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 2023 (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.

City

QUARTERLY REPORT as of June 30, 2023:

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G CITY LTD.

Directors' Report to the Shareholders
For the period ended June 30, 2023

The Board of Directors of G City Ltd. (the "Company") is pleased to present the Directors' Report of the Company for the period ended June 30, 2023 (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, 2022 which was published on March 28, 2023 (reference number: 2023-01-033831) (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[1] (collectively: the "**Group**"), engages in acquisition, improvement, development and operating of income-producing properties for mixed-use, including retail, office and residential located in in North America, Israel, Brazil, Northern, Central and Eastern Europe with the focus on densely populated urban cities. In addition, the Company evaluates opportunities within its core business and similar fields in other regions.

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

The Group's strategy is reducing holdings in public companies and focusing on properties which have a potential 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 Group intends 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.

Currently, the Group operates mainly through its wholly-owned private subsidiaries that are consolidated in its financial statements and in which the Company exclusively outlines the strategy, 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 Limited., which operates in Central Europe, 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 "Gazit Tripllle"

Also, Public entity operates under the Company's control in Northern Europe with a similar strategy, in which the Company is the largest shareholder. These operations are conducted through Citycon Oyj. ("**CTY**").

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

In accordance with the group's strategy to focus on urban properties, while strengthening capital and reducing leverage, the company has taken several significant proactive actions from the beginning of the year leading up to the publication of this report, including:

a. Execution of non-core properties or properties that the company has fully appreciated. As part of this, rom the beginning of the year and up to the publication of this report, the company and its fully owned subsidiaries completed the sale of properties totaling NIS 1.9 billion.

b. Private issuance of capital totaling NIS 150 million. This issuance involved several leading institutional bodies, as well as the parent company and the controlling shareholder.

c. On March 28, 2023, May 22, 2023 and on August 16 2023, the company's board of directors decided not to distribute dividends to the company's shareholders for the first, second and third quarters of 2023, respectively. The company's board of directors will review and consider the dividend distribution policy for the upcoming quarters of 2023, considering the progress of the asset implementation plan, as announced by the company on October 25, 2022, and as updated from time to time, as well as other considerations, and subject to the distribution tests stipulated in the Companies Law, 1999.

On October 25, 2022, the company published a property implementation plan for non-core group properties, which was updated in December 2022, May 2023 and on July 2023, totaling NIS 6.4 billion ("the Property Implementation Plan"). According to the Property Implementation Plan, the company intends to implement properties with a total value of NIS 6.4 billion in Europe, Brazil, the United States and Israel. As of the publication date of this report, starting from the date of the plan's publication, the company and its fully owned subsidiaries have entered into binding agreements for the sale of properties totaling NIS 3.0 billion, at book values (excluding the sale of assets in Russia). Additionally, the company's management and fully owned subsidiaries are in advanced negotiations for the sale of properties totaling NIS 1.1 billion, and additional properties with a value of NIS 2.4 billion are being prepared for sale (some of which are in advanced marketing stages). The actual implementation scope of the properties and the group's progress in their implementation, including the pace of property preparation for sale in different territories where the group operates, are dynamic and executed in accordance with market conditions in these territories and the company's management discretion, while considering macroeconomic factors and specific considerations for the company and balance between the company's needs and the properties' value.
Additionally, the company is considering the issuance of the subsidiary in Brazil (IPO), including by way of secondary offering.
Furthermore, a fully owned subsidiary of the company entered into an agreement to receive secured funding for a property in Europe in the amount of EUR 112 million, and the company and its fully owned subsidiary are working to obtain secured funding for debt-free properties (primarily in Europe) totaling EUR 235 million.

The company's estimations regarding the sale of properties, including the scope of properties to be implemented, the consideration to be received, implementation timelines, and funding receipt, as described above, are forward-looking statements as defined in the Securities Law, 1968. Such estimations are not guaranteed, may not materialize, and are dependent, among other things, on the economic and real estate market conditions in the various markets where the properties are located and where the company operates. Changes in market conditions may result in delays in property implementation beyond what is detailed above.

1.2. **Group Properties as of June 30, 2023 (including jointly controlled properties):**

	Country of operation	Holding interest	Income-producing property	Properties under development	Other assets	GLA (sq.m thousands)
CTY	Finland, Norway, Sweden, Estonia and Denmark	52.1%	35	-	-	1,059
G Europe	Poland and Czech Republic	100.0%	14	-	-	403
Gazit Brasil	Brazil (Sao Paulo)	100.0%	7	-	1	176
G Israel	Israel	100.0%	13	-	-	161
Gazit Horizons	USA	100.0%	13	3	1	81
Gazit Canada	Canada	100.0%	6	-	-	37
Total			**88**	**3**	**2**	**1,917**

		Investment property and investment property under development			
		Income-producing property	Properties under development [1]	Land	Total
	Country of operation	NIS millions			
CTY	Finland, Norway, Sweden, Estonia and Denmark	16,717	24	-	16,741
G Europe	Poland and Czech Republic	7,904	565	504	8,973
Gazit Brasil	Brazil (Sao Paulo)	2,813	-	70	2,883
G Israel	Israel	3,606	772	454	4,832
Gazit Horizons	USA	2,040	943	197	3,180
Gazit Canada	Canada	388	340	-	728
Total		**33,468**	**2,644**	**1,225**	**37,337**

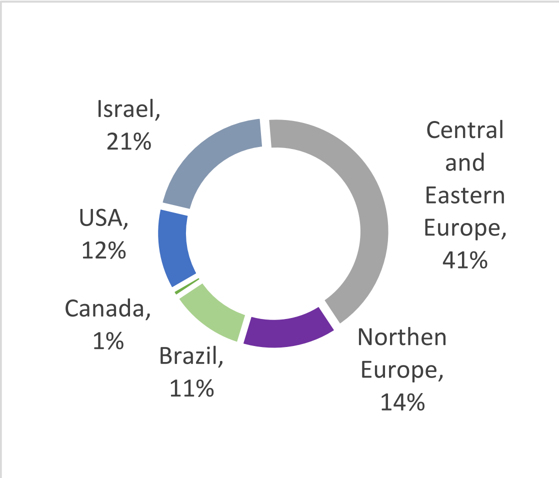
1. Including the expansion of income-producing properties

Below is a breakdown of the properties classified as assets held for sale included in the group properties as of June 30, 2023:

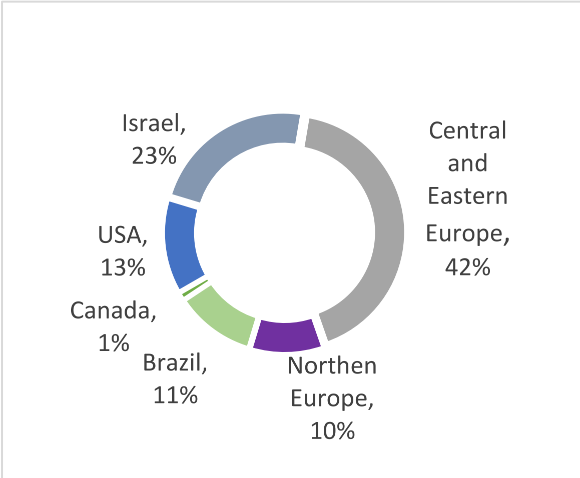
	Country	Number of Properties	Carry amount in NIS
Gazit Horizons	USA	1	566
G Brasil	Brazil (Sao Paulo)	1	435
Total carrying amount			**1,001**

1.3. **Breakdown of the Company's investments by regions (on an expanded Solo basis) as of June 30, 2023:**

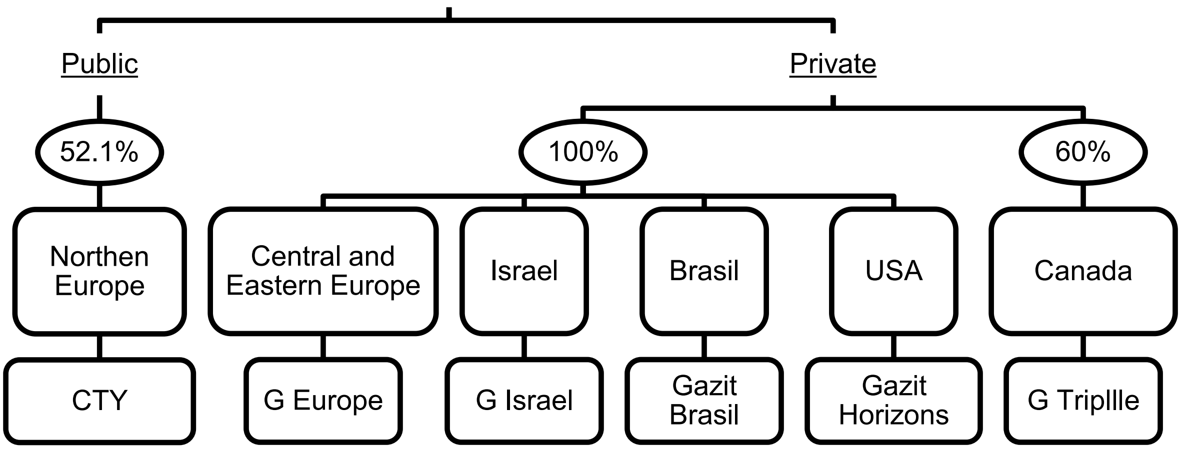
Carrying amount



Market Value



1.4. **The Company's Major Holdings (holding structure and interests as of June 30, 2023):**



1.5. Highlights – Second Quarter of 2023 (the "Quarter")

(NIS in millions, other than per share data)	June 30, 2023	December 31, 2022	
Net debt to total assets (Expanded Solo)	67.1%	67.6%	-
Net debt to total assets (Consolidated)[1]	60.1%	60.0%	-
Equity attributable to equity holders of the Company	5,396	5,016	-
Equity per share attributable to equity holders of the Company (NIS)	30.2	30.1	-

	3 months ended June 30,		
	2023	2022	Change
Rental income and others	585	580	0.9%
NOI [3]	418	409	2.2%
NOI adjusted for exchange rates	418	449	(6.9%)
Proportionately consolidated NOI [4]	337	336	0.3%
Proportionately consolidated NOI adjusted for exchange rates	337	357	(5.6%)
Cash flow from operating activities per share- Expanded Solo (NIS) [5]	0.64	0.75	(14.7%)
FFO [6]	112	144	(22.2%)
FFO per share (NIS) [6]	0.63	0.87	(27.6%)
FFO adjusted for exchange rates	112	164	(31.7%)
FFO per share adjusted for exchange rates (NIS)	0.63	0.98	(35.7%)
Number of shares used in calculating the FFO per share (in thousands)	178,462	166,122	7.4%

Acquisition, construction and development of investment property	434	200	-
Disposition of investment property	617	371	-
Fair value gain from investment property and investment property under development, net	138	331	-
Net income (loss) attributable to equity holders of the Company	(3)	(74)	-
Diluted net earnings (loss) per share (NIS)	(0.01)	(0.45)	-
Cash flows provided by (used in) operating activities	104	258	-

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 FFO is presented according to the management approach and in accordance with the EPRA rules. For the FFO calculation, refer to section 2.3 below.

1.6. <u>Highlights – Second Quarter of 2023 (the "Quarter") (Cont.)</u>

- As of June 30, 2023, the company and its consolidated companies have liquid balances and undrawn credit lines available for immediate drawdown in the amount of NIS 3.2 billion (of which NIS 1.5 billion in the company and its wholly owned subsidiaries, which include cash and cash equivalents, marketable securities and deposits for a short time in the amount of NIS 0.9 billion). The liquid balances and undrawn credit lines after the completion of the sale of the property in Brazil (as specified in section 3.1 below) and the issuance of convertible debentures (as specified in note 5c to the financial statements) is NIS 2.3 billion.
- After the reporting date, the company issued a new series of convertible debentures (series Q) in the amount of NIS 410 million, for further details refer to Note 5c to the financial statements.
- 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 increased in the Quarter by NIS 339 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.

1.7. Highlights – First Six months of 2023 (the "Reporting Period")

(NIS in millions, other than per share data)	Six months ended June 30,		
	2023	2022	Change
Rental income	1,189	1,137	4.6%
NOI	828	789	4.9%
NOI adjusted for exchange rates	828	850	(2.6%)
Proportionately consolidated NOI[1]	680	642	5.9%
Proportionately consolidated NOI adjusted for exchange rates	680	678	0.3%
Cash flow from operating activities per share-Expanded Solo (NIS) [2]	1.26	1.17	7.7%
FFO[3]	204	208	(1.9%)
FFO per share (NIS)[3]	1.17	1.29	(9.3%)
FFO adjusted for exchange rates	204	237	(13.9%)
FFO per share adjusted for exchange rates (NIS)	1.17	1.45	(19.3%)
Number of shares used in calculating the FFO per share (in thousands)	175,035	162,113	8.0%
Acquisition, construction and development of investment property	1,008	734	-
Disposition of investment property	956	870	-
Fair value loss from investment property and investment property under development, net	293	376	-
Net income (loss) attributable to equity holders of the Company	(512)	(395)	-
Diluted net income (loss) per share (NIS)	(2.94)	(2.45)	-
Cash flows from operating activities	339	347	-

1 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.

