<u>13,096</u>

\*) Represents an amount of less than NIS 1 million.

\*\*) In the six months ended in June 30, 2022, the Company declared a dividend in the amount of NIS 0.64 per share (in a total amount of NIS 106 million), out of which 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

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

**Condensed Consolidated Statements of Changes in Equity****Equity attributable to equity holders of the Company**

	<b>Share capital</b>	<b>Share premium</b>	<b>Retained earnings</b>	<b>Foreign currency translation reserve</b>	<b>Other reserves</b>	<b>Treasury shares</b>	<b>Total</b>	<b>Non-controlling interests</b>	<b>Total equity</b>
	<b>Unaudited</b>								
	<b>NIS in millions</b>								
<u>Balance as of December 31, 2020 (audited)</u>	204	4,063	4,761	(4,307)	842	(1)	5,562	7,017	12,579
Net income	-	-	119	-	-	-	119	162	281
Other comprehensive income	-	-	-	135	35	-	170	(93)	77
Total comprehensive income	-	-	119	135	35	-	289	69	358
Exercise and expiration of Company's share options into Company shares	*) -	13	-	-	(13)	-	*) -	-	*) -
Cost of share-based payment	-	-	-	-	6	-	6	4	10
Issuance of hybrid debentures to non-controlling interests	-	-	-	-	-	-	-	2,682	2,682
Interest on hybrid debentures paid to non-controlling interests	-	-	-	-	-	-	-	(62)	(62)
Dividend declared	-	-	(90)	-	-	-	(90)	-	(90)
Acquisition of non-controlling interests and issuance in subsidiaries	-	-	-	(7)	89	-	82	(283)	(201)
Dividend to non-controlling interests	-	-	-	-	-	-	-	(144)	(144)
<u>Balance as of June 30, 2021</u>	<u>204</u>	<u>4,076</u>	<u>4,790</u>	<u>(4,179)</u>	<u>959</u>	<u>(1)</u>	<u>5,849</u>	<u>9,283</u>	<u>15,132</u>

\*) Represents an amount of less than NIS 1 million.

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

**Condensed Consolidated Statements of Changes in Equity****Equity attributable to equity holders of the Company**

	<b>Share capital</b>	<b>Share premium</b>	<b>Retained earnings</b>	<b>Foreign currency translation reserve</b>	<b>Other reserves</b>	<b>Treasury shares</b>	<b>Total</b>	<b>Non-controlling interests</b>	<b>Total equity</b>
<b>Unaudited</b>									
<b>NIS in millions</b>									
<u>Balance as of April 1, 2022</u>	217	4,464	4,852	(4,862)	1,227	(1)	5,897	6,928	12,825
Net income	-	-	(74)	-	-	-	(74)	76	2
Other comprehensive income	-	-	-	168	45	-	213	110	323
Total comprehensive income	-	-	(74)	168	45	-	139	186	325
Issuance of shares and warrants net of issuance expenses	2	60	-	-	3	-	65	-	65
Exercise and forfeiture of Company's share option into Company shares	*) -	5	-	-	(5)	-	*) -	-	*) -
Cost of share-based payment	-	-	-	-	1	-	1	3	4
Buyback of hybrid debentures from non-controlling interests	-	-	-	-	4	-	4	(4)	-
Dividend declared (**)	-	-	(53)	-	-	-	(53)	-	(53)
Acquisition of non-controlling interests and issuance in subsidiaries	-	-	-	-	(32)	-	(32)	-	(32)
Dividend to non-controlling interests	-	-	-	-	-	-	-	(38)	(38)
<u>Balance as of June 30, 2022</u>	<u>219</u>	<u>4,529</u>	<u>4,725</u>	<u>(4,694)</u>	<u>1,243</u>	<u>(1)</u>	<u>6,021</u>	<u>7,075</u>	<u>13,096</u>

\*) Represents an amount of less than NIS 1 million.

\*\*\*) On May 23, 2022, the Company declared a dividend of NIS 0.32 per share that was paid on June 14, 2022.

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

**Condensed Consolidated Statements of Changes in Equity**
**Equity attributable to equity holders of the Company**

	<b>Share capital</b>	<b>Share premium</b>	<b>Retained earnings</b>	<b>Foreign currency translation reserve</b>	<b>Other reserves</b>	<b>Treasury shares</b>	<b>Total</b>	<b>Non-controlling interests</b>	<b>Total equity</b>
<b>Unaudited</b>									
<b>NIS in millions</b>									
<u>Balance as of April 1, 2021</u>	204	4,066	4,853	(4,329)	937	(1)	5,730	6,812	12,542
Net income	-	-	(18)	-	-	-	(18)	103	85
Other comprehensive income	-	-	-	147	4	-	151	(122)	29
Total comprehensive income	-	-	(18)	147	4	-	133	(19)	114
Exercise and forfeiture of Company's share option into Company shares	*) -	10	-	-	(10)	-	*) -	-	*) -
Cost of share-based payment	-	-	-	-	3	-	3	2	5
Issuance of hybrid debentures to non-controlling interest	-	-	-	-	-	-	-	2,682	2,682
Dividend declared	-	-	(45)	-	-	-	(45)	-	(45)
Acquisition of non-controlling interests and issuance in subsidiaries	-	-	-	3	25	-	28	(124)	(96)
Dividend to non-controlling interests	-	-	-	-	-	-	-	(70)	(70)
<u>Balance as of June 30, 2021</u>	<u>204</u>	<u>4,076</u>	<u>4,790</u>	<u>(4,179)</u>	<u>959</u>	<u>(1)</u>	<u>5,849</u>	<u>9,283</u>	<u>15,132</u>

\*) Represents an amount of less than NIS 1 million.

