A link to an accessible document

Dear Shareholders,

2023 was a challenging year for the nation, with the events of October 7th and the ensuing war that is still ongoing today, which took us all by surprise and created a complex reality. On the one hand the economy is carrying on in a kind of routine fashion with business being conducted as usual, while on the other hand a fierce war is being waged, which has been and continues to exact a heavy price, and a significant part of the residents of the South and of the North have not yet been able to return to their homes.

On the Group level too, we experienced a challenging year, however packed with action and achievements, the fruit of some of which we can already see and some of which will see in the near future, during 2024 and thereafter. On the macro level, interest and inflation dominated and we too were affected by them. The fact that over 90% of our rental agreements are linked to the CPI contributed to an increase in NOI of 8.8% from income-producing properties, offsetting the effects of the war due to the discounts granted to tenants in Israel, an increase of 9.9%. On the other hand, we saw an increase in interest rates that affected the Cap Rate of our properties and in the last quarter we absorbed a decrease of NIS 400 million in the value of our holdings in the subsidiary, Citycon. The decline in inflation and expected drop in the interest rate in the coming year allowed for cautious optimism regarding the direction that the discount rates will go and as a result, the value of our income-producing properties. About eighteen months ago, Atrium became a private company, which in turn became G City Europe, and we are today beginning to see the fruits of these measures, as during the year we completed its assimilation as a private company, we replaced its management, cut its workforce by 60%, and significantly reduced other costs. We sold properties worth EUR 850 million and in fact, centralized the company in Poland, primarily in Warsaw. These measures are reflected in the double digit growth in our operating parameters in G City Europe. In the coming years we will continue selling off several additional properties to focus almost exclusively on Warsaw and very large properties where there has been and is expected to continue being significant growth.

The commercial real estate sector worldwide, and also here, is in a good place with high occupancy of 96% and rentals that continue to grow, retail stores that increase their sales turnover each year and most important, with visitor traffic that continues to grow and this year increased in our malls by 4% compared to last year.

We can also say that the ecommerce sector, that in the past raised concerns of competition for retailers, has reached a situation where synergy with the physical stores is a winning recipe, and therefore we see more and more online brands opening physical stores in shopping centers and the threat has in fact become an advantage and another tool in our arsenal for promoting sales and traffic in the properties.

The location of the properties remains significant with focus on high-density urban areas with high accessibility to public transport, economic scarcity and of course, the right mix that addresses day-to-day needs and services together with entertainment and food. Mixed uses is also beneficial and we are indeed adding residential apartments and office space to existing properties, that will create a balance between the various parts of the property; the commercial areas benefit from additional visitors and the apartment tenants and offices benefit from the existing infrastructure for services and various consumer providers in the commercial center. The Live Work Play model is a winning model and the option of having everything in one place is time saving and also good for sustainability.

We must remember that historically, commercial centers were built on large plots of land with low floor area ratio (FAR) and in recent years we have witnessed crowding in existing properties with higher construction rate in densely populated areas, such as those where our properties are located, which is quite naturally expected to increase the value of our properties.

At the end of 2022, we announced our strategic plan for business focus and lowering of the Company's leverage by NIS 6 billion, after which we grew to NIS 7 billion. Up until the date of writing of these lines, we have completed disposals worth NIS 4.2 billion, and with the exception of Russia, we sold all the properties at prices similar to their carrying value. We sold our entire Russian portfolio and 30% of our holdings in Brazil, which has significantly improved the Company's risk profile. Because of these measures we are very close to the business focus we aspire to: Israel, the USA and Poland, centralizing a large part of our property portfolio (23%), where there was a change in government this year in democratic elections, strengthening confidence in doing business there.

Alongside the extensive activities in implementing the disposal plan, the Company and its wholly owned subsidiaries raised debt of NIS 2.1 billion this year and at the same time repaid debts in the amount of NIS 3.4 billion. Furthermore, by the date of publication of this report, we extended repayment of revolving lines of credit in an amount of NIS 1.2 billion, which were repayable in 2024, until 2027-2028

We are tirelessly working to continue implementing the disposal plan and we believe that we will complete all the sales we have planned over the next two years. As part of this, we will act to sell properties that are not part of our core properties, at their carrying value, and we will continue to focus on improving our properties in Israel, the USA and Poland, while further reducing our exposure in Brazil.

The positive trend in the Group's properties will continue into 2024 as well. We are working to continue streamlining, with significant actions taken to reduce administrative and general costs, as we successfully did during the year. We are spending much effort to help the management of Citycon implement the plan of action for focusing on its strong properties and to generate value, to reduce administrative and operating expenses, to sell off properties that are not core properties and to reduce leverage.

We want to thank all our stakeholders who expressed their faith in us throughout this challenging year.

The events of October 7 and the war that broke out as a result overshadowed everything that came before and continues to affect us all, probably forever.

On behalf of myself and all my colleagues at G City, in Israel and worldwide, I hereby send condolences to the families of the victims and of the soldiers who have fallen in battle. We wish those injured speedy and full recovery and for the safe return of all the hostages.

We hereby send our support and encouragement to our soldiers and officers in the South and in the North.

We wish everyone better days ahead.

Sincerely,

Chaim Katzman

THIS DOCUMENT IS AN ENGLISH TRANSLATION OF THE HEBREW VERSION OF THE COMPANY'S FINANCIAL STATEMENTS AND THE MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR 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.

City

PERIODIC REPORT FOR 2023

CHAPTER A

DESCRIPTION OF THE COMPANY'S BUSINESS

TABLE OF CONTENTS

G City Ltd. (the “Company”)[1]
Periodic Report on the Description of the Company's Business

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

A. Description of the general development of the Company's business and brief description of the Company's areas of operation

1. Company Operations and Description of the Development of its Business

1.1 G City Group - General

The Company, directly and through its private and public investees (together: "**the Group**"), engages in management, improvement, development and purchase of income-producing mixed-use real estate properties, including commercial, residential and office properties that supply the needs of the population, in North America, Israel, Brazil, Northern, and Central Europe, with the focus on densely populated urban cities.

The Group’s strategy is to focus on properties and areas that have potential for expanding building rights and increasing value and cash flows through proactive management, betterment, addition of uses, development and redevelopment, and the Company explores business opportunities in its operating sectors and in related or other operations in its operating sectors and in additional regions At the same time, the Group acts to sell properties that are non-core assets or assets that the Group believes have limited growth potential and/or are in areas where the Group wishes to cut back its operations, whether by selling an individual property and/or group of properties, and/or by selling part of its holdings in the companies that own properties in these areas.