2 Refer to section 2.2 below.

3 The 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.

- During the reporting period, the company issued, through a private issuance, 11.83 million shares to institutional entities, and to the company's controlling owner, Norstar Holdings Inc. ("Norstar") and its controlling shareholder, Mr. Chaim Katzman (through a private company under his control), in total amount of NIS 150 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 680 million (net of the effect of cross-currency swap transactions).

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

2.1. Summary of the Company's Holdings as of June 30, 2023:

Name of company	Type of security/ property	Amount (millions)	Holding interest (%)	Book value (NIS in millions)	Market value as of 30.6.2023 (NIS in millions)
CTY	Shares (OMX)	87.6	52.1	3,205	2,048
Israel	Income-producing property and land	-	-	4,826	-
Brazil	Income-producing property and land	-	-	2,448	-
USA[1]	Income-producing property and land	-	-	2,799	-
Canada[1]	Income-producing property			248	
Europe[1]	Income-producing property and land	-	-	8,989	-
Total assets		-	-	**22,515**	-

Set forth below are the Company's monetary balances (including balances of its privately-held subsidiaries) ("expanded solo basis") as of June 30, 2023:

	NIS in millions
The Company's Debentures	7,685
G Europe's Debentures	2,588
Debts to financial institutions	7,138
Total debentures and debts to financial institutions (*)	**17,634**
Other monetary liabilities	977
Total monetary liabilities	**18,388**
Less - monetary assets[2]	3,148
Less - other investments[3]	126
Monetary liabilities, net[4]	**15,114**

Year	The Company's Debentures	G Europe's Debentures	Financial Institutions		Mortgages	Total	%
			Secured	Unsecured			
2023	582	-	-	37	544	1,163	7
2024	1,214	-	1,194	37	124	2,569	14
2025	1,128	1,561	161	37	417	3,304	19
2026	1,151	-	16	37	931	2,135	12
2027	1,314	1,027	28	222	891	3,482	20
2028	1,170	-	37	-	302	1,509	9
2029	796	-	44	-	181	1,021	6
2030	-	-	52	-	928	980	6
2031 onwards	330	-	443	-	475	1,248	7
Total	**7,685**	**2,588**	**1,975**	**370**	**4,793**	**17,411**	**100**

1 Includes investment in properties through a joint venture presented in the financial statements using the equity method.
2 Including cash and cash equivalents, shirt term traded securities and deposits in the amount of NIS 0.9 billion, properties held for sale in the amount of NIS 1.0 billion, loans and receivables in the amount of NIS 0.9 billion and derivatives financial instruments in the amount of NIS 0.2 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 1,344 million, deferred tax liability in the amount of NIS 436 million with respect to investment property and other investments and NIS 225 million in non-controlling interestsin part of the company's properties.

2.2. Cash flows from operating activities - expanded Solo:

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

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2023	2022	2023	2022	2022
	NIS in millions (except for per share data)				
Dividends from public investees	87	80	45	40	158
EBITDA from private companies, net of Capex and other income *	474	391	254	220	808
Total income	**561**	**471**	**299**	**260**	**966**
General and administrative expenses	(34)	(37)	(15)	(19)	(71)
Interest expenses, net	(300)	(240)	(165)	(122)	(487)
Taxes	(6)	(4)	(5)	5	(16)
Total expenses	**(340)**	**(281)**	**(185)**	**(136)**	**(574)**
Cash flows from operating activity	**221**	**190**	**114**	**124**	**392**
Cash flows from operating activity per share	**1.26**	**1.17**	**0.64**	**0.75**	**2.38**

Including capital expenditures (CAPEX) in the amount of NIS 48 million for the year 2022, and NIS 12 million in the quarter.

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 Adjusted EPRA Earnings (or **"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 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 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.

DIRECTORS' REPORT ON THE COMPANY'S BUSINESS

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,
	2023	2022	2023	2022	2022
	NIS in millions (other than per share data)				
Net income (loss) for the period attributable to equity holders of the Company	(512)	(395)	(3)	(74)	(1,340)
Adjustments:					
Fair value loss (gain) from investment property and investment property under development, net	(293)	(376)	(138)	(331)	450
Capital loss on disposition of investment property	676	28	158	(20)	116
Changes in the fair value of financial instruments, including derivatives, measured at fair value through profit or loss	38	727	(31)	347	988
Adjustments with respect to equity-accounted investees	(81)	6	(110)	7	47
Deferred taxes and current taxes with respect to disposition of properties	(24)	(135)	62	7	(340)
Acquisition costs recognized in profit or loss	-	-	-	-	1
Non-controlling interests' share in above adjustments	143	42	54	19	(98)
Nominal FFO (EPRA Earnings)	(5)	(103)	(8)	(45)	(176)
Additional adjustments:					
CPI linkage and exchange rate differences	252	322	141	197	539
Depreciation and amortization	11	10	6	5	20
Other adjustments(1)	3	28	2	12	139
FFO according to the management approach (Economic Adjusted EPRA Earnings)	261	257	141	169	522
FFO per share according to the management approach (in NIS)	1.49	1.59	0.79	1.02	3.18
Coupon per hybrid debentures	(57)	(49)	(29)	(25)	(98)
FFO according to the management approach (Adjusted EPRA Earnings)	**204**	**208**	**112**	**144**	**424**
FFO per share according to the management approach (in NIS)	**1.17**	**1.29**	**0.63**	**0.87**	**2.59**
FFO adjusted for exchange rates according to the management approach	**204**	**237**	**112**	**164**	
FFO adjusted for exchange rates according to the management approach (in NIS)	**1.17**	1.45	**0.63**	**0.98**	
Number of shares used in the FFO per share calculation (in thousands)(2)	**75,035**	**162,113**	**178,462**	**166,122**	**164,362**

As of the reports for the first quarter of the 2023, the company stopped neutralizing from the FFO calculation the profit/loss component from early repayment of interest-bearing debt, and this in light of the large-scale realization plan the company announced (as stated in section 1.1 above) and the company's plan to use part of the proceeds for repurchases of the Group's debentures, which are traded at a significant discount in relation to the pledged value (in accordance with the company's own purchase plan). The FFO data shown above in relation to the comparison periods has been adjusted to the updated method of calculation.

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, expenses from reorganization of the Group's companies, share-based compensation expenses and the adjustment of expenses and income from extraordinary legal proceedings.

2 Weighted average for the period.

2.4. Additional information is presented below regarding the Company's pro rata share in the value of income-producing properties owned by the Group as of June 30, 2023, 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.

	3 months ended June 30,		Year ended December 31,
	2023	**2022**	**2022**
	NIS in millions		
Rental income	585	580	2,303
Property operating expenses	167	171	720
NOI for the period	418	409	1,583
Less - minority's share in NOI	(93)	(90)	(345)
Add - Company's share in NOI of associate and jointly controlled companies	12	17	63
NOI for the period - the Group's proportionate share[1]	**337**	**336**	**1,301**
Annual NOI - the Group's proportionate share	**1,348**[1]	**1,344**[1]	**1,301**

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, 2023, amounted to NIS 3,857 million.

The Group's monetary liabilities, net of monetary assets (according to the proportionate consolidation method) as of June 30, 2023, amounted to NIS 22,527 million.

2.5. Net Asset Value (EPRA NAV, 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 NNNAV data, which is another measure reflecting net asset value (EPRA NAV), 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.

The Company considers that the presentation of the EPRA NAV and the EPRA NNNAV 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.

DIRECTORS' REPORT ON THE COMPANY'S BUSINESS

Presented below is the calculation of the EPRA NAV, EPRA NTA and EPRA NDV:

	June 30,		December 31,
	2023	2022	2022
	NIS in millions		
EPRA NRV			
Equity attributable to the equity holders of the Company, per the financial statements	5,396	6,021	5,016
Exclusion of deferred tax liability on revaluation of investment property to fair value (net of minority's share) [1]	935	1,149	988
Fair value asset adjustment for derivatives, net[2]	(145)	(260)	(221)
EPRA NRV	**6,186**	**6,910**	**5,783**
EPRA NRV per share (in NIS)	**34.6**	**41.4**	**34.7**
EPRA NTA			
Equity attributable to the equity holders of the Company, per the financial statements	5,396	6,021	5,016
Exclusion of deferred tax liability on revaluation of investment property to fair value (net of minority's share) [1]	530	649	559
Goodwill adjustment attributable to assets	(228)	(243)	(226)
Fair value asset adjustment for derivatives, net[2]	(145)	(260)	(221)
EPRA NTA	5,553	6,167	5,128
EPRA NTA per share (in NIS)	31.1	37.0	30.7
EPRA NDV			
Equity attributable to the equity holders of the Company, per the financial statements	5,396	6,021	5,016
Goodwill adjustment attributable to assets	(228)	(243)	(266)
Fair value asset adjustment for derivatives, net	2,596	1,948	2,705
EPRA NDV	7,764	7,726	7,495
EPRA NDV per share (in NIS)	43.5	46.3	44.9
Issued share capital of the Company used in the calculation (in thousands of shares)[3]	178,687	166,866	166,864

1 Net of goodwill generated in business combinations against deferred tax liability. In EPRA NTA calculation 50% of the tax reserve is taken.

2 Represents the fair value less the intrinsic value of currency hedging transactions.

3 Represents the diluted number of issued shares (in thousands), excluding treasury shares held by the Company.

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

3.1. Investments and realizations of investment real

- In January 2023, the company signed a binding agreement for the sale of the G Yavne shopping center for NIS 154 million, the sale was completed on March 30, 2023 at a price similar to its book value.
- In February 2023, G Europe sold the Atrium Molo shopping center, which is located in the city of Szczecin in northern Poland, for EUR 46.3 million (NIS 175 million), at a price similar to its book value.
- In May 2023, G Europe sold the Palace Pardubice shopping center, located in the city of Pardubice, a secondary city in the eastern Czech Republic, for EUR 123.8 million (NIS 496 million), at a price similar to its book value. The company provided a vendor loan to the seller in the amount of EUR 67.5 million until the time when the buyer completes the bank escort position and in any case for a period not exceeding 5 years. The loan carries an initial interest rate of 6.27% and includes an interest rate increase mechanism over time that will encourage the buyer to pay off the loan early. Until the loan is fully repaid, the company was granted a first-class mortgage on the property and the shares of the property company.
- In April 2023, G Europe sold its entire property portfolio in Russia, in exchange for EUR 131 million (NIS 524 million). The gross proceeds constitute 52% of the value of the assets in the company's books as of December 31, 2022, and it was determined in accordance with the local regulation adopted by the Russian government in connection with the realization of foreign investments in the country. The property portfolio in Russia included seven income-producing properties and two plots of land for rent of 238 thousand square meters. The assets sold are free of any debt or encumbrance and the cash flow that will result to the company from their sale after tax payments in the amount of EUR 15 million will be used by the company to reduce the financial debt. Following the sale of the assets, the company recorded a loss in the amount of EUR 136 million (NIS 518 million).
- In April 2023, G Europe completed a combined process of acquiring its partner's share (25%) in the Arkady Pankrac, a property located in the city of Prague, Czech Republic and receiving financing for the entire property. G Europe acquired 25% of the shopping center for EUR 60 million (NIS 240 million) when, at the same time as the purchase of the shopping center, G Europe received guaranteed financing in the amount of EUR 112 million (NIS 448 million) for the period of about 5 years from a local bank, so that the free cash flow that will be generated from the completion of the move is EUR 52 million (about 208 million NIS). In July 2023, G Europe entered into a non-binding memorandum for the sale of the property.
- In July 2023, Gazit Brasil completed the sale of its share (33%) in the Cidade Jardim shopping center in São Paulo, Brazil in exchange of NIS 562 million (NIS 425 million). The commercial center has an area for rent of 12 thousand square meters and is free of debt or encumbrance.

Property activities

3.2. Highlights of operational data:

	Income producing properties[1]	GLA (in thousands of square meters)	Occupancy rate	
			30.06.2023	30.06.2022
G Israel	13	161	97.9%	97.9%
Gazit Brasil	7	176	95.9%	94.5%
Gazit Horizons	13	81	91.7%	93.5%
CTY	35	1,059	95.5%	94.2%
G Europe	14	403	93.8%	91.7%

[1] Includes jointly controlled properties.

	Average basic monthly rent per square meter		Change in same property NOI [2]		NOI (million)	
	30.6.2023	30.6.2022	Reporting period	Quarter	Q2. 2023	Q2. 2022
G Israel	NIS 122.3	NIS 113.9	8.8%	7.6%	NIS 49.7	NIS 48.5
Gazit Brasil	R$ 85.6	R$ 73.7	7.2%	4.3%	R$63.2	R$59.8
Gazit Horizons	$ 57	$ 51.6	20.4%	21.1%	$ 5.2	$ 4.6
CTY	€ 24	€ 23.6	6.9%	4.5%	€ 48.9	€ 52.7
G Europe	€ 16.9	€ 16.1	16.0%	16.8%	€ 26.2	€ 31.9

[2] Change in same property NOI in the quarter compared with the corresponding period last year.

3.3. 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. For further details regarding the general environment and the influence of external factors on the company's activities, refer to section 5 to chapter on update to the description of the company's business.