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

**Condensed 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
	Audited								
	NIS in millions								
<u>Balance as of December 31, 2020 (audited)</u>	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 Company shares	*) -	15	-	-	(15)	-	*) -	-	*) -
Cost of share-based payment	-	-	-	-	9	-	9	10	19
Reclassification of share based payment to a cash settlement	-	-	-	-	-	-	-	(9)	(9)
Issuance of hybrid debentures to non-controlling interests	-	-	-	-	-	-	-	2,682	2,682
Interest on hybrid debentures paid to non-controlling interests	-	-	-	-	-	-	-	(100)	(100)
Dividend declared **)	-	-	(181)	-	-	-	(181)	-	(181)
Acquisition of non-controlling interests and equity issuance in a subsidiary	-	-	-	(105)	244	-	139	(582)	(443)
Dividend to non-controlling interests	-	-	-	-	-	-	-	(253)	(253)
<u>Balance as of December 31, 2021 (audited)</u>	<u>204</u>	<u>4,078</u>	<u>5,226</u>	<u>(5,352)</u>	<u>1,152</u>	<u>(1)</u>	<u>5,307</u>	<u>8,248</u>	<u>13,555</u>

\*) Represents an amount of less than NIS 1 million.

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



**Condensed Consolidated Statements of Cash Flows**

	Six months ended		Three months ended		Year ended
	June 30,		June 30,		December
	2022	2021	2022	2021	31,
	Unaudited				Audited
	NIS in millions				
<u>Cash flows from operating activities:</u>					
Net income (loss)	(244)	281	2	85	1,039
Adjustments required to present cash flows from operating activities:					
Adjustments to the profit or loss items:					
Finance expenses, net	1,317	147	653	165	131
Company's share in earnings (losses) of equity-accounted investees, net	(2)	(7)	6	(4)	(41)
Fair value gain (loss) from investment property and investment property under development, net	(376)	33	(331)	49	(621)
Depreciation and amortization	13	14	7	7	27
Taxes on income (tax benefit)	(123)	138	8	15	690
Capital (gain) loss, net	29	28	(19)	6	32
Change in provision for legal claims, net	-	(1)	-	-	(5)
Cost of share-based payment	11	10	4	5	19
	869	362	328	243	232
Changes in assets and liabilities items:					
Decrease (increase) in trade receivables and other accounts receivable	(4)	(72)	15	11	(115)
Increase (decrease) in trade and other accounts payable	(89)	(26)	(20)	(75)	56
	(93)	(98)	(5)	(64)	(59)
Net cash provided by operating activities before interest, dividend and taxes	532	545	325	264	1,212
Cash received and paid during the period for:					
Interest paid	(291)	(314)	(135)	(152)	(742)
Interest received	52	26	37	22	20
Dividend received	47	24	36	11	59
Taxes paid	(39)	(82)	(5)	(35)	(101)
Taxes received	46	6	-	6	13
	(185)	(340)	(67)	(148)	(751)
Net cash provided by operating activities	347	205	258	116	461

\*) Represent an amount of less than NIS 1 million.

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

**Condensed Consolidated Statements of Cash Flows**

	Six ended June 30,		Three months ended June 30,		Year ended December 31,
	2022	2021	2022	2021	2021
	Unaudited				Audited
	NIS in millions				
<u>Cash flows from investing activities:</u>					
Investment and loans to investees	(215)	(7)	(215)	(7)	(88)
Acquisition, construction and development of investment property	(734)	(854)	(200)	(579)	(1,972)
Investments in fixed assets and other assets	(7)	(9)	-	(7)	(20)
Proceeds from sale of investment property, net of tax paid	870	1,000	371	485	1,492
Grant of long-term loans	(88)	-	(88)	-	-
Collection of long-term loans	-	-	-	-	33
Investment in financial assets	(699)	(1,706)	(217)	(1,428)	(3,025)
Proceeds from sale of financial assets and deposits withdrawal, net of tax paid	572	778	343	363	2,900
Net cash used in investing activities	(301)	(798)	(6)	(1,173)	(680)
<u>Cash flows from financing activities:</u>					
Issuance of shares and warrants net of issuance expenses	468	-	65	-	-
Exercise of share options into Company's shares	*) -	*) -	*) -	*) -	*) -
Acquisition of non-controlling interests and issuance in subsidiaries, net	(1,100)	(201)	-	(96)	(443)
Dividend paid to equity holders of the Company	(151)	(136)	(105)	(91)	(182)
Dividend paid to non-controlling interests	(307)	(144)	(38)	(70)	(243)
Receipt of long-term loans	128	587	128	587	1,556
Repayment of long-term loans	(20)	(21)	(10)	(11)	(143)
Receipt (repayment) of long-term credit facilities from banks and others, net	(258)	(233)	432	347	(577)
Receipt (repayment) of Short-term credit from banks and others, net	12	(616)	26	(126)	(1,184)
Repayment and early redemption of debentures and convertible debentures	(655)	(1,184)	(483)	(92)	(1,767)
Issuance of debentures	174	2,560	-	-	3,523
Issuance of hybrid bonds to non-controlling interests	-	2,682	-	2,682	2,682
Buyback of hybrid debentures from non-controlling interests	(24)	-	-	-	-
Interest paid on hybrid debentures for non-controlling interests	(56)	(62)	-	-	(100)
Net cash provided by (used in) financing activities	(1,789)	3,232	15	3,130	3,122
<u>Exchange differences on balances of cash and cash equivalents</u>	59	(40)	37	2	(272)
<u>Increase (decrease) in cash and cash equivalents</u>	(1,684)	2,599	304	2,075	2,631
<u>Cash and cash equivalents at the beginning of the period</u>	3,373	742	1,385	1,266	742
<u>Cash and cash equivalents at the end of the period</u>	1,689	3,341	1,689	3,341	3,373

\*) Represent an amount of less than NIS 1 million.