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

The Group operates in Israel directly through the Company and in other territories through its subsidiaries, in which the Company exclusively plans strategy and oversees their management: G Europe (100%) operating in Central Europe, Gazit Horizons Inc. (100%) in the United States ("**Gazit Horizons**") and a wholly owned subsidiary operating in Canada ("**Gazit Canada**"), including through a partnership Gazit Tripllle (60%). In addition, the Company operates in Brazil mainly through Gazit Malls Fll (82%), a real estate investment fund[2] owned and controlled by the Company (indirectly), incorporated in Brazil and that was listed in an IPO for trading in February 2024 on the stock exchange in Brazil (“Gazit Malls”) (as set out in section 9C below), and through other subsidiaries in Brazil wholly owned by the Company (jointly - “Gazit Brazil”). Furthermore, the Group operates in Northern Europe through Citycon Oyj ("CTY"), a public company controlled by the Company (49.6%), that has a similar strategy to that of the Company.

The operations of the Company in Israel, of G Europe, Gazit Brazil, Gazit Horizons and CTY are consolidated in the Company's financial statements and constitute as separate operating segments of the Company.

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

A. **Disposal of non-core assets** or assets that the Company has accomplished their improvement. As part of this, in the reporting period until the publication date of this report, the Company and its wholly owned subsidiaries sold properties to the value of NIS 4 billion. For further information regarding the Company's strategic plans to dispose of properties, see section 1.2 below.

1 The Company was incorporated in May 1982, and is listed for trading on the Tel Aviv Stock Exchange Ltd. since 1983 under the symbol "GCT".

2 ‘FII’ – Fundo De Investimento Imobiliario.

B. **Gazit Malls IPO** for an amount of BRL 301 million (NIS 226 million) by way of a tender offer of part of the Company’s holdings, that was completed on February 1, 2024[1].

C. A **private equity placement** in an amount of NIS 150 million, in which several leading institutional investors as well as the parent company and controlling shareholder of the Company (through a company under its control) took part For further information, see section 2 of the Report.

D. **Suspension of the dividend distribution policy** - during the reporting period the Company’s Board of Directors decided that it will not distribute a dividend to the Company's shareholders for 2023. Similarly, on March 28, 2024, the Company’s Board of Directors decided not to distribute a dividend to the Company's shareholders in the first quarter of 2024. The Company's Board of Directors will convene and review the Company’s dividend distribution policy for the following quarters of 2024, 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 from time to time, as set out below, and additional considerations, subject to the distribution tests set out in the Companies Law, 1999 (the “Companies Law”).

1.2 On October 25, 2022, the company published a property disposition plan for non-core group properties, which is updated from time to time ("**the Property Disposition Plan**"). According to the Property Disposition Plan, the company intends to sell properties with a total value of NIS 7.0 billion in Europe, Brazil, the United States and Israel.

As of the date of the plan's publication until the publication date of this report, the company and its fully owned subsidiaries have entered into binding agreements for the sale of properties totaling NIS 4.0 billion, at book values (excluding the sale of assets in Russia).

The actual dispositions 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.

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

	Completed	In advanced negotiations Under a letter of intent	Being marketed	Total
G Europe	2,816	1,096	1,278	5,190
Israel	154	-	145	299
Gazit Horizon	567	-	-	567
Gazit Brazil*	498	368	38	904
Total	4,035	1,464	1,461	**6,960**

1.3 Furthermore, G Europe completed obtaining secured financing for properties in Europe of EUR 237 million, and the Company intends to act to obtain financing that will be secured by additional debt-free properties (mainly properties in Europe), for some of which it has obtained non-binding letters of intent, for a cumulative amount exceeding EUR 235 million.

[1] For further information see immediate reports dated December 31, 2023, January 28, 2024 and February 1, 2024 (Ref. Nos.: 2023-01-118024, 2024-01-010548, and 2024-01-012318, respectively) noted herein by way of reference.

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

1.4 Furthermore, in February 2024 CTY announced its plan for streamlining and disposal of properties for an amount of EUR 950 million (for further information see section 6.1 below).

1.5 The Group’s assets as of December 31, 2023:

	Country of operation	Holding interest	Income-producing property	Properties under development	Other assets	GLA (sq.ms in thousands)
CTY	Finland, Norway, Sweden, Estonia and Denmark	50.9%	34	-	-	1,011
G Europe	Poland and Czech Republic	100.0%	15	-	-	400
Gazit Brasil	Brazil (Sao Paulo)	100.0%	6	-	1	150
G Israel	Israel	100.0%	10	3	-	156
Gazit Horizons	USA	100.0%	11	3	1	67
Gazit Canada	Canada	100.0%	1	-	-	18
Total carrying amount			**77**	**6**	**2**	**1,802**
Jointly controlled properties (proportionate consolidation)			8	-	-	79
Total			**85**	**6**	**2**	**1,881**

		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	15,450	27	-	15,477
G Europe	Poland and Czech Republic	8,179	326	669	9,174
Gazit Brasil	Brazil (Sao Paulo)	2,387	-	67	2,454
G Israel	Israel	3,679	364	753	4,796
Gazit Horizons	USA	1,582	923	204	2,709
Gazit Canada	Canada	183	-	-	183
Total carrying amount		**31,460**	**1,640**	**1,693**	**34,793**
Jointly controlled properties (proportionate consolidation)		1,356	342	-	1,698
Total		**32,816**	**1,982**	**1,693**	**36,491**

[1] Including extensions to income-producing properties.

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

Breakdown of the properties classified as assets held for sale included in the Group's total assets as of December 31, 2023:

	Country	Number of properties	Carrying Value NIS millions
G Europe	Czech Republic	2	2,075[1]
Gazit Brasil	Brazil (Sao Paulo)	1	347
Gazit Horizons	USA	1	555
Total carrying amount		4	2,977[2]

1 Including land in Romania at an amount of NIS 28 million

2 Of the balance, the sale of properties for a total amount of NIS 1,590 million were completed subsequent to reporting date.

1.6 As of December 31, 2023, the Company does not have a principal tenant[1] and as of that date, the tenants that generate the highest revenue for the Company and its subsidiaries, out of all its tenants, are Kesko, a leading supermarket chain in the Nordic countries, the income from which represented 3% of the Company's (consolidated) rental income in 2023; and S-Group, a Finish chain that engages, among other things, in the travel, supermarket and hospitality sectors, the income from which represented 2.5% of the Company's (consolidated) total rental income in 2023.