Presented below are macro-economic data for the countries where the Group operates[1]:

	Growth (GDP)					
	2023 forecast	2023	Rate of unemployment	Price index forecast 2023	Yield on government debentures (10 years)	Debt rating (S&P)
Israel	2.80%	6.50%	4.70%	4.30%	3.850%	AA-
Poland	0.90%	4.90%	5.20%	12.0%	5.571%	A-
Finland	(0.10%)	2.00%	7.00%	5.40%	3.164%	AA+
Norway	1.20%	3.30%	3.60%	5.50%	3.983%	AAA
Brazil	2.20%	2.90%	8.50%	4.80%	10.778%	BB-
Czech Republic	0.20%	2.50%	2.90%	10.90%	4.176%	AA-
Sweden	(0.50%)	2.70%	7.60%	8.30%	2.684%	AAAu
USA	1.60%	2.10%	3.70 %	4.10%	4.101%	AA+u
Canada	1.50%	3.40%	5.40%	3.70%	3.539%	AAA

International debt rating of Group companies:

Rating Agency	G City[1]	CTY	G Europe
Moody's	[2]ilA3/ Negative	-	B1/ Stable
S&P	[2] ilA-/ Negative	BBB-/ Stable	-

1. Data source: Bloomberg – August 2023.
2. The Company's secured debentures (Series O), rated by S&P Maalot and Midroog at a rating level of 'ilA' and 'A2.il', respectively.

The company's income from rent in the group's active countries, with the exception of the USA, is mostly linked (over 90%) to the increase in the consumer price index and contributes to the growth of its income as well as the value of its assets, respectively. At the same time, most of the company's debt (66%) is not linked to the consumer price index (after the effect of the exchange transactions). The increase in the index increases the Group's part of the debt linked to the index financing expenses. The rent linking mechanisms are a long-term financial protection against the increase in the company's financing expenses due to the index linking, when in relation to the debt balance linked to the index (against which there is no income linked to the consumer price index in Israel) the company carries out protection in currency exchange transactions that also include index protection. Additionally, most of the Group's debt is long-term debt with fixed interest rate (86% 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. For further details, see the risk factors chapter in the company's periodic report for 2022.

3.4. Material Events at the Group During the quarter

A. In the Reporting period, the Company issued 11.83 million shares to institutional entities, to Norstar, which controls the Company, and to its controlling owner, Mr. Chaim Katzman (through a private company under his control), in consideration of NIS 150 million.

B. For details regarding buyback of the Company's debentures in the amount of EUR 155 million, refer to Note 3a1 to the financial statements.

C. For details regarding buyback of debentures and hybrid debentures of CTY in the amount of EUR 183 million and EUR 27 million, respectively, refer to Notes 3a2 and 3a3 to the financial statements.

D. For details regarding buyback of G Europe's debentures and hybrid debentures in the amount of EUR 44 million and EUR 3 million, respectively, refer to Notes 3a4 and 3a5 to the financial statements.

E. On May 2, 2023, CTY entered into a credit line agreement with a syndicate of banks in the amount of EUR 650 million, which will replace CTY's current credit line in the amount of EUR 500 million. The credit agreement consists of a revolving credit line of EUR 400 million and a loan of EUR 250 million and is secured by a lien on CTY's assets (one asset in Finland and four assets in Norway). The credit period is for three years, with an option to extend it for an additional period of one year. The credit bears interest, which is subject to changes according to CTY's rating, as well as according to CTY's compliance with sustainability goals.

F. On April 30, 2023, G Europe completed a combined purchase of its partner's share (25%) in the Arkady Pankrac property located in the city of Prague, Czech Republic and obtaining financing for the entire property. G Europe purchased 25% of the shopping center for EUR 60 million, while at the same time as purchasing the shopping center, G Europe received guaranteed financing in the amount of EUR 112 million for a period of 5 years from a local bank. In July 2023, G Europe entered into a memorandum for the sale of its full rights in the property. For further details, refer to Note 3b4 to the financial statements.

3.5. Dividend Distribution Policy

On March 28, 2023, May 22, 2023 and August 16 2023, the Company's Board of Directors decided not to distribute a dividend to the Company's shareholders in the first second and third quarters of 2023. The Company's Board of Directors will convene and review the Company's dividend distribution policy for the following quarters of 2023, including based on progress in the execution of the plan for disposal of properties announced by the Company on October 25, 2022 and as updated on December 2022 and May 2023, and additional considerations, subject to the distribution tests set out in the Companies Law, 1999.

3.6. Financial Position

Current assets

The balance of current assets, as of June 30, 2023, total NIS 2.7 billion, compared with NIS 3.7 billion as of December 31, 2022. The decrease in current assets derives mainly from a decrease in cash and cash equivalents which used to repay interest-bearing debt.

Equity-accounted investees

The balance of equity-accounted investees amounted to NIS 1.1 billion as of June 30, 2022, compared to NIS 1.7 billion as of December 31, 2022. The balance of the equity-accounted investees is primarily comprised of investments in property through joint ventures as recorded in the books of CTY, Gazit Horizons and Gazit Canada. The decrease in equity accounted investees is primarily due to the acquisition of the partnership in the Arkady Pankrac property which was under joint control, for further details refer to Note 3b4 to the financial statements.

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 above). The balance of the financial derivatives is presented net of amounts received under CSA (Credit Support Annex) agreements entered into with certain financial institutions that establish settlement mechanisms between the Company and the banking institution with which the swap transaction is being carried out with respect to the value of the financial derivatives (CSA agreement). As of June 30, 2023, the aforesaid balance of financial derivatives amounted to NIS 275 million, compared to NIS 186 million as of December 31, 2022.

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, 2023, amounted to NIS 35.6 billion, compared to NIS 33.8 billion as of December 31, 2022.

The increase in these balances during the Reporting period is primarily due from fluctuation in exchange rates.

Intangible assets, net

Intangible assets, net, as of June 30, 2022, totaled NIS 438 million, compared to NIS 433 million as of December 31, 2022. The intangible assets primarily consist of goodwill relates to properties in Norway own by CTY.

Current liabilities

Current liabilities, as of June 30, 2023, totalled NIS 3.7 billion, compared to NIS 4.4 billion as of December 31, 2022. The balance mainly includes short-term credit from banks and others and current maturities of long-term liabilities, in the amount of NIS 2.4 billion, compared to NIS 3.0 billion as of December 31, 2022.

Non-current liabilities

Non-current liabilities, as of June 30, 2023, totaled NIS 23.8 billion, compared to NIS 23.0 billion as of December 31, 2022. The increase in non-current liabilities is primarily due from fluctuation in exchange rates.

Equity attributable to the equity holders of the Company

Equity attributable to the equity holders of the Company, as of June 30, 2023, amounted to NIS 5,396 million, compared to NIS 5,016 million as of December 31, 2022. The increase is due to the issuance of the Company's shares and options in the amount of NIS 150 million and from an increase in capital reserves in the amount of NIS 742 million (mainly from foreign currency translation reserve). The aforesaid increase was offset by a loss attributed to the Company's shareholders in the amount of NIS 512 million.

The equity per share attributable to the equity holders of the Company as of June 30, 2023 totaled NIS 30.2 per share, compared to NIS 30.1 per share as of December 31, 2022.

Non-controlling interests

Non-controlling interests, as of June 30, 2023, amounted to NIS 7.2 billion, compared to NIS 7.0 billion as of December 31, 2022. 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 increase in non-controlling interests in the Reporting period is primarily due to the portion of other shareholders in the amount of NIS 0.5 billion. The aforesaid decrease was offset by net income attributed to non-controlling interest in the amount of NIS 0.2 billion and from the portion of other shareholders in dividend distributed by the subsidiaries in the amount of NIS 0.1 billion.

3.7. Results of operations and analysis

A. Results of operations are as follows:

	Six months ended June 30, 2023	Six months ended June 30, 2022	Three months ended June 30, 2023	Three months ended June 30, 2022	Year ended December 31, 2022
	Unaudited				Audited
	NIS in millions (except for net earnings (loss) per share data)				
Rental and other income	1,189	1,137	585	580	2,303
Property operating and other expenses	361	348	167	171	720
Net operating income	828	789	418	409	1,583
Fair value gain (loss) from investment property and investment property under development, net	293	376	138	331	(450)
General and administrative expenses	(166)	(189)	(78)	(91)	(374)
Other income	5	30	-	26	14
Other expenses	(680)	(58)	(158)	(6)	(130)
Company's share in earnings (losses) of equity- accounted investees, net	53	2	99	(6)	(51)
Operating income	333	950	419	663	592
Finance expenses	(736)	(1,362)	(395)	(678)	(2,263)
Finance income	140	45	147	25	117
Profit (loss) before taxes on income	(263)	(367)	171	10	(1,554)
Taxes on income (tax benefit)	37	(123)	73	8	(318)
Net income (loss)	(300)	(244)	98	2	(1,236)
Attributable to:					
Equity holders of the Company	(512)	(395)	(3)	(74)	(1,340)
Non-controlling interests	212	151	101	76	104
	(300)	(244)	98	2	(1,236)
<u>Net earnings (loss) per share attributable to equity holders of the Company (in NIS):</u>					
Total basic loss	(2.93)	(2.44)	(0.01)	(0.45)	(8.15)
Total diluted loss	(2.94)	(2.45)	(0.01)	(0.45)	(8.15)

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The statement of comprehensive income is as follows:

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2023	2022	2023	2022	2022
	Unaudited				Audited
	NIS in millions				
Net income (loss)	(300)	(244)	98	2	(1,236)
Other comprehensive income (loss) (net of tax effect):					
Amounts that will not be reclassified subsequently to profit or loss					
Net gains of financial assets at fair value through other comprehensive income	(33)	1	(33)	2	2
Amounts that will not be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations	992	849	415	277	1,008
Net gains on cash flow hedges	7	103	17	44	146
Total other comprehensive (loss) gain	966	953	399	323	1,156
Total comprehensive (loss) gain	666	709	497	325	(80)
Attributable to:					
Equity holders of the Company	178	353	311	139	(553)
Non-controlling interests	488	356	186	186	473
	666	709	497	325	(80)

B. Analysis of results of operations for the second quarter of 2023

Rental income and others

Excluding the average exchange rates the rental income and others in the Quarter decreased by 8% compared with the corresponding quarter the prior year. The decrease is primarily due to from the sale of non-core assets during the past 12 months. The aforesaid decrease was offset from operation of completed development assets, investments in assets during the past 12 months, and an increase in income from identical properties.

Rental income and others increased by 0.9% to NIS 585 million in the Quarter, compared with NIS 580 million in the corresponding quarter the prior year.

Property operating expenses and others

Property operating expenses and others totaled NIS 167 million in the Quarter, representing 28.5% of total rental income and others, compared with NIS 171 million, representing 29.5% 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 decreased by 6.9% compared with the corresponding quarter 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 rental income increased by 2.2% to NIS 418 million in the Quarter (71.5% of total rental income), compared with NIS 409 million (70.5% of rental income) in the corresponding quarter in 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 net amount of NIS 138 million compared to fair value gain of NIS 331 million in the corresponding quarter the prior year. The increase in fair value in the quarter is primarily due to the assets in Northern and Central Europe, resulting from an increase in cash flow from those properties.

General and administrative expenses

General and administrative expenses totaled NIS 78 million (13.3% of total income) in the Quarter, compared to NIS 91 million (15.7% of total income) in the corresponding quarter in the prior year. The decrease in general and administrative expenses is due to non-recurring expenses implemented by G Europe.

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

The item amounted to a gain of NIS 99 million in the quarter (loss of NIS 6 million was recorded in the corresponding quarter in the prior year) and primarily comprised of the Group’s shares in the net loss of comprehensive companies CTY, Gazit Horizons, G Europe and Gazit Canada (Gazit Tripllle).

Finance expenses

Finance expenses amounted to NIS 395 million in the Quarter, compared to NIS 678 million in the corresponding quarter in the prior year. The decrease 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 to a gain in the quarter and from a loss in marketable securities in the corresponding quarter in the prior year in the amount of NIS 149 million compared with NIS 8 million in the quarter. The average interest rate on the company's interest bearing liabilities at the extended solo level is 3.97%.

Finance income

Finance income totaled NIS 147 million in the Quarter, compared to NIS 25 million in the corresponding quarter in the prior year. Finance income in the Quarter primarily comprises of early redemption of interest-bearing debt in the amount of about NIS 76 million, a gain from revaluation of financial instruments derivatives in the amount of NIS 45 million and from dividends and revaluation of marketable securities and in the amount of NIS 2 million (an income of NIS 6 million was recorded in the corresponding quarter in the prior year) and interest income in the amount of NIS 24 million (an income of NIS 13 million was recorded in the corresponding quarter in the prior year).

Taxes on income (tax benefit)

Tax expenses totaled NIS 73 million in the Quarter, compared with tax expenses of NIS 18 million in the corresponding quarter the prior year. Tax expenses in the Quarter comprises primarily of deferred tax expenses of NIS 55 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 (in the corresponding quarter in the prior year, net deferred tax income of NIS 11 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 18 million, compared with current tax expenses of NIS 25 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 6 million.

C. Analysis of Results of Operations for the Reporting Period

Rental and other income

Excluding the change in the average exchange the rate rental and other income in the Reporting Period decreased by 2.9% as compared to the corresponding period in the prior year. The decrease is primarily due to the sale of non-core assets during the past 12 months. The aforesaid decrease was offset 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.

Rental and other income increased by 4.6% to NIS 1,189 million in the Reporting Period, compared to NIS 1,137 million in the corresponding period in the prior year.

Property operating and other expenses

Property operating and other expenses and others totalled NIS 361 million in the Reporting Period, representing 30.4% of total rental and other income, compared to NIS 348 million, representing 30.6% of total rental and other income, corresponding period in the prior year.