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

**Condensed Consolidated Statements of Cash Flows**

	Six months ended		Three months ended		Year ended
	June 30,		June 30,		December 31,
	2022	2021	2022	2021	2021
	Unaudited				Audited
	NIS in millions				
(a) <u>Significant non-cash transactions:</u>					
Sale of investment property against receivables	-	48	-	48	75
Dividend payable to equity holders of the Company	-	-	-	-	46
Sale of financial asset against receivables	-	-	-	-	43
Dividend payable to non-controlling interests	-	-	-	-	10
(b) <u>Additional information:</u>					
Tax paid included under investing activities	98	-	-	-	30

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

## Notes to Condensed Consolidated Interim Financial Statements

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### NOTE 1:- GENERAL

- a. These consolidated financial statements have been prepared in a condensed format as of June 30, 2022 and for the six months then ended (the "Reporting Period") and for the three months then ended (collectively: "Interim consolidated financial statements"). These condensed interim consolidated financial statements should be read in conjunction with the Company's annual financial statements as of December 31, 2021 and for the year then ended and accompanying notes, that were authorized by the Board of Directors on March 23, 2022 ("annual financial statements").
- b. On May 18, 2022, the Company changed its name from Gazit Globe Ltd. To G City Ltd.
- c. The impact of the war between Russia and Ukraine on the group's activities

In February 2022, the Russian army invaded Ukraine and as of the date of this report, fighting is taking place between the parties. In response to the invasion, 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.

The nature and extent of the restrictions vary daily, and further sanctions may be imposed during events, including on additional territories, as far as these are occupied by Russia. 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 to EUR 305 million (2.7% of the Company's total properties) which during the year 2021, and during the reporting period generated NOI amounting to EUR 28.4 million, and EUR 13.9 million, respectively. During the reporting period, G Europe's operations in Russia were marginally affected.

G Europe has performed a full external valuation of its income producing assets in Russia as of June 30, 2022, which resulted in a revaluation of EUR 21.1 million. 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 as at March 31, 2022 and June 30, 2022, have used all available information in developing appropriate assumptions to determine the fair value of investment properties.

- d. Definitions in these financial statements

The Company	- G City Ltd. (previously: Gazit-Globe Ltd.)
G Europe	- G City Europe Limited, consolidated entity (previously: Atrium European Real Estate)
CTY	- Citycon Oyj, consolidated entity.

## Notes to Condensed Consolidated Interim Financial Statements

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### NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation of the interim condensed consolidated financial statements

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting", and in accordance with the disclosure requirements of Chapter D of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970.

The significant accounting policies and methods of computation adopted in the preparation of the condensed interim consolidated financial statements are consistent with those followed in the preparation of the annual financial statements.

b. First time adoption of amendments to IFRS 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

According to the exception, liabilities and contingent liabilities within the scope of IAS 37 or IFRIC 21 will be recognized on the acquisition date according to the criteria in IAS 37 or IFRIC 21 and not according to the Conceptual Framework.

The Amendments also clarify that contingent assets do not qualify for recognition at the acquisition date.

The Amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

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.

The Amendment is effective for annual periods beginning on or after January 1, 2022. Early application is permitted. The Amendment is to be applied to debt instruments that are modified or exchanged commencing from the year in which the Amendment is first applied.

## Notes to Condensed Consolidated Interim Financial Statements

### NOTE 3:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

#### a. Debt raising and redemption by the group

1. During the reporting period, a wholly owned subsidiary of the company purchased EUR 72 million par value of G Europe's debentures for a total consideration of amount of EUR 71 million (NIS 254 million), the effect of the purchase on the profit or loss of the Company 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 maturity date in 2025 in return for a loan. According to the terms of the deal, 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 68.2 million par value G Europe's debentures.

After the reporting date, the subsidiary purchased EUR 22 million par value of G Europe's debentures for a total consideration of EUR 20 million (NIS 72 million), the effect of the purchase on the profit or loss of the company is not material. In addition, the subsidiary transferred to the bank EUR 13.7 million par value G Europe's debentures in accordance with the terms of the financing agreement indicated above.

2. During the reporting period, a wholly owned subsidiary of the company purchased EUR 8 million par value of G Europe's hybrid debentures for a consideration of EUR 7 million (NIS 24 million). Following the transaction, the company recognized an increase in the capital attributed to the shareholders of NIS 4 million.
3. In March 2022, the Company issued to the public NIS 177.2 million par value debentures (series P) secured by G Europe shares, by a way of expansion of listed series for net consideration of NIS 174 million, representing effective interest rate of 1.91% (linked).

#### b. Other events

1. 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 issuance, net from issuance expenses, amounted to NIS 403 million.

In addition, the Company's Board of Directors approved a private issuance 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 investor. The Company's general meeting approved the issuance on March 30, 2022. The allotment was completed in April 2022. The consideration for the issuance was NIS 65 million.