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

Private operations:

Israel – As of reporting date, the Company owns 13 G Malls in Israel worth NIS 4,796 million, with focus on the Gush Dan area. During the year the Company completed the expansion and renovation of the G Savyon property where 5,300 sq.m of commercial space was added. In addition, the Company has development projects for offices and retail spaces in the Company's existing properties, which are in the planning and execution stages, including the Tel Hashomer project for construction of rental apartment buildings and the construction on a high-rise office tower in Rishon LeZion in the Company's G City complex, which is expected to be completed in 2026. Simultaneously, under the property disposal plan, in the reporting period, the Company completed a transaction for selling the G Yavne shopping center. For further information, see section 8 of the Report.

Central Europe - In Central Europe the Group operates through G Europe, the shares of which were listed, until February 18, 2022, on the Vienna Stock Exchange (VSE) in Austria and on the NYSE Euronext in Amsterdam, the Netherlands. As of reporting date, G Europe owns 15 properties to a value of NIS 9.21 billion. For further information concerning the merger between G Europe and a wholly owned subsidiary of the Company, see section 1.1 above. G Europe operates mainly in Warsaw, Poland and Prague, the Czech Republic. As part of the Group's property disposal plan, during and subsequent to the reporting period G Europe completed transactions for the sale of properties for a total amount of EUR 576 million. As part of this, in April 2023, G Europe sold its property portfolio in Russia in order to reduce its exposure to the ongoing war between Russia and Ukraine. Simultaneously, G Europe continued to implement its strategy of increasing its operations in the rental residential sector and to date it owns 1,788 rental apartments and 441 such units under development. For further information, see section 7 of the Report.

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

USA - Gazit Horizons, the Group's private real-estate branch in the United States, operates in densely populated urban areas in large cities in the US, mainly in New York, Boston, Florida and Philadelphia and as of reporting date, it owns (including with partners) 11 income-producing properties worth USD 434 million. In the reporting period Gazit Horizons continued the development of an exclusive residential tower in Tampa, Florida (together with a local partner), and it is expected to be handed over in 2024. Simultaneously, as part of its property disposal plan, in January 2024, Gazit Horizons completed the sale of a property in the United States for USD 153 million. For further information, see section 10 of the Report.

Brazil - as of reporting date, the Group holds 5 properties in Brazil worth NIS 2,085 million through Gazit Malls Fll, which is a real estate investment fund[1] incorporated in Brazil under the Company's control (indirect), which as aforesaid, in February 2024 was listed for trading in an IPO by way of a tender offer and the Company currently holds (indirectly) 82%. In addition, the Group has two properties in Brazil worth NIS 369 million, held through a wholly owned subsidiary of the Company (indirectly).

During the reporting period and pursuant to the Group's property disposal plan, Gazit Brazil completed transactions for the sale of its share in two commercial centers in Brazil for BRL 562 million and BRL 93 million (totaling NIS 485 million). For further information, see section 9 of the Report.

Canada - As of 2019, the Company operates in Toronto, Canada through Gazit Canada, mainly through a partnership Gazit Tripllle (60%), which owns 7 properties worth a total of CAD 108 million (including through joint transactions), including a 33% holding in a property in which a wholly owned subsidiary of the Company holds a further 33%, and the rest is held by a third party, as set out in section 11.1 below.

Public Holdings:

Northern Europe - in Northern Europe, the Group operates through CTY, a public company whose shares are traded on the Helsinki Stock Exchange (OMX) in Finland. CTY operates in Finland, Norway, Sweden, Estonia and Denmark. As of reporting date, CTY owns 34 properties to a value of NIS 15.5 billion. In the reporting period, CTY enhanced its property portfolio and strengthened its balance sheet. In this context, in November 2022, CTY announced its intention to sell off its non-core properties to a total value of EUR 500 million and in February 2024, CTY decided to increase the target of property sales to a total amount of EUR 950 million, planned to be sold over a period of 24 months, and announced a number of other streamlining measures. Simultaneously, in the first quarter of 2023, CTY completed the development of residential buildings close to the Lippulavia property. For further information, see section 6 of the Report.

1.8 Group structure

For a description of the structure of the principal companies in the Group as of December 31, 2023, see to section 1.7 of the Directors Report.

The Group description will be presented below, divided according to the areas of operation set forth below, except for with regarding to information that is relevant to all areas of operation, which will be presented together, and except for information on specific topics related to a description of the Company itself, which will be presented separately. The information included in the descriptions of each of the areas of operation of real estate for investment, will be presented according to the primary geographic regions where the operations in that area are concentrated.

1 'FII' – Fundo De Investimento Imobiliario.

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

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

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

2.2. On January 29, 2023, the Company's Board of Directors approved a private placement of 7.5 million ordinary shares of the Company at a price of NIS 12.615 per ordinary share, to four classified investors and for total proceeds of NIS 93.5 million. Furthermore, at the same time the Company's Board of Directors approved a private placement of 3.62 million ordinary shares to Norstar Israel[2] for proceeds of NIS 45.6 million and a private placement of 0.79 million ordinary shares for proceeds of NIS 10 million to Aurora Capital Holdings Ltd., a private company under the control of Mr. Chaim Katzman, the controlling shareholder of the Company, at the same terms as the placement to the classified investors. The total proceeds for these placements is NIS 150 million[3].

2.3. In January 2023, Norstar's board of directors approved an issue of ordinary shares of Norstar together with 10,188,800 purchase options, each, awarding the right to purchase from Norstar 10,188,800 existing issued and fully paid-up ordinary shares per NIS 1 par value each, held by Norstar Israel, for NIS 14 per share. In and subsequent to the reporting period, Norstar purchased 1,236,358 options and eliminated them. As of the present time, the options have not been exercised.

2.4. On December 11, 2023, the company's Board of Directors approved a private allocation of approximately 7.6 million ordinary shares, to several classified entities and another entity. The consideration. The Company's return was paid in EUR 45.9 million par value G Europe debentures (the "Transferred Securities"), at an exchange ratio of EUR 6.037 par value for the transferred securities per share of the Company[4].

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

1 For further information, see immediate reports dated February 6, 2022, February 13, 2022, February 14, 2022 and March 31, 2022 (Ref. Nos.: 2022-01-015769, 2022-01-017671, 2022-01-081115, and 2022-01-039766 respectively) presented here by way of reference.

2 A wholly owned subsidiary of Norstar Holdings Inc., the controlling shareholder of the Company ("Norstar Israel").

3 For further information see immediate reports dated January 29 and 31, 2023 and March 9, 2023 (Ref. Nos.: 2023-01-012396, 2023-01-012903 2023-01-025437 -ו, 2023-01-011356-ו, respectively), noted herein by way of reference.

4 For further information see the immediate report and supplementary report dated December 12, 2023 (Ref. Nos.: 2023-01-112522 and 2023-01-112813, respectively), noted herein by way of reference.