Net operating income (NOI)

Excluding the change in the average exchange rates the net operating income in the Reporting Period decreased by 2.6%, 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 4.9% to NIS 828 million in the Reporting Period (69.6% of rental income), compared to NIS 789 million (69.4% 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 293 million, compared to a gain of NIS 376 million in the corresponding period in the prior year. The fair value gain in the Reporting period is mainly due to properties in the Northern and Central Europe resulting from an increase in properties flow.

General and administrative expenses

General and administrative expenses totaled NIS 166 million (14.0% of total revenues), in the reporting Period, compared to NIS 189 million (16.6% of total revenues) in the corresponding period in the prior year. The decrease in general and administrative expenses is due to non-recurring expenses implemented by 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 53 million (compared to earnings of NIS 2 million recorded in the corresponding arable period in the prior year) and is primarily comprised of the Group’s share in the net earnings of G Europe, CTY, Gazit Horizons and Gazit Canada (G Tripllle).

Other Expenses

Other expenses in the quarter primarily comprises to a loss resulting from the sale of the group's assets in Russia. For further details, please refer to Note 3b3 to the financial reports.

Finance expenses

Finance expenses amounted to NIS 736 million in the Reporting Period, compared to NIS 1,362 million in the corresponding period in the prior year. The decrease 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 16 million compared with a decrease from revaluation of financial instruments derivatives in the amount of NIS 547 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 13 million compared with a loss from revaluation of marketable securities in the amount of NIS 118 million in the corresponding period in the prior year.

Finance income

Finance income totaled NIS 140 million in the Reporting Period, compared to NIS 45 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 4 million (an income of NIS 16 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 37 million (an income of NIS 25 million was recorded in the corresponding period in the prior year). Furthermore, the finance income during the reporting period included income from early redemption of interest-bearing debt in the amount of NIS 99 million.

Taxes on income (tax benefit)

Tax expenses totaled NIS 37 million in the Reporting Period, compared to tax income of NIS 123 million in the corresponding period in the prior year. Tax expenses in the Reporting Period primarily consists of deferred tax expenses in the amount of NIS 4 million relating primarily to the net changes in the balances of the temporary differences between the tax base and the fair value of investment property and investment property under development, including the disposal of properties as well as structural change in the Group and carry forward losses (in the comparable period in the prior year – net deferred tax income of NIS 135 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 37 million, compared to current tax expenses of NIS 42 million in the corresponding period in prior year. In addition, in the Reporting period, tax income for previous years was recorded in the amount of NIS 4 million compared to NIS 30 million in the corresponding period in the prior year.

3.8. 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, convertible 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, 2023, the Company and its subsidiaries have liquidity, including undrawn[1] long-term credit facilities available for immediate drawdown and liquid balances totaling NIS 3.2 billion (of which NIS 1.5 billion of the Company and it's wholly-owned subsidiaries) which includes cash and cash equivalents in the amount of NIS 1.0 billion (all of the Company and it's wholly-owned subsidiaries) and have binding undrawn long term credit facilities available for immediate drawdown of NIS 2.2 billion.

Additionally, as of June 30, 2023, 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 21.0 billion (59.1% of the total investment property and investment property under development).

Furthermore, the company has unencumbered properties in an expanded solo to the of NIS 7.3 billion (NIS 5.1 billion in G Europe, NIS 1.1 billion in the USA, NIS 0.8 billion in the Brazil and NIS 0.3 billion in Israel) and the company is working to obtain guaranteed financing for some of these properties.

For further details regarding the strategy of disposal of properties to increase liquidity, see section 1.1 above.

As of June 30, 2023, the Company had a negative working capital balance of NIS 0.9 billion under its separate reports (solo), and NIS 2.1 billion, respectively, 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[1], available for immediate drawdown on a consolidation basis and on an expanded solo basis (including in companies that are fully owned by the Company), in the amount of NIS 2.2 billion and NIS 0.6 billion, respectively and held for sale properties of the Company's wholly owned subsidiaries in the amount of NIS 1 billion. The policy of the Company is to finance its operations with revolving credit facilities and by raising long-term debt from time to time, depending on market conditions. The Board of Directors has concluded that, in view of the resources that are available to the Group and to the Company, including non-pledged assets, as described above, and considering the positive cash flow from operating activities on consolidation and on expanded solo, including forecast cash flow, its existence is not indicative of a liquidity problem in the Company or its subsidiaries.

[1] 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.

3.9. Cash flows

Cash flow generated from operating activities in the Reporting period and in the Quarter totaled NIS 339 million and NIS 104 million, respectively, compared to NIS 347 million and NIS 258 million, respectively, in the corresponding periods in the prior year. During the Reporting period, the Company and its subsidiaries financed their operations by loans repayments and credit lines in the in the net amount of NIS 684 million, through issuance of shares in net amount of NIS 150 million and through disposal of investment properties in a net amount of NIS 135 million. These cash flows were primarily used for repayment of debentures in net amount of NIS 1,565 million, for dividend payments by the Group's companies in the amount of NIS 131 million, for investments in financial properties in the amount of NIS 52 million and for loan repayments in the net amount of NIS 123 million.

During the quarter, the Company and its subsidiaries financed their activities by loans repayments and credit lines in the in the net amount of NIS 1,105 million, through realization of investment property in the net amount of NIS 183 million and through realization of financial properties in the net amount of NIS 21 million. These cash flows were mainly used for repayment of debentures in net amount of NIS 1,251 million and for dividend payments by the Group's companies in the amount of NIS 40 million.

3.10. Repurchase Program

A. On March 28, 2023, the Company's Board of Directors resolved to adopt a new buyback program for the Company's debentures (in place of the previous program) with a par value of up to NIS 450 million, in relation to all the outstanding series of debentures, the program is in effect until March 30, 2024. Purchases will be made under the program from time to time and at the discretion of the Company's Management. The program is in place of the previous program. By the time of publication of the report, the company had purchased debentures with a par value of NIS 109 million under this program.

B. On June 30, 2023, a buyback program of the company's shares, in the amount of up to 250 million NIS, which was adopted by the company in March 2022, has expired. The program wasn't executed.

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 28, 2023, the approval date of the Company’s annual report for 2022, 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, 2023 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, 2022, March 31 2023 and June 30, 2023 were approved.

4.3. Changes in foreign currency exchange rates – during the period from January 1, 2023 through June 30, 2023, the NIS depreciated against the Euro the Brazilian real, the Canadian dollar and the U.S. dollar by 7.1%, by 16.1%, by 5.1%and by 7.4%, respectively. With regard to the impact of exchange rate changes on the Company's equity, as of June 30, 2023, refer to Appendix A of the Directors’ Report. In addition, as of June 30, 2023 until immediately prior to the date of approval of this report, the NIS depreciated against the Euro, the U.S. dollar by 2.4% and by 1.7%. respectively, the NIS appreciated against the Brazilian real by 2.8%.

4.4. 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, 2023 through June 30, 2023, the Israeli consumer price index (known index) rose by 2.5%. In addition, as of June 30, 2023, until immediately prior to the date of approval of this report, the Israeli consumer price index (known index) rose by 0.3%.

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

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

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 Quarter, the Group's donations amounted to NIS 1.9 million.

6. Disclosure Regarding the Financial Reporting of the Company

Subsequent events

A. For details regarding the issuance of the Company's convertible debentures (Series Q) in the amount of NIS 410 million, refer to Note 5c to the financial statements.

B. For details regarding the buyback of G Europe's debentures in the amount of EUR 11 million, refer to Note 5b to the financial statements.

C. For details regarding buyback of the Company's debentures in the amount of NIS 12 million, refer to Note 5a 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, 2022 is NIS 556 million. There was no substantial change in the values of the said pledged assets as of June 30, 2023 compared to values on December 31, 2022. 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, refer to the update to the description of the company's business 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 which as of this date holds 146 million G Europe shares. For details regarding a parallel debt agreement between the Company and the Trustee, as well as a control agreement signed between the Company, the Trustee and the custodian in connection with the account of the pledged shares, as well as further details regarding the Treasury Trust Fund's provisions, as set out in sections 5.6-5.11 of the trust deed attached to the Company's shelf offer report published on August 22, 2021 (Reference No. 2021-01-068740) in which the information contained herein is hereby incorporated by reference. The trust deed also includes mechanisms for

adding, removing, selling or exchanging liens and delisting the pledged shares from trading as well as the Company's right to issue additional debentures (Series P) as detailed in sections 5.6-5.11 to the trust.
For further details regarding G Europe, refer to G Europe 's financial statements of June 30, 2023 published in the Immediate report of the company on August 9, 2023 (Reference No. 2023-01-091662) in which the information contained herein is hereby incorporated by reference.

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 and O).

D. On July 6, 2023, the Midroog rating agency reaffirmed 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 'ilA3' with a negative outlook and the credit rating of the Company's debentures (Series O), which are secured by a pledge, at a rating level of 'ilA2', with a stable outlook.

E. On June 29, 2023, the S&P Maalot rating agency reaffirmed 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 'ilA-' with a negatibe outlook and the credit rating of the Company's debentures (Series O), which are secured by a pledge, at a rating level of 'ilA', with a negative outlook.

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

Financial ratio	Covenants	As of June 30, 2023
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 and Q -Higher than 850, during 3 consecutive quarters	1,458
Minimum shareholders' equity (less non-controlling interests) during one quarter (dollars in millions)	Series M,N,O - Higher than 400 Series P, Q – Higher than 450	1,458
Ratio of net interest-bearing debt to total consolidated assets And	Series K and L-lower than 80%, during 4 consecutive quarters Series M-lower than 75%	[1]60.6%
Minimum rating of the debentures	Series K,L and M-'ilBaa3'/'ilBBB-'	'ilA3'/ 'ilA-'
Ratio of net interest-bearing debt to total consolidated assets	Series N,O , P and Q -lower than 75%	60.1%
Minimum rating of the debentures	Series N,O , P and Q -'ilBaa3'/'ilBBB-'	'ilA3'/ 'ilA-'

As of June 30, 2023 and as of the approval of the financial statements, the Company complied with the covenants in respect of its debentures.

August 16, 2023		
Date of Approval of Directors' Report	Ehud Arnon Chairman of the Board of Directors	Chaim Katzman Vice Chairman of the Board of Directors and CEO

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

Appendix A of the Directors' Report
Additional Information regarding Currency Exposure
As of June 30, 2023

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 June 30, 2023. The following table presents the assets and the liabilities presented in the Company's statement of financial position (in the original currency and in NIS[1]) and the percentages they represent out of the total assets and liabilities, respectively, on a proportionately consolidated basis[2], 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.

Data presented in millions	NIS	U.S.$	EUR	C$	BRL	Total in NIS
Assets in original currency	4,912	978	4,111	115	4,026	-
Assets in NIS	4,912	3,619	16,519	320	3,091	28,461
% of total assets	**17**	**13**	**58**	**1**	**11**	**100**
Liabilities in original currency	10,444	439	2,506	75	867	-
Cross-currency swap transactions in original currency	397	8	1	-	-	-
Liabilities in original currency	10,047	431	2,505	75	867	-
Liabilities in NIS adjusted for swaps	10,047	1,595	10,066	209	666	22,583
% of total liabilities	**44**	**7**	**45**	**1**	**3**	**100**
Total equity in original currency	(5,135)	547	1,606	40	3,159	-
Total economic equity[3] in NIS	(5,135)	2,024	6,453	111	2,425	5,878
% of total equity	**(87)**	**34**	**110**	**2**	**41**	**100**

1 According to currency exchange rates as of June 30, 2023.

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 2022 PERIODIC REPORT OF G CITY 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 2022 (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. As part of the company's strategic plan for strengthening the company's capital and liquidity, in October 2022 the company announced an asset realization plan in the amount of NIS 5.3 billion[1] (the "asset realization plan") and regarding its actions to obtain guaranteed financing in specific assets, as detailed in section 1.2 of the periodic report and after the company completed (or signed a binding agreement) for the sale of assets in the amount of NIS 3 billion from November 2022 until now (similar to the values in the company's books (with the exception of the sale of assets in Russia, as specified in section 7 below). On May 10, 2023, the company announced on expanding the asset realization plan to the extent of NIS 6.3 billion and updating the status of the asset realization plan and asset financing, as detailed below, and in July 2023 updated to a total of NIS 6.4 billion.

Up to the date of publication of the asset realization plan, the company and its wholly owned subsidiaries (hereinafter in this section "the group") realized assets totaling NIS 3.0 billion.

Below is a breakdown of the status of the asset realization plan (in millions of NIS)[2]:

	Completed or under binding agreements	in advanced stages of negotiation	Marketing	Total
G Europe	1,780	1,085	2,073	4,938
Israel	154		145	299
Gazit Horizons	528		-	528
Gazit Brasil*	498		241	739
Total	**2,960**	**1,085**	**2,459**	**6,504**

* In Brazil, under binding agreements, the sale of the company's share in the El Dorado property, in Sao Paulo, is included for NIS 73 million, which is not included in the realization plan published by the company.

B. In addition, the company is actively seeking secured financing for specific assets in Europe, representing debt-free properties. In the Quarter, G Europe, completed financing arrangements of EUR 112 million for a property in the Czech Republic. Additionally, a commitment for financing of EUR 125 million for a property in Poland, subject to certain suspensive conditions, was obtained from a local bank, with completion expected in the third quarter of 2023. Furthermore, the subsidiary company is pursuing financing for an additional property in the amount of EUR 110 million.