2. On February 18, 2022, the Company completed a merger of a wholly owned subsidiary with G Europe. According to the merger agreement the wholly owned subsidiary acquired 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), that was paid in cash. The transaction price reflected a premium of 23.9% over G Europe's price at proposal date in August 2021. The purchase price was adjusted to a special dividend distribution of EUR 0.6 per share which was declared by G Europe on February 4, 2022 and was paid on February 8, 2022.

The total consideration of the merger transaction, including transaction expenses and after the special dividend, totaled to EUR 324 million (NIS 1.2 billion). Following the transaction, the company recognized a decrease in the capital attributed to the shareholders of NIS 18 million.

3. In February 2022, a request was submitted to the Tel Aviv District Court in accordance with the Law for promoting competition and reducing Centralization, 2013, For the appointment of a trustee, the means of control of the company will be established. The matter of the application is an agreement signed between Mr. Haim Katzman The company's CEO, deputy chairman of the board and its controlling shareholder and its controlling shareholder and parties are connected to him for the sale of Norstar shares to Israel Canada T.R. Ltd and the transformation of the Katzman Group and Israel Canada into joint holders of Norstar as a

**Notes to Condensed Consolidated Interim Financial Statements**

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**NOTE 3:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (Cont.)**

result of this agreement. Therefore, and note that Israel Canada is also a public company whose shares are traded on the Tel Aviv Stock Exchange, It is alleged that Article 21 of the Centralization Law, prohibits the existence of control pyramids was violated Among them are more than two "layered companies" (As defined by this term in the Law of Centralization). Alongside the company, the other respondents to the request for a trustee appointment are Mr. Katzman Norstar Holdings Inc, Israel Canada as well as the official receiver of assets of the State of Israel. As part of the request for the appointment of a trustee, additional remedies were also requested, among other things, providing instructions regarding voting rights in society as long as no trustee has been appointed and a statement that Katzman and Israel Canada are the joint controlling shareholders of Norstar. In July 2022, the parties submitted their response to the request.

4. On January 20, 2022, following the approval of the merger with G Europe as describe in section 2 above, S&P Maalot rating company downgraded the ratings for all the Company's debentures which are not secured to a rating of iLA+, with a stable outlook, and the rating for the debentures (Series O) which are secured by investment properties, to iAA-, 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.
5. On March 24, 2022, following the completion of the merger with G Europe as describe in section 2 above, 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.
6. On January 17, 2022, following the approval of the merger with G Europe as describe in section 2 above, Fitch rating company downgraded the long-term issuer rating of G Europe from 'BBB' to 'BB' with a stable outlook.
7. On April 6, 2022, following the completion of the merger with G Europe as describe in section 2 above, Moody's rating company downgraded G Europe 's debentures which are not secured from 'Baa3' to 'Ba2' with a negative outlook, and the rating of G Europe hybrid debentures from 'Ba2' to 'B1 with a negative outlook.

**Notes to Condensed Consolidated Interim Financial Statements****NOTE 4:- FINANCIAL INSTRUMENTS**a. Fair value of financial instruments

The carrying amount of certain financial assets and liabilities including cash, trade receivables, other receivables, short-term credit and loans, trade payables and other payables approximate their fair value.

The carrying amount and fair value of other financial liabilities (including current maturities), all of which are measured at amortized cost, are disclosed in the table below:

	<u>June 30, 2022</u>		<u>June 30, 2021</u>		<u>December 31, 2021</u>	
	<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>
	<b>NIS in million</b>					
Debentures	18,125	16,377	18,498	19,434	18,054	18,973
Interest bearing loans from banks and others	6,031	5,412	6,200	6,146	5,656	5,853
	<u>24,156</u>	<u>21,789</u>	<u>24,698</u>	<u>25,580</u>	<u>23,710</u>	<u>24,826</u>

b. Classification of financial instruments by fair value hierarchy

During the Reporting Period, there was no material change in the classification of financial assets and liabilities measured in the financial statements at their fair value, as compared with their classification as of December 31, 2021. In addition, there were no transfers or reclassifications with respect to fair value measurement in the financial statements of financial instruments between Level 1 and Level 2, and there were no transfers to or from Level 3 with respect to the fair value measurement of financial instruments.

**NOTE 5:- EVENTS AFTER THE REPORTING DATE**

- a. On August 21, 2022, the Company declared a dividend in the amount of NIS 0.32 per share (a total of NIS 53 million), payable on September 14, 2022 to the shareholders of the Company as of September 6, 2022.



## Notes to Condensed Consolidated Interim Financial Statements

## NOTE 6:- OPERATING SEGMENTS

The Company reports five reportable segments according to the management approach of IFRS 8. The Northern European segment is under a public subsidiary controlled by the Company, the other segments are wholly owned by the Company.