3. **Distribution of dividends in the past two years**

3.1 The Company has a long-term policy to share its profits with the Company's shareholders by means of ongoing quarterly dividend distributions, subject to the Company's cash flows, business plans, legal restrictions and the Company's liabilities. Nonetheless, as part of the Company's policy to act to strengthen its equity and decrease leverage, throughout the reporting period, and through to the present time, the Company's Board of Directors decided not to distribute dividends.

3.2 For further information regarding the dividends distributed by the Company to its shareholders from January 1, 2022 through November 2022, see the consolidated statements of the changes in equity and Note 25F to the financial statements, where the provisions therein are included below by way of reference.

3.3 The balance of distributable profits (based on the profit test as defined in the Companies Law, 1999) as of December 31, 2023, amounted to NIS 2,430 million.

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

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

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

B. Other information

4. Financial information concerning the Company's operating segments

Below is a summary of the financial data for each of the Company's fields of operation (in NIS millions), based on Note 36 to the financial statements – Operating Segments Reporting.

For the year ended December 31, 2023

	Northern Europe	Central-Eastern Europe	Israel	Brazil	USA	Other segments	Adjustments in consolidated	Consolidated
	NIS millions							
Operating segment revenues from external sources	1,206	662	305	192	150	38	(115)	2,438
Percentage operating segment revenues	49%	27%	13%	8%	6%	2%	(5%)	100%
Operating segment costs	525	944	124	52	79	22	824	2,570
Operating income attributable to	355	(282)	181	140	65	16	(457)	18
Operating income attributable to	326	-	-	-	6	-	(482)	(150)
Total assets attributable to the operating segment	17,102	9,454	4,820	2,530	3,706	365	896	38,873
Total consolidated liabilities attributable to the operating sector	395	476	66	31	81	7	26,487	27,543

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

For the year ended December 31, 2022

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

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

For the year ended December 31, 2021

	Northern Europe	Central-Eastern Europe	Israel	Brazil	USA	Other segments	Adjustments in consolidated report (*)	Consolidated
	NIS millions							
Operating segment revenues from external sources	1,169	737	249	138	92	34	(123)	2,296
Percentage operating segment revenues	51%	32%	11%	6%	4%	1%	(5%)	100%
Operating segment costs	500	342	117	51	73	25	(672)	436
Operating income attributable to the owners of the Company	329	296	132	87	14	9	415	1,282
Operating income attributable to non-controlling interests	340	99	-	-	5	-	134	578

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

5. Financial environment and the effects of external factors on the Company's operations

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

5.2 **Volatility of inflation, interest and currency rates** - since the end of 2021 when most countries around the world came out of the Covid pandemic and the restrictions imposed due to the pandemic were lifted, there has been a significant rise in inflation rates in the various countries in which the Group operates, which led to an increase in global economic activity with increased demand for goods and products. Simultaneously, due to the armed conflict between Russia and Ukraine and the economic sanctions imposed on Russia in 2022, prices of energy and various raw material rose, which also affected the rising inflation trend.

In 2023, this rising inflation trend continued in Israel and globally. Accordingly, in response to the rising inflation, the central banks worldwide adopted monetary measures and significantly raised interest rates in these countries, as part of dealing with the rising prices and for the purpose of trying to curb it. This trend was mainly reflected in the first half of 2023. Thus, for example, in the first half of the reporting period, the Bank of Israel raised the interest rate from 3.5% to 4.75%. In May 2023 through the end of the reporting period, the Bank of Israel interest rate remained at 4.75% without change.[1]

From the end of 2023, inflation slowed down compared to 2022 and the first half of 2023, however, notwithstanding the slowdown, these inflation rates remained high. At the end of the day, in 2023 the CPI increased by 3% (compared to 5.3% in 2022)[2] and in January 2024, the CPI increased by 3.3% (compared to 5.4% in January 2023).[3] Accordingly, in January 2024, and as of date of publication of this report, the Bank of Israel announced a decrease in the interest rate to 4.5%[4] and in February the rate was left unchanged. Notwithstanding the recent macro-economic forecasts issued by the Bank of Israel, inflation is expected to decline to a rate of 2.4% in 2024 and the monetary interest rate is expected to drop to 3.75%-4% in the fourth quarter of 2024.[5]

The Group's revenue from leasing of apartments in most of the countries (more than 90%) in which the Group operates, other than the United States, are linked to the applicable CPI and contributed to the increase in its revenues and the value of its assets, respectively. Simultaneously, most of the Group's debt (66.5%) is not linked to the CPI (after the effect of the exchange transactions), the rental linkage mechanisms constitute long-term financial hedging against the increase in the Company's financing expenses due to the CPI linkage, and with regard to the CPI linked debt (against which there is no CPI linked income in Israel), the Company executes hedging through cross-currency swaps that also include CPI hedging.

At the same time, in Europe, the European Central Bank raised the interest rate to 4.5%, and in the United States the interest rate rose to 5.5%, as of date of publication of the Report[6]. Nonetheless, in the United States and Euro Bloc, the central banks kept the foregoing interest rates in place, signaling that it is not expected to decrease in the coming months, an element that tempers market expectations regarding interest rates.[7] The growth forecasts published by the International Monetary Fund up to the date of publication of this report, mostly indicate continued slowdown in growth throughout 2024, at the same time as inflation moderation.

Inflation and interest rates affect consumer buying power, the rent that the Company charges, the value of properties (based, among other things, on the income of the tenants) and the cost of the Company's credit and financing expenses.

Furthermore, most of the Company's debt is long term at fixed interest (89.5% of the total debt, after hedging transactions) and therefore if there is a change in market interest rates, the Company believes that this will not have a material effect on its financing expenses in the short term.

5.3 **Swords of Iron War** - in October 2023, the Hamas terror organization launched a murderous terrorist attack on residents of the State of Israel, which led to the start of the Swords of Iron War. Following the terror attack, the villages in the Gaza border area were evacuated, following which, due to the escalation along the Lebanon border, villages close to the northern border were also evacuated as of the date of publication of this report, most of these residents have not yet returned home. At the same time, due to the rocket attacks on the State of Israel, restrictions were imposed on gatherings, workplaces and the education system, based on their prevailing security conditions and proximity to the combat zones. As of reporting date, this war is still ongoing.

Upon the outbreak of the war there was a significant decrease in economic activity in Israel, including with regard to the company's properties in Israel, however it is evident that as time goes by there has been an increase in the number of visitors and in the revenues of the company's properties, and to date these have not yet regained the usual pre-war volume. It is noted that the Company's properties, as noted above, are located mainly in the Gush Dan area and as of reporting date, no special restrictions (including congregation restrictions) have been imposed by the State on its properties.