Please note that the above translation is a disclaimer regarding the company's estimates and expectations regarding the sale of assets and funding received for them. It states that these estimates are future-oriented information and are subject to uncertainty and external factors beyond the company's control, such as economic conditions and real estate market fluctuations. Changes in market conditions may lead to variations or delays in the execution of the assets beyond what has been mentioned.

[1] For details, please refer to the immediate reports from October 25 and December 19, 2022 (reference: 2022-01-129403 and 2022-01-152350, respectively).

[2] For further details regarding the asset implementation plan, please refer to section 1.2 of the periodic report.

UPDATE TO THE DESCRIPTION OF THE COMPANY'S BUSINESS

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

A. In the Reporting period, the company issued 11.83 million shares to institutional entities, to Norstar Holdings Inc., the controlling entity of the company, and to its controlling shareholder, Mr. Chaim Katzman (through a private company under his control), in exchange for NIS 150 million.

B. As of January 1, 2023, up to the publication date of this report, the company issued 105,198 shares to employees of the company as part of their employment conditions, following the allocation of securities designated for them.

C. In July 2023, the company completed an issuance of convertible debentures in the amount of NIS 444 million par value in the amount of 25 million ordinary shares of the company.

Update to Section 5 - General environment and the influence of external factors on the company's activities

A. **Fluctuations in inflation rates, interest and currencies** - from the beginning of the year until the date of publication of this report, there was a significant increase in inflation rates in the various territories in which the group operates, although from the end of the period of the report until the date of publication of the report, there was a moderation in the rate of inflation. According to the macroeconomic forecast of the Bank of Israel from the month of July 2023 and assuming that the dispute surrounding the legislative changes regarding the legal system in Israel will be settled in a way that does not affect economic activity, the GDP in Israel is expected to grow at a rate of 3% in 2023 and 2024. The inflation rate in Israel in the next four quarters is expected to be 3% and in 2024 it is expected to be 2.4%. According to the forecast, in the second quarter of 2024 the interest rate is expected to be 4.75%-5%. A key risk to these forecasts is legislative and institutional changes that will be accompanied by an increase in the state's risk premium that will be accompanied by a devaluation of the shekel, damage to exports, a decrease in local investments and demand for private consumption (refer to section c below). In addition, according to the macroeconomic forecast of the research division of the Bank of Israel from July 2023 and in accordance with the latest forecast of the OECD for world trade, the market is expected to grow by 1.6%, and 3.8% in 2023 and 2024.

Additionally, during the reporting period and after, there were fluctuations in currency exchange rates in the group's areas of activity, with a significant depreciation of the shekel. From the beginning of the year until June 30, 2023, the dollar strengthened in relation to the shekel by approximately 5.1%, the euro strengthened by approximately 7.7%, the Brazilian real strengthened by approximately 16.1% and the Canadian dollar strengthened by approximately 7.4%. For further details about macroeconomic data in the main countries where the group operates, see section 3.3 of the board's report.

B. **Russia-Ukraine war -** in April 2023, G Europe completed the sale of its entire portfolio of properties in Russia (as detailed in section 7 below), and therefore the group has no direct exposure to the war.

C. **Changes in the legal system** - during and after the Reporting period, the government in Israel promotes legislative moves to change the legal system in Israel. These moves led to a widespread wave of protests and created uncertainty among the business sector and among key players in the financial markets in Israel and around the world. The increased uncertainty surrounding the legislative changes increased the economy's risk premium and was accompanied by a devaluation of the exchange rate that contributed to an increase in inflation, a decrease in stock prices and an increase in volatility in the foreign exchange market and in the financial markets. In the assessment of leading bodies in the economy, the unilateral progress of the legislation could have a negative impact on Israel's economy and its financial stability, including damage to Israel's credit rating, exclusion of foreign investors, spending money abroad, increase in financing costs and more. Among other things, in the financial stability report published by the Bank of Israel, the Bank of Israel noted the direct connection between the intensity of the protest and the inflationary pressures. According to the aforementioned report, the Bank of Israel defined the local financial system as stable, regarding the financial soundness and stability of the banking system and insurance companies and the proper functioning of financial infrastructures. However, it noted the significant impact of the continued increase in interest rates in the economy and the slowing of growth in Israel and the world, as well as the uncertainty surrounding the consequences of the legislative changes on the functioning of the economy and the entire financial system, in a way that could negatively affect the stability of the economy. In addition, the rating agencies warned against the potential consequences of the legislative process and the lack of consensus regarding it on Israel's economy, the rating agency Moody's even lowered the credit rating outlook for the State of Israel from "positive" to "stable", the rating agency Fitch did not change Israel's credit rating and left it at A+ level with a "stable" outlook.

As of this date, there is no certainty regarding the future of the proposed legislative changes, including in light of petitions submitted to the High Court against these changes that have not yet been discussed, as well as their impact on the economy and the public in Israel.

UPDATE TO THE DESCRIPTION OF THE COMPANY'S BUSINESS

The company's estimates regarding the impact of macroeconomic events, including inflation rates and interest rate increases in the various territories, as well as the effects of the epidemic of changes in the legal system or other crisis focused on the country and/or certain countries in which the company operates on its activities, revenues, profits and financial condition constitute forward-looking information as defined in the Securities Law, 1968. These estimates are based on assumptions and estimates of the company and the group companies as of the date of this report, but they are uncertain, may not materialize and are mainly outside the control of the company. Continued increase in inflation and interest rates in the economy, continuation or worsening of the crisis The global economic crisis, or the expected changes in the legal system in Israel or any other crisis in the territories where the group operates, could lead to a significant deterioration in the business and financial results of the group.

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

On May 2, 2023, CTY announced that it has entered into a credit agreement with a syndicate of banks in the amount of 650 million euros, which will replace the current credit line of CTY in the amount of 500 million euros, set to mature in May 2024. The credit agreement consists of a renewed credit line of 400 million euros and a loan of 250 million euros. It is secured by assets of CTY, including one asset in Finland and four assets in Norway. The credit period is three years, with an option for an additional one-year extension. The credit carries an interest rate that is subject to changes based on CTY's rating and its performance against the existing targets.

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

A. On April 25, 2023, G Europe completed a transaction to sell all of its assets portfolio in Russia for NIS 524 million NIS gross (EUR 131 million[3]) in cash, with the consideration received from outside Russia. The asset portfolio in Russia, which was sold in its entirety, included seven income-producing properties and two land plots for lease totaling 238,000 square meters. The sold properties were free from any debt or liens. The gross consideration represented approximately 52% of the book value of the sold assets as of December 31, 2022, and it was determined in accordance with the local regulations adopted by the Russian government regarding the implementation of foreign investments in the country[4]. The gross consideration also included tax payments totaling EUR 15 million. The company chose to enter into a binding agreement to sell the asset portfolio in Russia under these conditions due to the economic and regulatory uncertainties and risks associated with the Russian economy, as part of its strategic plan to divest non-core assets. Following the sale of the property portfolio in Russia, the company recorded a loss (net of the tax effect) in the amount of EUR 136 million (NIS 518 million).

B. On May 5, 2023, G Europe completed a transaction to sell its ownership of a commercial center (Palac Pardubice) in Pardubice, Czech Republic, for NIS 496 million gross (EUR 123.8 million), reflecting the asset's book value as of December 31, 2022 (IFRS). The sale of the property was made in cash (EUR 46 million), and the remaining amount was paid through a loan from the buyer, which G Europe agreed to until the buyer completes the banking financing, or for a period not exceeding 5 years, with the buyer having the option to prepay it. The loan carries an initial interest rate of 6.27% and includes an interest rate escalation mechanism over time, which incentivizes the buyer to prepay it earlier. The loan is secured by a first mortgage ranking on the property for the benefit of the company and by shares of the property company. The property is free from any debt or liens, and the proceeds from the sale will be used to further reduce the company's financial debt.

C. On April 2023, G Europe completed a combined process of acquiring its partner's share (25%) in the Arkady Pankrac property located in the city of Prague, Czech Republic and receiving financing for the entire property. G Europe acquires 25% of the shopping center in the amount of EUR 60 million when, at the same time as the purchase of the shopping center, G Europe received guaranteed financing in the amount of EUR 112 million for the period of about 5 years from a local bank. On July 25, 2023, G City Europe entered into a non-binding letter of intent (LOI) with a Czech institutional investor for the sale of the property, in the amount of EUR 265 million (NIS 1.1 billion), when its value in the company's books as of March 31, 2023 was in the amount of EUR 243 million. The property is pledged for a loan in the amount of EUR 112 million. As mentioned, at this stage the parties have signed a detailed letter of intent that sets out the main conditions for the transaction and the timelines for its completion, but it is not binding and the completion of the transaction, as far as it is completed, is during the fourth quarter of 2023.

It is clarified that the company's estimates regarding the signing of the sale transaction and its completion, including at the date specified above, constitute forward-looking information as defined in the Securities Law, 1968. Completion of the transaction is subject to the signing of a binding agreement and the fulfillment of the conditions for its completion. The aforementioned estimates may or may not be realized. , all or some of them, in a manner different from the above, as a result of the influence of factors that are not under the control of the company.

UPDATE TO THE DESCRIPTION OF THE COMPANY'S BUSINESS

Update to Section 8 – G Israel

On March 30, 2023, the company completed a transaction for the sale of the G Yavne commercial center, owned by the company, for a consideration of NIS 154 million gross (equivalent to its value in the company's books). The entire proceeds from the sale were used by the company to reduce its financial debt, specifically a debt related to a specific asset amounting to NIS 95 million, which was repaid after its sale.

Update to Section 9 – Gazit Brasil

A. On July 2023, Gazit Brasil completed the sale of its share (33%) in the Cidade Jardim shopping center in São Paulo, Brazil, in exchange for 562 million Brazilian reals (NIS 425 million). The shopping center has a leasable area of 12,000 m and free of debt or encumbrance.

B. On July 2023, Gazit Brasil received a binding offer for the sale of its holding (4.3%) in the El Dorado property located in the city of Sao Paulo, Brazil for 93 million Brazilian reals (NIS 73 million), when its value in the company's books as of March 31, 2023 was for 98 million Brazilian reals. The property is free of debt or encumbrance and the sale proceeds will be received in cash. The offer is binding for 45 days, subject to failure to exercise the right of first refusal of the partners in the property at the same price.

Update to Section 19 – Financing

A. For details regarding the issuance of a new series of convertible debentures (series Q) in the amount of NIS 410 million, refer to Note 5c to the financial statements.

B. On June 29, 2023, the S&P Maalot rating agency reaffirmed 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 'ilA-' with a negatibe outlook and the credit rating of the Company's debentures (Series O), which are secured by a pledge, at a rating level of 'ilA', with a negative outlook.

C. On July 6, 2023, the Midroog rating agency reaffirmed 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 'ilA3' with a negative outlook and the credit rating of the Company's debentures (Series O), which are secured by a pledge, at a rating level of 'ilA2', with a stable outlook.

[3] The sale consideration was determined in rubles. The aforementioned consideration is based on the exchange rates as of the date of this report.

[4] For further details, see section 7.2 of the periodic report.

UPDATE TO THE DESCRIPTION OF THE COMPANY'S BUSINESS

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

G Savion

	Second Quarter of 2023	First Quarter of 2023	2022
Value of property income producing (NIS in 000's)	83,015	81,312	81,148
Value of reserved property (NIS in 000's)	131,103	127,170	118,306
Value of property (NIS in 000's)	214,118	208,482	199,454
NOI in the period (NIS in 000's)	1,233	1,278	4,306
Revaluation gains (losses) in the period (NIS in 000's)	1,704	-	34,307
Average occupancy rate in the period	97.2%	100%	99.3%
Actual rate of return (%)	6.05%	6.3%	5.3%
Average annual rental per sq. meter (NIS)	151.4	147.8	145.8
Average annual rental per sq. meter in leases signed in the period (NIS)	-	-	114

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

	Second Quarter of 2023	First Quarter of 2023	2022
Value of property income producing (NIS in 000's)	120,202	116,849	116,309
Value of property construction rights (NIS in 000's)	4,647	4,647	4,647
Value of property (NIS in 000's)	124,849	121,496	120,956
NOI in the period (NIS in 000's)	1,929	1,776	5,892
Revaluation gains (losses) in the period (NIS in 000's)	2,493	-	(1,134)
Average occupancy rate in the period	97.8%	97.3%	94.6%
Actual rate of return (%)	6.2%	6.1%	5.1%
Average annual rental per sq. meter (NIS)	101.1	99.8	98.96
Average annual rental per sq. meter in leases signed in the period (NIS)(1)	110.2	91.6	53

(1) In the previous quarter, leases were signed only for the offices section of the property.