	Northern Europe	Central- Eastern Europe	Israel	Brazil	United States	Other segments	Consolidation adjustments	Total
Unaudited								
NIS in millions								
For the Six months ended June 30, 2022								
Segment revenues	548	365	126	87	59	18	(66)	1,137
Segment net operating income	375	237	96	73	37	9	(38)	789
Segment operating profit	272	197	82	66	24	8	301	950
Finance expenses, net								(1,317)
Loss before taxes on income								(367)

	Northern Europe	Central- Eastern Europe	Israel	Brazil	United States	Other segments	Consolidation adjustments	Total
Unaudited								
NIS in millions								
For the Six months ended June 30, 2021								
Segment revenues	591	356	118	62	43	21	(49)	1,142
Segment net operating income	405	247	74	49	28	13	(34)	782
Segment operating profit	336	201	49	43	18	2	(83)	566
Finance income, net								(147)
Income before taxes on income								419

## Notes to Condensed Consolidated Interim Financial Statements

## NOTE 6:- OPERATING SEGMENTS (Cont.)

	Northern Europe	Central- Eastern Europe	Israel	Brazil	United States	Other segments	Consolidation adjustments	Total
<b>Unaudited</b>								
<b>NIS in millions</b>								
<u>For the Three months ended June 30, 2022</u>								
Segment revenues	275	184	64	48	31	9	(31)	580
Segment net operating income	194	121	49	41	19	4	(19)	409
Segment operating profit	171	110	41	38	13	5	285	663
Finance expenses, net								(653)
Loss before taxes on income								10

	Northern Europe	Central- Eastern Europe	Israel	Brazil	United States	Other segments	Consolidation adjustments	Total
<b>Unaudited</b>								
<b>NIS in millions</b>								
<u>For the Three months ended June 30, 2021</u>								
Segment revenues	279	177	56	33	20	8	(16)	557
Segment net operating income	200	120	45	26	14	5	(16)	394
Segment operating profit	178	97	36	22	8	(6)	(70)	265
Finance income, net								(165)
Income before taxes on income								100

## Notes to Condensed Consolidated Interim Financial Statements

## NOTE 6:- OPERATING SEGMENTS (Cont.)

	Northern Europe	Central- Eastern Europe	Israel	Brazil	United States	Other segments	Consolidation adjustments	Total
	Audited							
	NIS in millions							
Year ended								
December 31, 2021								
Segment revenues	1,169	737	249	138	92	34	(123)	2,296
Segment net operating income	798	519	155	108	61	20	(79)	1,582
Segment operating profit	669	395	132	87	19	9	549	1,860
Finance expenses, net								(131)
Income before taxes on income								1,729

## Segment assets

	Northern Europe	Central- Eastern Europe	Israel	Brazil	United States	Other segments	Consolidation adjustments	Total
	Unaudited							
	NIS in millions							
June 30, 2022								
June 30, 2021								
December 31, 2021 (Audited)								
June 30, 2022	17,114	9,963	4,538	2,740	3,002	421	3,474	41,252
June 30, 2021	18,623	11,355	3,633	2,706	2,408	455	4,380	43,560
December 31, 2021 (Audited)	17,062	9,902	4,428	2,320	2,392	381	4,588	41,073

**G CITY LTD. (previously: GAZIT-GLOBE LTD.)**

**Financial Data from the Condensed Consolidated Interim Financial Statements  
Attributable to the Company**

**As of June 30, 2022**

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**To**  
**The Shareholders of G CITY Ltd.**

**Dear Sirs/Mmes.,**

**Re: Special review report of the separate interim financial information in accordance with Regulation 38d of the Securities Regulations (Periodic and Immediate Reports), 1970**

### **Introduction**

We have reviewed the separate interim financial information disclosed in accordance with Regulation 38d to the Securities Regulations (Periodic and Immediate Reports), 1970 of G City Ltd. ("the Company") as of June 30, 2022 and for the six and three months periods then ended. The Company's board of directors and management are responsible for the separate interim financial information. Our responsibility is to express a conclusion on the separate interim financial information based on our review.

We did not review the separate interim financial information taken from the interim financial information of investees, whose assets less attributable liabilities net amounted to approximately NIS 3,870 million as of June 30, 2022 and the Company's share of their earnings amounted to approximately NIS 191 million and NIS 184 million for the six and three months periods then ended, respectively. The separate interim financial information of those companies was reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to the financial information in respect of those companies, is based on the review reports of the other auditors.

### **Scope of review**

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

### **Conclusion**

Based on our review and the review reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying separate interim financial information is not prepared, in all material respects, in accordance with Regulation 38d to the Securities Regulations (Periodic and Immediate Reports), 1970.

Tel-Aviv, Israel  
August 21, 2022

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

**G CITY LTD. (previously: GAZIT-GLOBE LTD.)**

**Financial data and financial information from the consolidated interim financial statements attributable to the Company**

Below are separate financial data and financial information from the Group's condensed consolidated interim financial statements as of June 30, 2022, published as part of the interim reports ("consolidated financial statements") attributable to the Company, presented in accordance with the Israeli Regulation 38d of the Securities Regulations (Periodic and Immediate Reports), 1970.

The significant accounting policies applied for presentation of these financial data were set forth in Note 2 to the annual consolidated financial statements.

Subsidiaries - as defined in Note 1 to the annual consolidated financial statements.

**Financial information from the Condensed Consolidated Statements of Financial Position attributed to the Company**

	June 30,		December 31,
	2022	2021	2021
	Unaudited		Audited
	NIS in millions		
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	192	622	1,073
Short-term investments	-	15	-
Short term loans and current maturities of long-term loans to subsidiaries	-	17	11
Financial assets	219	181	133
Financial derivatives	158	1	93
Other accounts receivable	65	70	72
Trade receivables	37	62	42
Income taxes receivable	2	2	2
	673	970	1,426
Assets held for sale	3	2	3
Total current assets	676	972	1,429
<b>NON-CURRENT ASSETS</b>			
Financial assets	13	-	8
Financial derivatives	216	199	150
Investment property	3,596	3,409	3,658
Investment property under development	799	43	575
Other investments, loans and receivables	125	49	27
Loans to subsidiaries	2,316	2,374	2,304
Investments in subsidiaries	12,016	13,899	10,831
Fixed assets and other assets, net	40	41	40
	19,121	20,014	17,593
Total non-current assets	19,121	20,014	17,593
Total assets	19,797	20,986	19,022

The accompanying additional information constitutes an integral part of the separate financial data and financial information.