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

2 Central Bureau of Statistics https://www.cbs.gov.il/he/mediarelease/Madad/DocLib/2024/019/10_24_019b.pdf

3 https://www.boi.org.il/publications/pressreleases/bbb21-01-24 /

4 https://boi.org.il/publications/pressreleases/26-02-2024/

5 https://boi.org.il/publications/regularpublications/staff-forecast/27-11-23/

6 https://il.investing.com/economic-calendar/interest-rate-decision-164; https://il.investing.com/economic-calendar/interest-rate-decision-168

7 See footnote 6 above.

The outbreak of the war has led to the Bank of Israel revising its forecasts, which reflect a level of uncertainty, among other things due to the uncertainty regarding the continuation, scope and nature of the war. In February 2024, the Bank of Israel announced that due to the effects of the war the GDP dropped by 19.4% in the fourth quarter of 2023 leading to GDP growth of 2% in 2023.[1] Furthermore, according to the Bank of Israel forecasts, GDP will grow by 3% in 2024.

Furthermore, upon the outbreak of the war the EUR and USD strengthened significantly against the NIS, however this trend evened out by the date of publication of this report. For further information concerning the effect of the changes in these currencies on the Company's equity, see section 4.4 of the Directors' report.

On February 9, 2024 Moody's announced that it was downgrading the State of Israel credit rating from 1A to 1A with negative outlook. The rating agency's decision was, among others, due to the uncertainty concerning when and how the Swords of Iron war will end and the development of fighting on the northern border.[2]

The Company informed most of its tenants in Israel that it was granting them a partial exemption of rental payments for October and November, thus the rent collected was a percentage of their sales turnover only. The scope of the foregoing concessions amounted to a decrease in NOI of NIS 13.5 million.

As the value of the company's properties in Israel constitute only 15% of the value of the Group's properties (consolidated), where most of the operations are mainly in Europe, North America and Brazil, the company estimates that the Swords of Iron war did not have a material effect on the Company's business and its financial results. For further information see sections 8 and 28.1.5 of this report.

As of reporting date, the declared war is still ongoing and there is much uncertainty regarding how long it will continue and the nature and scope of the conflict' and therefore the company is unable to assess the impact of the war on its businesses, however it estimates that the continuation of the war in its current format is not expected to have a material effect on the company's businesses and on its financial results in the coming quarters, based on the foregoing.

5.4 **Russia - Ukraine Conflict** - Russia and Ukraine have been in a military conflict since the end of February 2022, which is still ongoing as of the date of publication of this report. Due to the conflict, some of the western countries united and imposed a series of significant financial and economic sanctions on Russia and Belarus. In April 2023, G Europe completed the sale of its entire property portfolio in Russia, and as such, as of that date the Group is not directly exposed to this conflict.

5.5 **Changes in the legal system** - in the Reporting period, the Israeli government moved forward with legislative measures to change the legal system. Numerous institutions, business people and private individuals in Israel and abroad raised concerns regarding the adverse impact of such proceedings on the business environment in Israel, regarding the scope of foreign investment in Israel, the Israeli currency exchange rates, Israel's credit rating, interest rates and the stability of the Israeli stock exchange. With the outbreak of the Swords of Iron war in Israel, the legislative procedures were suspended and to date there is no certainty regarding the future and the effect of the foregoing legislative procedures on the economy and the public in Israel, if they will be reinstated and moved forward. As of reporting date, the Company is unable to assess whether the legislative procedures will be reinstated or their impact on the Israeli economy or on its operations and financial results.

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

The Company's evaluations on the impact of macroeconomic events including rate of inflation and increase in interest rates in the various countries, and of the impact of the Swords of Iron war or any other specific crisis in a certain country and/or certain countries in which the Company operates, on its revenues, on its profits and

1 See footnote 4 above.

2 https://www.boi.org.il/publications/pressreleases/73985/

on its financial condition, are forward-looking information as defined in the Securities Law, 1968. These estimates are based on assumptions and assessments of the Company and Group companies as of reporting date, but are uncertain, may not materialize and are largely beyond the Company’s control. Further increase in the inflation and interest rates in Israel, continuation or deterioration of the global economic crisis, including due to the Swords of Iron war or due to any other crisis in the countries in which the Group operates, could have a significant adverse impact on the Group’s business and financial results.

5.7 Entry barriers

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

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

5.8 Exit barriers

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

5.9 Property acquisition criteria

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

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

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

5.10 Criteria for disposing of properties

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

- Failure to meet the Group's criteria for the acquisition of properties, as specified in section 5.9 above, including incompatibility of these properties with the Company's core activity, in terms of their character and location ("non-core assets”), as well as in terms of their location in cities with limited growth potential;
- Properties located outside densely populated urban areas or outside cities in which the Company’s operations are centered;
- Exhaustion of the betterment potential of the property or of the activity;
- Realization of real estate opportunities in a specific region;
- Level of exposure to a specific market;
- Sale of all or part of the holdings in public companies mature for sale, all or some of them.

5.11 Legislative restrictions and structure of competition

For information concerning legislative restrictions applicable to the Group, see section 22 below; for information concerning the structure of competition in the operating segments, see section 14 below.

C. Description of the Company's operating segments

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

6.1 General

In Northern Europe the Company operates through CTY, which is traded on the Helsinki Stock Exchange (OMX) in Finland. CTY is the owner, developer and operator of supermarket-anchored urban shopping centers in large cities in Finland, Norway, Sweden, Denmark and Estonia.

As of December 31, 2023, it owned 34[1] income-producing properties of a total built-up area of 1 million sq.m and rental residential buildings (close to the Lippulavia commercial center)

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

During the reporting period, CTY focused on implementing its strategy to develop its existing properties and essential retail based centers and to turn them into mixed-use properties and urban centers, by focusing on increasing the share of the residential real estate sector in its asset portfolio, while simultaneously reducing the rate of non-essential retail stores. In this context, in 2022-2023 it completed the development of the Lippulavia project in Helsinki, Finland, a mixed-use urban project for commerce and rental housing connected to a subway station. In March 2022 the commercial part of the project opened and in the first quarter of 2023, the development of 6 of the 8 residential buildings in the project were completed.

Simultaneously, in November 2022, CTY announced its intention to sell off its non-core properties to a total value of EUR 500 million, over the coming 24 months, of which, to date, properties worth EUR 120 million have been disposed. In addition, in February 2024 CTY decided to increase the scope of the foregoing plan to EUR 950 million over the 24 months from the date on which the scope of the plan was increased. At the same time, CTY announced a series of streamlining measures and took a series of actions to strengthen its equity.