G Kohav Hatzafon

	Second Quarter of 2023	First Quarter of 2023	2022
Value of property (NIS in 000's)	107,732	105,115	105,090
NOI in the period (NIS in 000's)	1,395	1,422	4,537
Revaluation gains (losses) in the period (NIS in 000's)	2,601	-	(922)
Average occupancy rate in the period	100%	100%	100%
Actual rate of return (%)	5.2%	5.4%	4.3%
Average annual rental per sq. meter (NIS)	274.2	271	267.7
Average annual rental per sq. meter in leases signed in the period (NIS)	-	-	318

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

	Second Quarter of 2023	First Quarter of 2023	2022
Value of property income producing (NIS in 000's)	121,920	119,892	119,418
Value of reserved property (NIS in 000's)	12,750	12,750	12,750
Value of property (NIS in 000's)	134,702	132,642	132,168
NOI in the period (NIS in 000's)	1,853	1,046	7,056
Revaluation gains (losses) in the period (NIS in 000's)	2,062	-	4,902
Average occupancy rate in the period	92.6%	93.9%	94.7%
Actual rate of return (%) [1]	4.75%	3.5%	5.9%
Average annual rental per sq. meter (NIS)	121.3	118.8	116.7
Average annual rental per sq. meter in leases signed in the period (NIS)	82	-	127

[1] The first quarter of 2023 includes a provision for property tax for previous years in the amount of NIS 1 million.

G CITY LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As of June 2023

Unaudited

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Building a better working world

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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, 2023 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.

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, 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, 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 16, 2023

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

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2023	June 30, 2022	December 31, 2022
	Unaudited	Unaudited	Audited
	NIS in millions		
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	695	1,689	1,374
Short-term investments and loans	195	26	128
Financial assets	102	768	172
Financial derivatives	105	162	52
Trade receivables	155	152	122
Other accounts receivable	484	497	418
Current taxes receivable	4	10	52
	1,740	3,304	2,318
Assets classified as held for sale	1,001	1,118	1,341
	2,741	4,422	3,659
NON-CURRENT ASSETS			
Equity-accounted investees	1,058	1,719	1,667
Other investments, loans and receivables	655	502	590
Financial assets	102	173	194
Financial derivatives	275	361	186
Investment property	31,602	28,965	28,236
Investment property under development	2,972	4,418	4,208
Fixed assets, net	158	164	161
Intangible assets, net	438	467	433
Deferred taxes	67	61	61
	37,327	36,830	35,736
	40,068	41,252	39,395

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

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2023	June 30, 2022	December 31, 2022
	Unaudited	Unaudited	Audited
	NIS in millions		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Credit from banks and others	65	730	952
Current maturities of non-current liabilities	2,333	2,225	2,055
Financial derivatives	4	50	2
Trade payables	112	71	168
Other accounts payable	633	755	655
Current taxes payable	42	30	44
	3,189	3,861	3,876
Liabilities attributable to assets held for sale	470	82	482
	3,659	3,943	4,358
NON-CURRENT LIABILITIES			
Debentures	14,816	16,533	15,865
Interest-bearing loans from banks and others	6,808	5,398	4,941
Financial derivatives	232	215	198
Other liabilities	408	359	458
Deferred taxes	1,531	1,708	1,530
	23,795	24,213	22,992
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Share capital	231	219	219
Share premium	4,671	4,529	4,529
Retained earnings	3,121	4,725	3,674
Foreign currency translation reserve	(3,984)	(4,694)	(4,702)
Other reserves	1,358	1,243	1,297
Treasury shares	(1)	(1)	(1)
	5,396	6,021	5,016
Non-controlling interests	7,218	7,075	7,029
Total equity	12,614	13,096	12,045
	40,068	41,252	39,395

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

August 16, 2023			
Date of approval of the financial statements	Ehud Arnon Chairman of the Board	Chaim Katzman CEO and Vice Chairman of the Board	Adi Jemini Executive Vice President and CFO

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Six months ended June 30, 2023	Six months ended June 30, 2022	Three months ended June 30, 2023	Three months ended June 30, 2022	Year ended December 31, 2022
	Unaudited				Audited
	NIS in millions (except for per share data)				
Rental and other income	1,189	1,137	585	580	2,303
Property operating and other expenses	361	348	167	171	720
Net operating rental income	828	789	418	409	1,583
Fair value gain (loss) from investment property and investment property under development, net	293	376	138	331	(450)
General and administrative expenses	(166)	(189)	(78)	(91)	(374)
Other income	5	30	-	26	14
Other expenses	(680)	(58)	(158)	(6)	(130)
Company's share in earnings (loss) of equity-accounted investees, net	53	2	99	(6)	(51)
Operating income	333	950	419	663	592
Finance expenses	(736)	(1,362)	(395)	(678)	(2,263)
Finance income	140	45	147	25	117
Income (loss) before taxes on income	(263)	(367)	171	10	(1,554)
Taxes on income (tax benefit)	37	(123)	73	8	(318)
Net income (loss)	(300)	(244)	98	2	(1,236)
Attributable to:					
Equity holders of the Company	(512)	(395)	(3)	(74)	(1,340)
Non-controlling interests	212	151	101	76	104
	(300)	(244)	98	2	(1,236)
Loss per share attributable to equity holders of the Company (NIS):					
Total basic loss	(2.93)	(2.44)	(0.01)	(0.45)	(8.15)
Total diluted loss	(2.94)	(2.45)	(0.01)	(0.45)	(8.15)

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

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2023	2022	2023	2022	2022
	Unaudited				Audited
	NIS in millions				
Net income (loss)	(300)	(244)	98	2	(1,236)
Other comprehensive income (loss) (net of tax effect):					
<u>Amounts that will not be reclassified subsequently to profit or loss:</u>					
Net gains (losses) on financial assets at fair value through other comprehensive income	(33)	1	(33)	2	2
<u>Amounts that will be or that have been reclassified subsequently to profit or loss:</u>					
Exchange differences on translation of foreign operations	992	849	415	277	1,008
Net gains on cash flow hedges	7	103	17	44	146
Total other comprehensive income	966	953	399	323	1,156
Total comprehensive income (loss)	666	709	497	325	(80)
Attributable to:					
Equity holders of the Company (1)	178	353	311	139	(553)
Non-controlling interests	488	356	186	186	473
	666	709	497	325	(80)
(1) Breakdown of total comprehensive loss attributable to equity holders of the Company:					
Loss	(512)	(395)	(3)	(74)	(1,340)
Exchange differences on translation of foreign operations	718	659	330	168	651
Net gains on cash flow hedges	5	88	17	42	135
Net gains (losses) on financial assets at fair value through other comprehensive income	(33)	1	(33)	3	1
	178	353	311	139	(553)

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								
Balance as of December 31, 2022 (audited)	219	4,529	3,674	(4,702)	1,297	(1)	5,016	7,029	12,045
Loss	-	-	(512)	-	-	-	(512)	212	(300)
Other comprehensive income	-	-	-	718	(28)	-	690	276	966
Total comprehensive income	-	-	(512)	718	(28)	-	178	488	666
Issuance of shares	12	138	-	-	-	-	150	-	150
Exercise and expiration of Company's share options into Company shares	(* -	4	-	-	(4)	-	(* -	-	(* -
Cost of share-based payment	-	-	-	-	1	-	1	5	6
Buyback of hybrid debentures from non-controlling interests	-	-	-	-	51	-	51	(166)	(115)
Interest on hybrid debentures paid to non-controlling interests	-	-	-	-	-	-	-	(60)	(60)
Reclassification of realized financial assets at fair value through other comprehensive income reserve to retained earning	-	-	(41)	-	41	-	-	-	-
Dividend to non-controlling interests	-	-	-	-	-	-	-	(78)	(78)
Balance as of June 30, 2023	231	4,671	3,121	(3,984)	1,358	(1)	5,396	7,218	12,614

*) 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
	Unaudited								
	NIS in millions								
Balance as of December 31, 2021 (audited)	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)
Balance as of June 30, 2022	219	4,523	4,725	(4,694)	1,243	(1)	6,021	7,075	13,096

*) 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
	Unaudited								
	NIS in millions								
Balance as of April 1, 2023 (audited)	231	4,669	3,131	(4,314)	1,350	(1)	5,066	7,100	12,166
Net income	-	-	(3)	-	-	-	(3)	101	98
Other comprehensive income	-	-	-	330	(16)	-	314	85	399
Total comprehensive income	-	-	(3)	330	(16)	-	311	186	497
Exercise and expiration of Company's share options into Company shares	(* -	2	-	-	(2)	-	(* -	-	(* -
Cost of share-based payment	-	-	-	-	-	-	-	3	3
Buyback of hybrid debentures from non-controlling interests	-	-	-	-	19	-	19	(31)	(12)
Reclassification of realized financial assets at fair value through other comprehensive income reserve to retained earning	-	-	(7)	-	7	-	-	-	-
Dividend to non-controlling interests	-	-	-	-	-	-	-	(40)	(40)
Balance as of June 30, 2023	231	4,671	3,121	(3,984)	1,358	(1)	5,396	7,218	12,614

*) 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
	NIS in millions								
Balance as of April 1, 2022	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 loss	-	-	(74)	168	45	-	139	186	325
Issuance of shares and warrants net of issuance expenses	2	60	-	-	3	-	65	-	65
Exercise and expiration of Company's share options into	*) -	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	-	-	-	-	(32)	-	(32)	-	(32)
Dividend to non-controlling interests	-	-	-	-	-	-	-	(38)	(38)
Balance as of June 30, 2022	219	4,529	4,725	(4,694)	1,243	(1)	6,021	7,075	13,096

*) 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
	NIS in millions								
Balance as of December 31, 2021 (audited)	204	4,078	5,226	(5,352)	1,152	(1)	5,307	8,248	13,555
Loss	-	-	(1,340)	-	-	-	(1,340)	104	(1,236)
Other comprehensive income	-	-	-	651	136	-	787	369	1,156
Total comprehensive loss	-	-	(1,340)	651	136	-	(553)	473	(80)
Issuance of shares and warrants net of issuance expenses	15	431	-	-	22	-	468	-	468
Exercise and expiration of Company's share options into	*) -	20	-	-	(20)	-	*) -	-	*) -
Cost of share-based payment	-	-	-	-	7	-	7	9	16
BuyBack of hybrid debentures from non-controlling interests	-	-	-	-	4	-	4	(28)	(24)
Interest on hybrid debentures paid to non-controlling interests	-	-	-	-	-	-	-	(145)	(145)
Dividend declared	-	-	(212)	-	-	-	(212)	-	(212)
Acquisition of non-controlling interests	-	-	-	(1)	(4)	-	(5)	(1,149)	(1,154)
Balance as of December 31, 2022 (audited)	219	4,529	3,674	(4,702)	1,297	(1)	5,016	7,029	12,045

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2023	2022	2023	2022	2022
	Unaudited				Audited
	NIS in millions				
Cash flows from operating activities:					
Net income (loss)	(300)	(244)	98	2	(1,236)
Adjustments required to present cash flows from operating activities:					
Adjustments to the profit or loss items:					
Finance (income) expenses, net	596	1,317	248	653	2,146
Company's share in earnings (losses) of equity-accounted investees, net	(53)	(2)	(99)	6	51
Fair value gain (loss) from investment property and investment property under development, net	(293)	(376)	(138)	(331)	450
Depreciation and amortization	14	13	8	7	24
Taxes on income (tax benefit)	37	(123)	73	8	(318)
Capital (gain) loss, net	674	29	157	(19)	106
Cost of share-based payment	6	11	3	4	16
	981	869	252	328	2,475
Changes in assets and liabilities items:					
Decrease (increase) in trade receivables and other accounts receivable	(59)	(4)	(7)	15	61
Increase (decrease) in trade and other accounts payable	3	(89)	(118)	(20)	(139)
	(56)	(93)	(125)	(5)	(78)
Net cash provided by operating activities before interest, dividend and taxes	625	532	225	325	1,161
Cash received and paid during the period for:					
Interest paid	(317)	(291)	(171)	(135)	(687)
Interest received	39	52	18	37	118
Dividend received	29	47	24	36	83
Taxes paid	(45)	(39)	-	(5)	(73)
Taxes received	8	46	8	-	46
	(286)	(185)	(121)	(67)	(513)
Net cash provided by operating activities	339	347	104	258	648

*) 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,
	2023	2022	2023	2022	2022
	Unaudited				Audited
	NIS in millions				
Cash flows from investing activities:					
Investment and loans to investees	-	(215)	-	(215)	(215)
Acquisition, construction and development of investment property	(1,008)	(734)	(434)	(200)	(1,359)
Investments in fixed assets and other assets	(12)	(7)	-	-	(23)
Proceeds from sale of investment property, net of tax paid	956	870	617	371	1,918
Grant of long-term loans	(123)	(88)	-	(88)	(123)
Collection of long-term loans	-	-	-	-	13
Investment in financial assets	-	(699)	-	(217)	(852)
Proceeds from sale of financial assets and deposits withdrawal, net of tax paid	135	572	21	343	1,230
Net cash used in investing activities	(52)	(301)	204	(6)	589
Cash flows from financing activities:					
Issuance of shares and warrants net of issuance expenses	150	468	-	65	468
Exercise of share options into Company's shares	*) -	*) -	-	*) -	(* -
Acquisition of non-controlling interests and issuance in subsidiaries, net	-	(1,100)	-	-	(1,100)
Dividend paid to equity holders of the Company	(53)	(151)	-	(105)	(204)
Dividend paid to non-controlling interests	(78)	(307)	(40)	(38)	(379)
Receipt of long-term loans	1,351	128	982	128	157
Repayment of long-term loans	(61)	(20)	(54)	(10)	(195)
Receipt (repayment) of long-term credit facilities from banks and others, net	(478)	(258)	492	432	(617)
Receipt (repayment) of Short-term credit from banks and others, net	(128)	12	(315)	26	702
Repayment and early redemption of debentures and convertible debentures	(1,450)	(655)	(1,239)	(483)	(2,082)
Issuance of debentures	-	174	-	-	174
Buyback of hybrid debentures from non-controlling interests	(115)	(24)	(12)	-	(24)
Interest paid on hybrid debentures for non-controlling interests	(60)	(56)	-	-	(145)
Net cash provided by (used in) financing activities	(922)	(1,789)	(186)	15	(3,245)
Exchange differences on balances of cash and cash equivalents	(44)	59	(40)	37	9
Increase (decrease) in cash and cash equivalents	(679)	(1,684)	82	304	(1,999)
Cash and cash equivalents at the beginning of the period	1,374	3,373	613	1,385	3,373
Cash and cash equivalents at the end of the period	695	1,689	695	1,689	1,374