**Financial information from the Condensed Consolidated Statements of Financial Position attributed to the Company**

	June 30,		December 31,
	2022	2021	2021
	Unaudited		Audited
	NIS in millions		
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Credit from banks and others	163	167	167
Current maturities of non-current liabilities	1,537	225	1,131
Short-term loans from subsidiaries	1	28	-
Financial derivatives	47	75	17
Trade payables	21	21	24
Other accounts payable	75	151	83
Current taxes payable	-	19	-
Dividend payable	-	-	46
Total current liabilities	1,844	686	1,468
<b>NON-CURRENT LIABILITIES</b>			
Loans from banks and others	2,504	3,551	2,786
Long-term loans from subsidiaries	1,602	3,749	1,517
Debentures	7,505	6,986	7,507
Financial derivatives	208	-	-
Other liabilities	8	4	16
Deferred taxes	105	161	421
Total non-current liabilities	11,932	14,451	12,247
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>			
Share capital	219	204	204
Share premium	4,529	4,076	4,078
Retained earnings	4,725	4,790	5,226
Foreign currency translation reserve	(4,694)	(4,179)	(5,352)
Other reserves	1,243	959	1,152
Treasury shares	(1)	(1)	(1)
Total equity	6,021	5,849	5,307
Total liabilities and equity	19,797	20,986	19,022

The accompanying additional information constitutes an integral part of the separate financial data and financial information.

August 21, 2022

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
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**Financial information from the Condensed Consolidated Statements of Income Attributable to the Company**

	Six months ended		Three months		Year ended
	June 30,		ended		December 31,
	2022	2021	2022	2021	2021
	Unaudited				Audited
	NIS in millions				
Rental and other income	125	116	64	56	247
Property operating and other expenses	31	44	15	11	94
Operating rental income, net	94	72	49	45	153
Fair value gain from investment property, net	93	23	93	17	212
General and administrative expenses	(30)	(34)	(14)	(17)	(63)
Other income (expense),net	-	12	-	12	6
Management fees from related companies	1	1	-	-	2
Income from subsidiaries, net	243	206	152	41	617
Operation income	401	280	280	98	927
Finance expenses	(1,045)	(280)	(432)	(184)	(523)
Finance income	1	176	-	69	631
Finance expenses from subsidiaries, net	(9)	(39)	(5)	(20)	(72)
Income (loss) before taxes on income	(652)	137	(157)	(37)	963
Taxes on income (tax benefit)	(257)	18	(83)	(19)	317
Net income (loss) attributable to the Company	(395)	119	(74)	(18)	646

The accompanying additional information constitutes an integral part of the separate financial data and financial information.

**Financial information from the Condensed Consolidated Statements of Comprehensive Income Attributable to the Company**

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2022	2021	2022	2021	2021
	Unaudited				Audited
	NIS in millions				
Net income (loss) attributable to the Company	(395)	119	(74)	(18)	646
Other comprehensive income (loss) attributable to the Company (net of tax effect):					
<u>Amounts that will be or that have been reclassified subsequently to profit or loss:</u>					
Exchange differences on foreign currency translation	(277)	(160)	(193)	18	32
Other comprehensive income (loss) attributable to the Company	(277)	(160)	(193)	18	32
Other comprehensive income (loss) attributable to subsidiaries (net of tax effect)	1,025	330	406	133	(900)
Total other comprehensive income (loss) attributable to the Company	748	170	213	151	(868)
Total comprehensive income (loss) attributable to the Company	353	289	139	133	(222)

The accompanying additional information constitutes an integral part of the separate financial data and financial information.

**Financial information from the Condensed Consolidated Statements of Cash Flows Attributable to the Company**

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2022	2021	2022	2021	2021
<b>NIS in millions</b>					
<u>Cash flows from operating activities of the Company</u>					
Net income (loss) attributable to the Company	(395)	119	(74)	(18)	646
Adjustments required to present cash flows from operating activities of the Company:					
Adjustments to profit or loss items of the Company:					
Depreciation expenses	1	1	-	-	2
Finance expense, net	1,053	143	437	135	(36)
Fair value Income from investment property and investment property under development, net	(93)	(23)	(93)	(17)	(212)
Income from subsidiaries, net	(243)	(206)	(152)	(41)	(617)
Cost of share-based payment	2	6	1	3	6
Taxes on income (tax benefit)	(257)	18	(83)	(19)	317
	<u>463</u>	<u>(61)</u>	<u>110</u>	<u>61</u>	<u>(540)</u>
Changes in assets and liabilities of the Company:					
Decrease (increase) in other accounts receivable	15	(4)	(7)	26	21
Increase (decrease) in trade payables and other accounts payable	7	(10)	23	(23)	(12)
	<u>22</u>	<u>(14)</u>	<u>16</u>	<u>3</u>	<u>9</u>
Cash paid and received during the year by the Company for:					
Interest paid	(191)	(265)	(102)	(148)	(460)
Interest received from (paid to) subsidiaries, net	50	12	34	9	19
Taxes paid	46	-	-	-	-
Dividend received	-	9	-	-	9
Dividend received from subsidiary	79	82	40	42	162
	<u>(16)</u>	<u>(162)</u>	<u>(28)</u>	<u>(97)</u>	<u>(270)</u>
Net cash provided by (used in) operating activities of the Company	<u>74</u>	<u>(118)</u>	<u>24</u>	<u>(51)</u>	<u>(155)</u>

The accompanying additional information constitutes an integral part of the separate financial data and financial information.