CTY’s assets are mainly anchored in municipal services, daily and essential consumer services and supermarkets that are connected to public transport and located in prominent cities in the Nordic countries. CTY has a diverse tenant mix, and its main customers are supermarkets, retail stores (local and international), and local authorities that constitute anchor tenants in its properties. One of CTY's lessees is S-Group, a Finnish chain with more than 1,800 branches throughout Finland that engages in, among other things, the travel, supermarket and hospitality sectors, where 6.3% of CTY’s rental revenue in 2023 are due to its contracts with S-Group (5.4% in 2022) and Kesko, a leading Nordic supermarket chain with stores across Finland, Sweden, Norway, Estonia and Denmark, where 5.2% of CTY's rental revenue in 2023 are from its engagements with various Kesko owned chains (compared to 4.8% in 2022).

In 90% of the agreements between CTY and its tenants, the tenants undertake to pay the operating costs incurred by CTY for maintaining the property, in addition to rent (which is linked to the cost of living index in the various countries accordingly, or are updated annually by a minimum rate). In addition, as of December 31, 2023, 62% of CTY’s rental contracts contain a rental fee component that is based on a certain percentage of the tenants’ turnover in addition to the fixed rental (this component does not constitute a material part of CTY’s total revenue from rent). The lease agreements with key tenants are usually long term, ranging from 10 to 15 years, and sometimes even 20 years, while the lease agreements with minor tenants are usually for periods of 3 to 5 years.

1 Including Kista Galleria, which as of reporting date is 50% held by CTY and is jointly controlled with a third party. Subsequent to reporting period, CTY completed the purchase of the third party’s share in the property and as of date of publication of this report, it holds 100% of the property.

In and subsequent to the reporting period, CTY continued to act to strengthen its balance sheet, including with the aim to improve its investment rating, and as part of this various measures were adopted to decrease future interest expenses, to increase liquidity, and to improve its balance sheet and debt. For further information regarding the capital issue and debt rescheduling that CTY carried out subsequent to the reporting period, see section 6.11.2 below. Most of CTY's debt (93%) is at fixed interest and most of its assets are pledged. Moreover, CTY does not have any significant debt balances to repay before the end of 2024.

As of December 31, 2023, the Company holds 50.9% (including through a wholly owned subsidiary) of CTY's issued share capital and voting rights. As of the date of publication of this report, the Company holds 49.6% of CTY’s share capital and voting rights.

6.2 <u>Results of operation</u>

Below is a breakdown of results the operating sector for the years ended December 31, 2023, 2022 and 2021 (NIS thousands and EUR thousands):

	Year ended					
	December 31, 2023	**December 31, 2022**	**December 31, 2021**	**December 31, 2023**	**December 31, 2022**	**December 31, 2021**
	NIS thousand			**EUR thousands**		
Total income from the operation	1,156,487	1,065,896	1,117,522	290,027	301,489	292,267
Gains (losses) from revaluations (consolidated)	(837,634)	(201,676)	179,673	(200,257)	(56,536)	48,588
Gains (losses) from revaluations (Company's share)	(436,566)	(105,223)	88,376	(104,372)	(29,497)	23,899
Operating profit (*)	503,152	421,881	622,837	125,575	119,632	162,940
Same property NOI (consolidated)	644,445	536,720	-	161,586	151,716	-
Same property NOI (Company's share)	335,878	279,733	-	84,217	79,072	-
Total NOI (consolidated)	781,068	720,160	773,574	195,676	203,647	202,306
Total NOI (Company's share)	407,084	375,736	380,497	101,984	106,251	99,508

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

6.3 Economic data regarding geographic regions

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

	Finland			Sweden			Norway		
	Year ended December 31,								
	2023	2022	2021	2023	2022	2021	2023	2022	2021
Gross domestic product (PPP) (USD billion)	336	324	298	716	695	632	453	427	387
GDP per capita (PPP) (USD)	48,906	49,499	48,844	54,085	55,974	54,793	67,177	66,072	64,685
GDP per capita growth rate (PPP)	(0.95%)	1.40%	2.85%	0.03%	2.75%	6.05%	0.53%	3.05%	3.93%
Inflation rate	4.70%	7.16%	2.08%	8.63%	8.34%	2.16%	5.53%	5.74%	3.49%
Yield on long-term government debt	2.72%	2.85%	0.51%	2.03%	2.38%	0.22%	3.26%	3.19%	1.70%
Rating of long-term government debt	AA+ / Aa1	AA+ / Aa1	AA+ / Aa1	AAAu / Aaa	AAAu / Aaa	AAAu / Aaa	AAAu / Aaa	AAA / Aaa	AAA / Aaa
Unemployment	7.22%	6.77%	7.53%	7.67%	7.48%	8.89%	3.50%	3.23%	4.23%
Local currency to USD exchange rate at December 31	USD - Euro 1.1039	USD - Euro 1.0705	USD - Euro 1.137	USD - SEK 10.0734	USD - SEK 10.4283	USD - SEK 9.0542	USD - NOK 10.1724	USD - NOK 9.8038	USD - NOK 8.8183

(*) Based on Bloomberg data.

Additional macro-economic data

In the reporting period, the Nordic economies were affected, like the rest of the world economies, by the sharp cost of living increase and the uncertainty in the economic environment due to inflation rates and rising interest rates. Moreover, in the reporting period, the SEK and the NOK exchange rates were highly volatile and weakened significantly, but at the end of 2023 the foregoing currency rates increased somewhat. The common denominator of the Nordic economies is their financial robustness due to high individual savings, public funding and the creation of stable jobs. All these provide the Nordic economies with a certain degree of resilience during this time of geopolitical uncertainty, and environment of high inflation and rising interest rates. Furthermore, the Nordic countries are not significantly affected by the Russian Ukraine conflict, among other things, because these countries are almost completely independent on natural gas from Russia. While inflation is on the rise in all Nordic markets, this does not have a material impact on CTY's operations, due to its tenant mix and in view of the fact that 93% of its leases are index-linked in a way that led to an increase in the proceeds from apartment rental.

6.4 Aggregate data about the operating segment

The tables below provide data about CTY's income-producing properties.

The data in section 6.4 below do not include data for Kista Galeria[1] which, during the reporting period, was jointly-controlled and is therefore presented according to the equity method. As aforesaid, subsequent to the reporting period CTY acquired the remaining holdings in the property and as of date of publication of this report, the property is wholly owned by CTY.