*) 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 June 30, 2023	Six months ended June 30, 2022	Three months ended June 30, 2023	Three months ended June 30, 2022	Year ended December 31, 2022
	Unaudited				Audited
	NIS in millions				
(a) Significant non-cash transactions:					
Sale of investment property against receivables	245	-	245	-	94
Dividend payable to equity holders of the Company	-	-	-	-	53
(b) Additional information:					
Tax paid included under investing activities	-	98	-	-	98

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

NOTE 1:- GENERAL

a. These consolidated financial statements have been prepared in a condensed format as of June 30, 2023 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, 2022 and for the year then ended and accompanying notes, that were authorized by the Board of Directors on March 28, 2023 ("annual financial statements").

b. As of June 30, 2023 (the "Reporting Date") the consolidated company ("the Group") has a working capital deficit of NIS 0.9 billion. The group has approved unutilized credit facilities amounting to NIS 2.2 billion available for immediate drawdown. The Company's management is of the opinion that those sources, in addition to the positive cash flow from operation activities, will allow each of the group's companies to repay their current liabilities.

c. Company's business and liquidity status:

The Company long term policy is to maintain proper level of liquidity to allow the Company to meet its liabilities, take opportunities in its business, and be flexible with financial resources. This is achieved by issuing equity and taking long-term financing, including through the issuance of debentures, hybrid bonds, bank loans and mortgages, to invest in long term assets.

First, it should be mentioned that the Company and its wholly owned subsidiaries have positive operating cash flows and dividend cash flow from a traded subsidiary. It should be clarified that there are no restrictions to transfer cash from the wholly owned subsidiaries in numbers of ways, including dividend distributions or loans.

In addition, given the state of the capital and unsecured debt markets, in order to maintain its financial strength and to reduce the dependence on the capital and debt markets, the Company maintain binding credit facilities (some of which are not utilized) with financial institutions in significant amounts, which the Company and/or its wholly owned subsidiaries can utilize credit for different periods, as required. As of June 30, 2023, and immediately prior to the publication date of this report, the Company and its wholly owned subsidiaries have revolving credit facilities from several local and international banks and financial institutions in the amount of NIS 1.9 billion, out of which NIS 1.3 billion were utilized as of these dates.

These credit facilities are with financial institution the Company has long term relationships and they are renewed from time to time for periods of 3-4 years, as of this date, their mature in 2024-2025. In light of past experience and following communication with some of the financial institutions, the Company expects it could extend the credit facilities when they are due.

The Company’s and its subsidiaries credit facilities contain financial covenants which include, inter alia, minimal equity, leverage rate, utilized debt ration to collateral value and more as detailed in note

20d to the annual financial statements, as of June 30,2023, and immediately prior to the publication date of this report, the Company and its subsidiaries are in compliance with all the financial covenants.

On October 25, 2022 the Company published a plan for the disposal of Group non-core assets, which was updated in December 2022, May 2023 and July 2023 to a total value of NIS 6.4 billion (the “Plan for Disposal of Properties”). Under the plan for disposal of properties, the Company intends to sell properties to a total value of NIS 6.4 billion in Europe, Brazil, USA and Israel. up until date of publication of this Report, Group companies engaged in binding agreements for the sale of properties to the total value of NIS 3 billion on its fair value (excluding Russia) .In addition, the Group companies are currently in advanced negotiation for a sale of NIS 1.1 billion, and asset with a total value of NIS 2.4 billion are up for sale (Some of them are in advanced marketing procedures).

The pace of disposal of the properties and the Group’s progress in executing them as aforesaid, including the pace of placing the properties up for sale according to the various countries in which the Group operates is dynamic and is carried out according to the market conditions in each country in which the Group operates, and at the discretion of the Company’s management, by taking into account macro-economic and Company specific considerations and the balance between the needs of the Company and achieving the value of these properties.

NOTE 1:- GENERAL (Cont.)

In addition, after the reporting date, in July 2023, the Company issued to the public NIS 444 million par value convertible debentures (series Q) which are convertible into company shares, for net consideration of NIS 410 million (see also note 5c below).

furthermore, a wholly owned subsidiary of the company entered into an agreement to obtain financing secured by an asset in Europe in the amount of EUR 112 million. Also, the Company and wholly owned subsidiaries of the company are working to obtain financing secured by debt-free assets (mainly in Europe), in an amount of EUR 235 million.

In light of the above, the Company's management and the Board of Directors believe that the Company will be able to repay its current liabilities and expected liabilities when they are due.

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.

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. Amendment to IAS 8, "Accounting Policies, Changes to Accounting Estimates and Errors"

In February 2021, the IASB issued an amendment to IAS 8, "Accounting Policies, Changes to Accounting Estimates and Errors" ("the Amendment"), in which it introduces a new definition of "accounting estimates".

Accounting estimates are defined as "monetary amounts in financial statements that are subject to measurement uncertainty". The Amendment clarifies the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors.

The Amendment is to be applied prospectively for annual reporting periods beginning on or after January 1, 2023 and is applicable to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Early application is permitted.

The initial application of the Amendment did not have a material impact on the Company's consolidated interim financial statements.

2. Amendment to IAS 1, "Presentation of Financial Statements"

In February 2021, the IASB issued an amendment to IAS 1, "Presentation of Financial Statements" ("the Amendment"), which replaces the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. One of the main reasons for the Amendment is the absence of a definition of the term 'significant' in IFRS whereas the term 'material' is defined in several standards and particularly in IAS 1.

The Amendment is effective for annual periods beginning on or after January 1, 2023.

The above Amendment did not have an effect on the Company's interim consolidated financial statements, but the company is examining the effect of this Amendment on the disclosures of accounting policies in the Company's annual consolidated financial statements.

3. Amendment to IAS 12, "Income Taxes":

In May 2021, the IASB issued an amendment to IAS 12, "Income Taxes" ("IAS 12"), which narrows the scope of the initial recognition exception under IAS 12.15 and IAS 12.24 ("the Amendment").

According to the recognition guidelines of deferred tax assets and liabilities, IAS 12 excludes recognition of deferred tax assets and liabilities in respect of certain temporary differences arising from the initial recognition of certain transactions. This exception is referred to as the "initial recognition exception". The Amendment narrows the scope of the initial recognition exception and clarifies that it does not apply to the recognition of deferred tax assets and liabilities arising from transactions that are not a business combination and that give rise to equal taxable and deductible temporary differences, even if they meet the other criteria of the initial recognition exception.

The Amendment applies for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. In relation to leases and decommissioning obligations, the Amendment is to be applied commencing from the earliest reporting period presented in the financial statements in which the Amendment is initially applied. The cumulative effect of the initial application of the Amendment should be recognized as an adjustment to the opening balance of retained earnings (or another component of equity, as appropriate) at that date. The initial application of the Amendment did not have a material impact on the Company's 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, the Company purchased NIS 172 million par value debentures (Series K, L, M, N, P) for a consideration of NIS 155 million. Following the purchases, the company recognized gain from early redemption of NIS 34 million.

2. During the reporting period, CTY purchased EUR 182 million par value debentures for a consideration of EUR 183.5 million, partly by a tender offer. Following the purchases, CTY recognized gain from early redemption of EUR 3 million.

3. During the reporting period, CTY purchased, by a tender offer, EUR 36.2 million par value hybrid debentures for a consideration of EUR 27.4 million. Following the purchases, CTY recognized gain from early redemption of EUR 16 million. The Company's share is NIS 32 million was recorded as an increase in capital reserves.

4. During the reporting period, the group purchased EUR 55 million par value G Europe debentures (series 2025 and 2027) for a consideration of EUR 44 million. Following the purchases, the group recognized gain from early redemption of EUR 13 million.

5. During the reporting period, the group purchased EUR 8 million par value G Europe's hybrid debentures for a consideration of EUR 3 million. As a result of the purchases, the group recognized gain of EUR 19 million, which was recorded as an increase in capital reserve.

b. Other events

1. On January 29, 2023, the Company's Board of Directors approved a private issuance to institutional investors of 7.42 million ordinary shares of NIS 1 par value. The shares were issued soon atter.

   In addition, the Company's Board of Directors approved a private issuance to the Company's controlling shareholder, Norstar, an allotment of 3.62 million ordinary shares and private issuance to a private company controlled by Mr. Katzman of 0.79 million shares on the same terms as for the institutional investors.

   These issues are subject to the approval of the Company's General Meeting (by a majority of minority shareholders) which was received on March 9, 2023. The shares were issued in March 2023.

   The total consideration of all the above issuances was NIS 150 million, net of issuance expenses.

2. In March 2023, Moody's rating company downgraded the debenture series of G Europe from 'Ba2' to 'B1', with Stable outlook.

3. In April 2023, G Europe completed the sale of all equity holdings, and related financing, of its property portfolio in Russia, including 7 commercial centers, adjacent land, and a management company. As of the reporting date, these assets and liabilities are classified as held for sale.

   As part of the transaction, the activity was valued at fair value by external valuers as of March 31, 2023. The valuation was accepted by the Russian authorities, and in order to approve the sale, in according with the local legislation adopted by the Russian government regarding realization of foreign investments in Russia, the gross consideration set by the authorities was 52% of the assets value recorded in the Company's financial statements as of December 31, 2022. As a result the sale price was set at RUB 11.7 billion (NIS 495 million). Net consideration received by the group amounted to EUR 115.6 million. In accordance with the accounting rules, the agreement is considered a onerous contract, and losses of EUR 136.3 (NIS 518 million), including transaction costs, was recognized in the group's profit or loss statement, as other expenses.

4. In April 2023, G Europe completed the purchase of the remaining 25% interest in the joint venture which owns the shopping center Arkady Pankrac in Prague for EUR 60.5 million (NIS 230 million). Prior to the purchase, the joint venture was presented as equity- accounted investee. In accordance with the accounting rules, this transaction was accounted for as an asset acquisition that does not constitute a business, therefore deferred taxes were not recognized on temporary differences at the date of acquisition.

   The assets and liabilities recognized in the company's balance sheet as a result of the acquisition are as follows:

	NIS in millions
Current assets	
Cash and cash equivalents	9
Trade receivables	6
Other accounts receivable	7
Non-Current assets	
Other investments, loans and receivables	4
Investment property	920
Current liabilities	
Trade payables	3
Other accounts payable	2
Non-Current liabilities	
Other liabilities	5
Net assets acquired	936

5. On June 29, 2023, S&P Maalot rating agency reaffirmed the credit rating of all the outstanding series of debentures of the Company, which are not secured by a pledge, at ’ilA-‘ rating level, and the credit rating of debentures of the Company (series Q), which are secured by a pledge on investment properties, at ’ilA‘ rating level, with a negative outlook.

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, investments in marketable securities, 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:

	June 30, 2023		June 30, 2022		December 31, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	NIS in million					
Debentures (level 1)	16,303	13,793	18,125	16,377	17,148	14,452
Interest bearing loans from banks and others (level 2)	7,654	6,127	6,031	5,412	5,713	5,261
	23,957	19,920	24,156	21,789	22,861	19,713

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, 2022. 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. After the reporting date, the Group purchased NIS 12 million par value debentures (Series K, L, M, N, P) for a consideration of NIS 12 million. The purchases do not have a material effect on the profit or loss of the company.

b. After the reporting date, the group purchased EUR 13 million par value G Europe debentures (Series 2025 and 2027) for a consideration of EUR 11 million. The purchases do not have a material effect on the profit or loss of the company.

c. After the reporting date, in July 2023, the company issued to the public NIS 444 million par value convertible debentures (series Q) which are convertible into company shares. The debentures are convertible, in a way that every 17.5 NIS par value debentures (series Q) are convertible to one NIS 1 par value ordinary share of the company. The consideration net of issuance expenses is NIS 410 million, out of which NIS 55 million will be allocated to the equity component of the conversion option and will be recorded in the company's reserves funds in accordance with the accounting rules. The liability component will be in the amount of NIS 355 million, with an effective interest rate of 10.5%.
The debentures (series Q) are not linked to any indexation base and bear annual interest at a fixed rate of 5.5% which is paid once per year, the principal will be repaid in two installments: first installment of 10% of the principal on June 30, 2025, and the second installment of 90% of the principal on June 30, 2029.

d. After the reporting date, on July 4, 2023, S&P Maalot rating agency determined the credit rating of debentures (series Q) of the company, at a rating level of 'ilA-', with a negative outlook.

e. After the reporting date, on July 6, 2023, Midroog rating agency determined the credit rating of debentures (series Q) of the company, at a rating level of 'A3.il', with a negative outlook.