**Financial information from the Condensed Consolidated Statements of Cash Flows Attributable to the Company**

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2022	2021	2022	2021	2021
	Unaudited				Audited
	NIS in millions				
<u>Cash flows from investing activities of the Company</u>					
Investments in fixed and other assets	(1)	-	(1)	-	(1)
Acquisition, construction and development of investment property	(194)	(35)	(62)	(22)	(628)
Proceeds from sale of investment property	-	168	-	108	216
G-Israel merger	-	32	-	-	32
Return on Investments (Investments) in subsidiaries, net	-	(16)	-	(3)	326
Loans repaid by (granted to) subsidiaries, net	(10)	165	561	127	(159)
Repayment of a loan granted	-	-	-	-	32
Investment in financial assets, net	(126)	94	(76)	(13)	132
Net cash provided by (used in) investing activities of the Company	(331)	408	422	197	(50)
<u>Cash flows from financing activities of the Company:</u>					
Issue of capital, net of issue expenses	468	-	65	-	-
Exercise of share options into shares	(* -	(* -	(* -	(* -	(* -
Receipt of short-term credit facilities from financial institutions, net	(4)	(41)	(4)	-	(41)
Dividend paid to equity holders of the Company	(151)	(136)	(105)	(91)	(182)
Issuance of debentures less issuance expenses	174	90	-	-	1,054
Repayment and early redemption of debentures	(191)	(348)	(191)	(91)	(348)
Receipt (repayment) of long-term credit facilities from banks, net	(877)	485	(123)	353	27
Repayment of long-term loans	(11)	(11)	(5)	(5)	(41)
Repayment of long-term loans	-	-	-	-	502
Net cash provided by (used in) financing activities of the Company	(592)	39	(363)	166	971
<u>Exchange differences on balance of cash and cash equivalents</u>					
	(32)	(12)	(19)	3	2
<u>Increase (decrease) in cash and cash equivalents</u>	(881)	317	64	315	768
<u>Cash and cash equivalents at the beginning of period</u>	1,073	305	128	307	305
<u>Cash and cash equivalents at the end of period</u>	192	622	192	622	1,073
<u>Significant non-cash activities of the Company:</u>					
Dividend payable to equity holders of the Company	-	-	-	-	46
Dividend received from a subsidiary against repayment of loans from a subsidiary	-	-	-	-	1,884
Sale of investment property under development against receivables	-	48	-	48	-

\*) Represents an amount of less than NIS 1 million.  
The accompanying additional information constitutes an integral part of the separate financial data and financial information.

**Additional Details to the Separate Financial Information**

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a. General

1. This separate financial information as of June 30, 2022 and for the Six and three-month periods then ended have been prepared in a condensed format in accordance with the provisions of Regulation 38d of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970. This separate financial information should be read in conjunction with the financial information in the annual financial statements as of December 31, 2021 and for the year then ended and the accompanying notes thereto, that were authorized by the Board of Directors on March 23, 2022 and with the financial information in the interim condensed consolidated financial statements as of as of June 30, 2022.
2. As of June 30, 2022 (the "Reporting Date"), the Company has a working capital deficiency of NIS 1.2 billion. The Company and its wholly-owned subsidiaries have approved unutilized credit facilities amounting to NIS 1.5 billion available for immediate drawdown. The Company's management believes that these sources will allow the Company to repay its current liabilities when due.
3. On May 18, 2022, the Company changed its name from Gazit Globe Ltd to G City Ltd.

b. Material events during the period

1. For information regarding the effects of Russia- Ukraine on the Company, refer to Note 1c to the consolidated interim financial statements.
2. In March 2022, the Company issued to the public NIS 177.2 million par value debentures (series P) secured by ATR shares, by a way of expansion of listed series for net consideration of NIS 174 million, representing effective interest rate of 1.91% (linked).
3. 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 issuance, net from issuance expenses, amounted to NIS 403 million.

In addition, the Company's Board of Directors approved a private issuance 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 investor. The Company's general meeting approved the issuance on March 30, 2022. The allotment was completed after the reporting period, in April 2022. The consideration for the issuance was NIS 65 million.

4. On February 18, 2022, the Company completed a merger of a wholly-owned subsidiary with G Europe. According to the merger agreement the wholly-owned subsidiary acquired 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), that was paid in cash. The transaction price reflected a premium of 23.9% over ATR's price at proposal date in August 2021. The purchase price was adjusted to a special dividend distribution of EUR 0.6 per share which was declared by ATR on February 4, 2022, and was paid on February 8, 2022. The total consideration of the merger transaction, including transaction expenses and after the special dividend, totaled to EUR 324 million (NIS 1.2 billion). Following the transaction, the company recognized a decrease in the capital attributed to the Company's shareholders of approximately NIS 18 million.
5. For details regarding an application the appoint a trustee to buy the Company's control, under the Promotion of Competition and Reduction of Centralization, 2013 law, after the reporting period, refer to Note 3b3 to the interim consolidated financial statements.