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

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

6.4.1 GLA of income-producing properties

Below is a breakdown of the GLA of CTY's income-producing properties as of December 31, 2023 and 2022 (in sq.m thousands):

Region		At December 31, 2023	As % of total income producing property	At December 31, 2022	As % of total income producing property GLA
Finland	Consolidated	339	33.6%	336	33.2%
	Company's share	173		175	
Sweden	Consolidated	173	17.1%	174	17.1%
	Company's share	88		91	
Norway	Consolidated	357	35.3%	364	35.9%
	Company's share	182		190	
Estonia and Denmark	Consolidated	142	14.0%	139	13.8%
	Company's share	72		72	
Total	Consolidated	1,011	100.0%	1,013	100%
	Company's share	515		528	

1 As of reporting date Kista Galeria, in which CTY holds 50%, is located in Stockholm, Sweden, and has an area of 92.5 thousand square meters. As of December 31, 2023, the fair value of the property was EUR 346 million

6.4.2 Segmentation of the fair value of income-producing properties

Below is a breakdown of data regarding the value of CTY's income-producing properties as of December 31, 2023 and 2022:

Region		At December 31, 2023	As % of total value of producing property GLA	At December 31, 2022	As % of total value of producing property GLA
Finland (in EUR thousands)	Consolidated	1,693,079	44.0%	1,285,988	35.7%
	Company's share	861,915		670,243	
Sweden (in SEK thousands)	Consolidated	6,876,879	16.1%	7,127,474	17.9%
	Company's share	3,500,890		3,714,760	
Norway (NOK thousands)	Consolidated	12,408,186	28.7%	12,914,700	34.1%
	Company's share	6,316,774		6,730,998	
Estonia and Denmark (in EUR thousands)	Consolidated	434,776	11.2%	449,546	12.3%
	Company's share	221,336		234,298	
Total (in NIS thousands)	Consolidated	15,450,672	100%	13,528,616	100%
	Company's share	7,865,647		7,050,965	

6.4.3 NOI

Below is a breakdown of data concerning CTY's NOI for 2022-2023:

Region		for 2023	% of total property NOI	for 2022	% of total property NOI	for 2021	% of total property NOI
Finland (in EUR thousands)	Consolidated	76,442	39.1%	68,637	33.7%	64,430	31.9%
	Company's share	39,841		35,811		31,691	
Sweden (in SEK thousands)	Consolidated	319,260	14.2%	323,087	14.9%	342,495	16.6%
	Company's share	166,397		176,370		168,136	
Norway (NOK thousands)	Consolidated	713,913	31.9%	797,014	38.6%	791,203	38.5%
	Company's share	372,083		415,833		389,163	
Estonia and Denmark (in EUR thousands)	Consolidated	28,933	14.8%	26,018	12.8%	26,239	13.0%
	Company's share	15,080		13,575		12,751	
Total (in NIS thousands)	Consolidated	781,068	100%	720,160	100%	773,574	100%
	Company's share	407,084		375,736		380,497	

6.4.4 Valuation gains (losses)

The table below provides a breakdown of CTY's revaluation gains (losses) for the years 2021-2023:

Region		for 2023	% of total property NOI	for 2022	% of total property NOI	for 2021	% of total property NOI
Finland (in EUR thousands)	Consolidated	(69,416)	34.6%	(16,339)	28.9%	(1,164)	(2.4%)
	Company’s share	(36,179)		(8,525)		(572)	
Sweden (in SEK thousands)	Consolidated	(419,818)	18.3%	(67,179)	11.2%	263,473	53.4%
	Company’s share	(218,804)		(35,050)		128,033	
Norway (NOK thousands)	Consolidated	(785,949)	34.4%	(312,195)	54.7%	162,306	32.9%
	Company’s share	(409,628)		(162,885)		79,833	
Estonia and Denmark (in EUR thousands)	Consolidated	(25,475)	12.7%	(2,974)	5.2%	7,815	16.1%
	Company’s share	(13,277)		(1,552)		3,798	
Total (in NIS thousands)	Consolidated	(837,634)	100%	(201,676)	100%	179,673	100%
	Company’s share	(436,566)		(105,223)		88,376	

6.4.5 Average rent per square meter

The table below provides a breakdown of CTY's average monthly rent per sq.m for 2023 and 2022:

Region	Year ended	
	December 31, 2023	December 31, 2022
Finland (in EUR)	27.9	26.3
Sweden (in SEK)	274.8	245.8
Norway (NOK)	238.9	221.2
Estonia and Denmark (in EUR)	23.1	23.1

6.4.6 Average occupancy rates

The table below provides a breakdown of occupancy rates of CTY's properties as of December 31, 2023, and average occupancy rates for 2023 and 2022:

Region	At	Year ended (*)	
	December 31, 2023	December 31, 2023	December 31, 2022
Finland	95.0%	95.0%	95.0%
Sweden	92.4%	92.7%	94.4%
Norway	95.2%	94.3%	92.8%
Estonia and Denmark	97.2%	95.9%	95.8%

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

6.4.7 Number of income-producing properties

Below is a breakdown of data regarding the number of CTY's income-producing properties as of December 31, 2023 and 2022:

Region	At	
	December 31, 2023	December 31, 2022
Finland	10	10
Sweden	6	6
Norway	14	14
Estonia and Denmark	4	4
Total	34	34

6.4.8 Average yields

The table below provides a breakdown of CTY's actual average yields as of December 31, 2023 and 2022 (based on property value at the end of the year):

Region	Year ended (*)	
	December 31, 2023	December 31, 2022
Finland	5.5%	5.1%
Sweden	5.9%	5.4%
Norway	6.2%	5.7%
Estonia and Denmark	7.2%	6.8%

6.5 Expected rental income from signed lease agreements signed (*)

Period of recognition of income		Income from fixed components (in NIS thousands)	Income from variable components (in NIS thousands)	Number of terminating lease agreements	Area in the terminating agreements (in sq.m thousands)
2024	Quarter 1	107,987	1,592	876	109
	Quarter 2	42,541	1,488	342	43
	Quarter 3	44,025	4,328	207	41
	Quarter 4	50,419	3,557	253	47
2025		184,266	7,929	519	160
2026		142,770	3,596	418	116
2027		136,124	681	331	112
2028 and thereafter		306,470	6,861	425	275
Total		**1,014,602**	**30,032**	**3,371**	**903**