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, 2023								
Segment revenues	585	341	138	100	71	19	(65)	1,189
Segment net operating income	388	232	102	85	49	11	(39)	828
Segment operating profit (loss)	324	(469)	95	75	39	8	261	333
Finance expenses, net								(596)
Loss before taxes on income								(263)

	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 income, 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 three months ended June 30, 2023								
Segment revenues	292	153	67	54	37	11	(29)	585
Segment net operating income	200	105	49	47	26	7	(16)	418
Segment operating profit (loss)	174	(64)	46	42	20	5	196	419
Finance expenses, net								(248)
Income before taxes on income								171

	Northern Europe	Central-Eastern Europe	Israel	Brazil	United States	Other segments	Consolidation adjustments	Total
	Unaudited							
	NIS in millions							
For the three months ended June 30, 2022								
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 income, net								(653)
Income before taxes on income								10

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, 2022								
Segment revenues	1,113	731	263	174	127	33	(138)	2,303
Segment net operating income	744	479	195	148	83	15	(81)	1,583
Segment operating profit	520	359	158	130	56	8	(639)	592
Finance expenses, net								(2,146)
Loss before taxes on income								(1,554)

Segment assets

	Northern Europe	Central-Eastern Europe	Israel	Brazil	United States	Other segments	Consolidation adjustments	Total
	Unaudited							
	NIS in millions							
June 30, 2023	17,477	9,099	4,876	2,990	3,621	393	1,612	40,068
June 30, 2022	17,114	9,963	4,538	2,740	3,002	421	3,474	41,252
December 31, 2022 (Audited)	16,710	9,745	4,483	2,598	3,174	367	2,318	39,395

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

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

As of June 30, 2023

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Building a better working world

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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, 2023 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.

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, 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 16, 2023

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, 2023, 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,
	2023	2022	2022
	Unaudited		Audited
	NIS in millions		
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	151	192	296
Short term loans and current maturities of long-term loans to subsidiaries	-	-	12
Financial assets	34	219	65
Financial derivatives	92	158	41
Other accounts receivable	113	65	87
Trade receivables	30	37	29
Income taxes receivable	2	2	2
	422	673	532
Assets held for sale	-	3	152
Total current assets	422	676	684
NON-CURRENT ASSETS			
Financial assets	35	13	32
Financial derivatives	9	216	1
Investment property	3,563	3,596	3,473
Investment property under development	1,226	799	790
Other investments, loans and receivables	21	125	219
Loans to subsidiaries	2,359	2,316	2,444
Investments in subsidiaries	11,063	12,016	11,022
Fixed assets and other assets, net	38	40	39
Total non-current assets	18,314	19,121	18,020
Total assets	18,736	19,797	18,704

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, 2023	June 30, 2022	December 31, 2022
	Unaudited	Unaudited	Audited
	NIS in millions		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Credit from banks and others	-	163	-
Current maturities of non-current liabilities	1,974	1,537	1,736
Short-term loans from subsidiaries	427	1	779
Financial derivatives	4	47	-
Trade payables	35	21	26
Other accounts payable	64	75	69
Dividend payable	-	-	53
Total current liabilities	2,504	1,844	2,663
NON-CURRENT LIABILITIES			
Loans from banks and others	2,692	2,504	2,422
Long-term loans from subsidiaries	1,310	1,602	1,195
Debentures	6,543	7,505	7,101
Financial derivatives	231	208	196
Other liabilities	60	8	111
Deferred taxes	-	105	-
Total non-current liabilities	10,836	11,932	11,025
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Share capital	231	219	219
Share premium	4,671	4,529	4,529
Retained earnings	3,121	4,725	3,674
Foreign currency translation reserve	(3,984)	(4,694)	(4,702)
Other reserves	1,358	1,243	1,297
Treasury shares	(1)	(1)	(1)
Total equity	5,396	6,021	5,016
Total liabilities and equity	18,736	19,797	18,704

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

August 16, 2023			
Date of approval of the financial statements	Ehud Arnon Chairman of the Board	Chaim Katzman CEO and Vice Chairman of the Board	Adi Jemini Executive Vice President and CFO

Financial information from the Condensed Consolidated Statements of Income attributed to the Company

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2023	2022	2023	2022	2022
	Unaudited				Audited
	NIS in millions				
Rental and other income	137	125	66	64	262
Property operating and other expenses	34	31	16	15	67
Operating rental income, net	103	94	50	49	195
Fair value gain from investment property, net	2	93	10	93	51
General and administrative expenses	(29)	(30)	(14)	(14)	(66)
Other income (expense),net	-	-	-	-	(8)
Management fees from related companies	1	1	-	-	2
Income from subsidiaries, net	(149)	243	135	152	(266)
Operation income	(72)	401	181	280	(92)
Finance expenses	(462)	(1,045)	(256)	(432)	(1,626)
Finance income	20	1	52	-	7
Finance expenses from subsidiaries, net	(1)	(9)	2	(5)	(19)
Loss before taxes on income	(515)	(652)	(21)	(157)	(1,730)
Tax benefit	(3)	(257)	(18)	(83)	(390)
Loss attributable to the Company	(512)	(395)	(3)	(74)	(1,340)

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

Financial Information from the Consolidated Statements of Comprehensive Income attributed to the Company

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2023	2022	2023	2022	2022
	Unaudited				Audited
	NIS in millions				
Loss attributable to the Company	(512)	(395)	(3)	(74)	(1,340)
Other comprehensive income 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	10	(277)	(51)	(193)	(318)
Other comprehensive income (loss) attributable to the Company	10	(277)	(51)	(193)	(318)
Other comprehensive income attributable to subsidiaries (net of tax effect)	680	1,025	365	406	1,105
Total other comprehensive income attributable to the Company	690	748	314	213	787
Total comprehensive income (loss) attributable to the Company	178	353	311	139	(553)

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 attributed to the Company

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2023	2022	2023	2022	2022
	NIS in millions				
Cash flows from operating activities of the Company					
Loss attributable to the Company	(512)	(395)	(3)	(74)	(1,340)
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	-	-	3
Finance expense, net	443	1,053	202	437	1,638
Fair value Income from investment property and investment property under development, net	(2)	(93)	(10)	(93)	(51)
Income (loss) from subsidiaries, net	149	(243)	(135)	(152)	266
Cost of share-based payment	-	2	-	1	3
Tax benefit	(3)	(257)	(18)	(83)	(390)
	588	463	39	110	1,469
Changes in assets and liabilities of the Company:					
Decrease (increase) in other accounts receivable	(41)	15	(32)	(7)	13
Increase (decrease) in trade payables and other accounts payable	(8)	7	(153)	23	(8)
	(49)	22	(185)	16	5
Cash paid and received during the year by the Company for:					
Interest paid	(169)	(191)	(109)	(102)	(352)
Interest received from subsidiaries, net	44	50	16	34	113
Taxes paid	-	46	-	-	46
Dividend received from subsidiary	51	79	24	40	142
	(74)	(16)	(69)	(28)	(51)
Net cash provided by (used in) operating activities of the Company	(47)	74	(218)	24	83

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 attributed to the Company

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2023	2022	2023	2022	2022
	Unaudited				Audited
	NIS in millions				
Cash flows from investing activities of the Company					
Investments in fixed and other assets	-	(1)	-	(1)	(1)
Acquisition, construction and development of investment property	(399)	(194)	(36)	(62)	(255)
Proceeds from sale of investment property	152	-	-	-	-
Merger of G Israel into the Company	495	-	-	-	507
Loans repaid by (granted to) subsidiaries, net	(168)	(10)	192	561	304
Proceeds from sale (investment) of marketable securities, net	31	(126)	15	(76)	(6)
Net cash provided by (used in) investing activities of the Company	111	(331)	171	422	549
Cash flows from financing activities of the Company:					
Issue of capital, net of issue expenses	150	468	-	65	468
Exercise of share options into shares	(*-	(*-	(* -	(* -	(* -
Repayment of short term credit from bank and others, net	-	(4)	-	(4)	(168)
Dividend paid to equity holders of the Company	(53)	(151)	-	(105)	(204)
Issuance of debentures less issuance expenses	-	174	-	-	174
Repayment and early redemption of debentures	(503)	(191)	(426)	(191)	(869)
Receipt (repayment) of long-term credit facilities from banks, net	(102)	(877)	478	(123)	(593)
Repayment of long-term loans	(58)	(11)	(51)	(5)	(178)
Receipt of long-term loans	369	-	-	-	-
Net cash provided by (used in) financing activities of the Company	(197)	(592)	1	(363)	(1,370)
Exchange differences on balance of cash and cash equivalents	(12)	(32)	(16)	(19)	(39)
Increase (decrease) in cash and cash equivalents	(145)	(881)	(62)	64	(777)
Cash and cash equivalents at the beginning of period	296	1,073	213	128	1,073
Cash and cash equivalents at the end of period	151	192	151	192	296
Significant non-cash activities of the Company:					
Dividend payable to equity holders of the Company	-	-	-	-	53

*) 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.

a. **General**

1. This separate financial information as of June 30, 2023 and for the six and three months 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, 2022 and for the year then ended and the accompanying notes thereto, that were authorized by the Board of Directors on March 28, 2023 and with the financial information in the interim condensed consolidated financial statements as of as of June 30, 2023.

2. As of June 30, 2023 (the "Reporting Date"), the Company has a working capital deficiency of NIS 2.1 billion. The Company and its wholly owned subsidiaries have approved unutilized credit facilities amounting to NIS 0.6 billion available for immediate drawdown and assets held for sale in a wholly-owned subsidiaries of the company amounting to NIS 1 billion. The Company's management believes that these sources, in addition to the consideration of the issuance of convertible debentures made after the reporting date in the amount of NIS 0.4 billion, (As detailed in Note d. 1 below), and the positive cash flow from operating activities of the company and its wholly owned subsidiaries, will allow the Company to repay its current liabilities when due.

b. **Material events during the period**

1. During the reporting period, the Company purchased NIS 94 million par value debentures (Series K, L, M, N, P) for a consideration of NIS 86 million. Following the purchases, the company recognized gain from early redemption of NIS 17 million. The debentures were cancelled and delisted.

2. On January 29, 2023, the Company's Board of Directors approved a private issuance to institutional investors of 7.42 million ordinary shares of NIS 1 par value. The shares were issued soon atter.
   In addition, the Company's Board of Directors approved a private issuance to the Company's controlling shareholder, Norstar, an allotment of 3.62 million ordinary shares and private issuance to a private company controlled by Mr. Katzman of 0.79 million shares on the same terms as for the institutional investors.
   These issues are subject to the approval of the Company's General Meeting (by a majority of minority shareholders) which was received on March 9, 2023. The shares were issued in March 2023.
   The total consideration of all the above issuances was NIS 150 million, net of issuance expenses.

3. On February 27, 2023, the Company signed an agreement to sell approximately 19 million CTY shares held directly by the Company, to a wholly-owned subsidiary. Pursuant to the agreement, the transaction price set as the average CTY share price per the day of payment (VWAP). The shares were transferred on March 2023, for a consideration of NIS 495 million.

4. On June 29, 2023, S&P Maalot rating agency reaffirmed the credit rating of all the outstanding series of debentures of the Company, which are not secured by a pledge, at ’ilA-‘rating level, and the credit rating of debentures of the Company (series Q), which are secured by a pledge on investment properties, at ’ ilA‘ rating level, with a negative outlook.

c. **IFRS 7 - Financial Instruments**

1. Fair value of financial instruments

   The carrying amount of certain financial assets and liabilities including cash, trade receivables, other receivables, investments in marketable securities, 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:

	June 30, 2023		June 30, 2022		December 31, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	NIS in million					
Debentures (level 1)	7,769	6,541	8,534	7,959	8,099	5,913
Loans from banks and others (level 2)	3,440	3,142	3,012	2,767	3,160	2,940
	11,209	9,683	11,546	10,726	11,259	8,853

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 June 30, 2023. 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. Event after the reporting date

1. After the reporting date, in July 2023, the company issued to the public NIS 444 million par value convertible debentures (series Q) which are convertible into company shares. The debentures are convertible, in a way that every 17.5 NIS par value debentures (series Q) are convertible to one NIS 1 par value ordinary share of the company. The consideration net of issuance expenses is NIS 410 million, out of which NIS 55 million will be allocated to the equity component of the conversion option and will be recorded in the company's reserves funds in accordance with the accounting rules. The liability component will be in the amount of NIS 355 million, with an effective interest rate of 10.5%.
   The debentures (series Q) are not linked to any indexation base and bear annual interest at a fixed rate of 5.5% which is paid once per year, the principal will be repaid in two installments: first installment of 10% of the principal on June 30, 2025, and the second installment of 90% of the principal on June 30, 2029.

2. After the reporting date, on July 4, 2023, S&P Maalot rating agency determined the credit rating of debentures (series Q) of the company, at a rating level of 'ilA-', with a negative outlook.

3. After the reporting date, on July 6, 2023, Midroog rating agency determined the credit rating of debentures (series Q) of the company, at a rating level of 'A3.il', with a negative outlook.

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

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

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. Rami Vaisenberger, Vice President and Controller;
4. Revital Kahlon, Vice President and Legal Counsel;

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, 2023 (the "Last Quarterly Report regarding Internal Control"), the internal control was found to be affective.

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 expressed within the framework of the Last Annual 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.

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 2023 (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 16, 2023

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

B) Declaration of the most senior officer in the finance area in accordance with 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 2023 (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 16, 2023

Adi Jemini, Executive Vice President and Chief Financial Officer