**Additional Details to the Separate Financial Information**b. Material events during the period (cont.)

6. On January 20, 2022, following the approval of the merger with G Europe as describe in section 4 above, S&P Maalot rating company downgraded the ratings for all the Company's debentures which are not secured to a rating of i1A+, with a stable outlook, and the rating for the debentures (Series O) which are secured by investment properties, to i1AA-, 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

7. On March 24, 2022, following the completion of the merger with G Europe as describe in section 4 above, 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.

c. IFRS 7 - Financial Instruments1. Fair value of financial instruments

The carrying amount of certain financial assets and liabilities including cash, trade receivables, other receivables, short-term credit and loans, trade payables and other payables approximate their fair value.

The carrying amount and fair value of other financial liabilities (including current maturities), all of which are measured at amortized cost, are disclosed in the table below:

	<u>June 30, 2022</u>		<u>June 30, 2021</u>		<u>December 31, 2021</u>	
	<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>
	<u>NIS in million</u>					
Debentures	8,534	7,959	7,169	7,639	8,293	9,023
Loans from banks and others	3,012	2,767	3,593	3,595	3,131	3,242
	<u>11,546</u>	<u>10,726</u>	<u>10,762</u>	<u>11,234</u>	<u>11,424</u>	<u>12,265</u>

2. Classification of financial instruments by fair value hierarchy

During the Reporting Period, there was no material change in the classification of financial assets and liabilities measured in the financial statements at their fair value, compared to their classification as of December 31, 2021. In addition, there were no transfers or reclassifications with respect to fair value measurement in the financial statements of financial instruments between Level 1 and Level 2, and there were no transfers to or from Level 3 with respect to fair value measurement of financial instruments.

d. Dividend declared

On August 21, 2022, the Company declared a dividend in the amount of NIS 0.32 per share (a total of NIS 53 million), payable on September 14, 2022 to the shareholders of the Company as of September 6, 2022.

**Quarterly Report regarding Effectiveness of the Internal Control over the  
Financial Reporting and the Disclosure**

**In accordance with Israeli Securities' Regulation 38C(a)**

**DESCRIPTION OF THE COMPANY'S BUSINESS**

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**Quarterly Report regarding Effectiveness of the Internal Control over the Financial Reporting and the Disclosure in accordance with Israeli Securities' Regulation 38C(a)**

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. Oren Hod, Executive Vice President and COO;
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 President and the most senior officer in the finance area or under their supervision, or by a party actually executing the said 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 provisions of the law, and to ensure that information the Corporation is required to disclose in the statements it publishes under the provisions of the law 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 a party actually executing the said 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 aim to provide complete assurance that a misrepresentation or omission of information in the statements will be avoided or discovered.

In the Quarterly Report regarding Effectiveness of the Internal Control over the Financial Reporting and the Disclosure, which was attached to the Quarterly Report for the period ended March 31, 2022 (the "Last Quarterly Report regarding Internal Control"), the internal control was found to be effective.

Through the date of the report, no event or matter had been brought to the attention of the Board of Directors and the management that would be enough to change the evaluation of the effectiveness of the internal control, as found in the Last Quarterly Report regarding Internal Control.

As of the date of the report, based on that stated in the Last Quarterly Report regarding Internal Control and based on information brought to the attention of the management and the Board of Directors, as referred to above, the internal control is effective.



**DESCRIPTION OF THE COMPANY'S BUSINESS**

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**Officers' Declarations****A) Declaration of the Chief Executive Officer in accordance with Israeli Securities' Regulation 38C(d)(1):****Officers' Declaration****Declaration of the Chief Executive Officer**

I, Chaim Katzman, declare that:

- (1) I have examined the quarterly report of G City Ltd. (the "Corporation") for the second quarter of 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 Chief Executive Officer 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 under my supervision of controls and procedures, which are designed to ensure that significant information relating to the Corporation, including subsidiaries as defined in the Israeli 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 under my supervision of controls and procedures, 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) No event or matter has been brought to my attention that occurred during the period between the date of the last periodic report and the date of this report, which would be enough to change the conclusion of the Board of Directors and the management with regard to the effectiveness of the internal control over the financial reporting and the disclosure of the Corporation.

Nothing stated above detracts from my responsibility or the responsibility of any other person under any law.

August 21, 2022

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Chaim Katzman, CEO and Vice  
Chairman of the Board of Directors

**DESCRIPTION OF THE COMPANY'S BUSINESS**

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**B) Declaration of the most senior officer in the finance area in accordance with Israeli Securities' Regulation 38C(d)(2):****Officers' Declaration****Declaration of the most senior officer in the finance area**

- (1) I, Adi Jemini, declare that:
- (2) I have examined the interim financial statements and other financial information included in the interim period statements of G City Ltd. (the "Corporation") for the second quarter of 2022 (the "Statements" or the "Statements for the Interim Period");
- (3) As far as I am aware, the financial statements and the other financial information included in the Statements for the Interim Period 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;
- (4) As far as I am aware, the interim financial statements and the other financial information included in the Statements for the Interim Period 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;
- (5) 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 interim financial statements and the other financial information included in the Statements for the Interim Period, 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 President 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;
- (6) I, alone or together with others in the Corporation:
- (A) Have determined controls and procedures, or have verified the determination and existence under our supervision of controls and procedures, which are designed to ensure that significant information relating to the Corporation, including subsidiaries as defined in the Israeli 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 under my supervision of controls and procedures, 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) No event or matter has been brought to my attention that occurred during the period between the date of the last periodic report and the date of this report, which would be enough to change the conclusion of the Board of Directors and the management with regard to the effectiveness of the internal control over the financial reporting and the disclosure of the Corporation.

Nothing stated above detracts from my responsibility or the responsibility of any other person under any law.

August 21, 2022

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Adi Jemini, Executive Vice President and Chief  
Financial Officer