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

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

6.6 Aggregate data concerning properties under construction in the operating segment

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

		Year ended		
		2023	2022	2021
Finland	Number of properties under construction at the end of the period	-	1	1
	Total area under construction (planned) at the end of the period (in sq.m thousands)	-	62.3	62.3
	Total costs invested in the current period (consolidated) (in EUR thousands)	-	66,369	138,467
	The amount at which the properties are stated in the financial statements at the end of the period (consolidated) (in EUR thousands)	-	451,762	382,453
	Construction budget during the subsequent period (estimate) (consolidated) (in EUR thousands)	-	4,259	71,400
	Total balance of estimated construction budget for completion of the construction works (estimate for the end of the period) (consolidated) (EUR thousands)	-	33,285	104,400
	Percentage of the GLA under construction with respect to which lease agreements have been signed	-	91%	65%
	Expected annual revenue (estimate) (consolidated) (EUR thousands)(*)	-	12,372	9,779
Sweden	Number of properties under construction at the end of the period	1	1	-
	Total area under construction (planned) at the end of the period (in sq.m thousands)	12,950	12,950	-
	Total costs invested in the current period (consolidated) (SEK thousands)	5,467	69,159	-
	The amount at which the properties are stated in the financial statements at the end of the period (consolidated) (SEK thousands)	74,627	69,159	-
	Construction budget in the subsequent period (estimate) (consolidated) (SEK thousands)	648,373	671,500	-
	Total estimated construction budget for completion of construction work (estimate to end of the period) (consolidated) (SEK thousands)	648,373	671,500	-
	Expected annual revenue (estimate) (consolidated) (SEK thousands)(*)	19,753.11	-	-

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

6.7 Aggregate data concerning and for investment in the operating segment

As of December 31, 2023 and 2022, CTY did not own plots of land that are recorded in the CTY’s books as land for investment.

6.8 Acquisition and sale of properties (aggregate)

Below is information concerning properties sold and acquired by CTY in 2021 through 2023:

			Year ended		
			December 31, 2023	December 31, 2022	December 31, 2021
Finland	Properties sold	Number of properties sold during the period	-	-	1
		Proceeds from the realization of properties sold during the period (consolidated) (in EUR	-	-	106,200
		Area of properties sold during the period (consolidated) (in sq.m thousands)	-	-	22.5
		NOI of properties sold (consolidated) (in EUR	-	-	4,976
		Profit (loss) recorded from the sale of properties (consolidated) (in EUR thousands)	-	-	(1,488)
	Properties Properties acquired	Number of properties acquired during the period	-	-	1
		Cost of properties acquired in the period (EUR thousands)	-	-	681
		NOI of properties acquired (consolidated) (in EUR thousands)	-	-	(17)
		Area of properties acquired during the period (consolidated) (sq.m thousands)	-	-	1
Sweden	Properties sold	Number of properties sold during the period	-	-	3
		Proceeds from the realization of properties sold during the period (consolidated) (in SEK	-	-	1,417,178
		Area of properties sold during the period (consolidated) (in sq.m thousands)	-	-	57.9
		NOI of properties sold (consolidated) (in SEK	-	-	25,645
		Profit (loss) recorded from the sale of properties (consolidated) (SEK thousands)	-	-	(43,360)
	Properties Properties acquired	Number of properties acquired during the period	-	1	-
		Cost of properties acquired during the period (consolidated) (SEK thousands)	-	69,159	-
		Area of properties acquired during the period (consolidated) (sq.m thousands)	-	13	-
Norway	Properties sold	Number of properties sold during the period	-	4	-
		Proceeds from the properties sold during the period (consolidated) (NOK thousands)	-	2,689,312	-
		Area of properties sold during the period (consolidated) (in sq.m thousands)	-	95	-
		NOI of properties sold (consolidated) (NOK	-	86,335	-
		Profit (loss) recorded from the sale of properties (consolidated) (NOK thousands)	-	(95,421)	-

Subsequent to reporting date, CTY acquired from its partner the remaining holdings (50%) in the Kista Galeria property in Sweden. For additional information, see Note 8A3 to the financial statements.

6.9 Material Assets

6.9.1 Below is a breakdown of data regarding Iso Omena, a substantial income producing asset of the Group as of December 31, 2023:

Iso Omena	General data
Region	Espoo, Finland
Functional currency	EUR
Primary use	Retail (shopping center)
Construction costs (EUR million)	666.7
Company's share in property (%) (capital rights/voting rights)	Wholly owned by CTY through a 50.9% held subsidiary
Gross area (sq.m)	102,100
Retail GLA (sq. m)	84,800

Operational data	2023	2022	2021
	EUR million, unless stated otherwise		
Carrying value at end of period (NIS million)	3,230	2,950	2,640
Fair value at end of the period	805.6	785.2	750.2
Rental revenue in the period	37.1	34.9	33.2
Actual NOI in the period	36.2	33.5	31.4
Actual yield rate (%)	4.5%	4.3%	4.2%
Adjusted yield rate (%)	4.5%	4.4%	4.3%
Yield rate over cost (%)	5.4%	5.0%	4.8%
Valuation gains (losses)	17.6	28.1	4.2
Occupancy rate at end of the period (%)	96.9%	98.8%	98.2%
Average rent per sq.m / month (EUR)	37.8	35.3	34.0
Average income per sq.m / year (EUR) (*)	3,905.8	3,900.0	3,769.3
Additional information required under Regulation 8B(9), in the event that a material valuation or very material valuation was used to determine the value of the data			
Valuation date	December 31, 2023	December 31, 2022	December 31, 2021
Name and experience of valuator	The JLL valuator has over 10 years' experience		
Valuation model used by the Valuator	DCF	DCF	DCF
Additional underlying assumptions Capitalization rate (%)	5.1%	4.6%	4.5%

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

6.9.2 Information regarding Lippulaiva, a substantial income producing asset of the Group as of December 31, 2023:

In 2021 and 2022, the property was under construction, so the operational data for these years are not presented.

Lippulaiva	**General data**
Region	Espoo, Finland
Functional currency	EUR
Primary use	Commercial (shopping center) and residential
Construction costs (EUR million)	533.0
Company's share in property (%) (capital rights/voting rights)	Wholly owned through a 50.9% held subsidiary
Gross area (sq.m)	56,800
Retail GLA (sq. m)	37,900

Operational data	**2023** **EUR million, unless stated otherwise**
Carrying value at end of period (NIS million)	1,480
Fair value at end of the period	369.2
Rental revenue in the period	13.7
Actual NOI in the period	12.5
Actual yield rate (%)	3.4%
Adjusted yield rate (%)	3.7%
Yield rate over cost (%)	2.3%
Valuation gains (losses)	(63.4)
Occupancy rate at end of the period (%)	92.4%
Average rent per sq.m / month (EUR)	28.2
Average income per sq.m / year (EUR) (*)	3,680.7
Additional information required under Regulation 8B(9), in the event that a material valuation or very material valuation was used to determine the value of the data	
Valuation date	December 31, 2023
Name and experience of valuator	The JLL valuator has over 10 years' experience
Valuation model used by the Valuator	DCF
Additional underlying assumptions Capitalization rate (%)	5.0%

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

6.10 Human capital

6.10.1 As of December 31, 2023, CTY (and its wholly-owned subsidiaries) had 235 employees (251 employees in 2022), with breakdown as follows: in Norway – 75; in Finland – 43; in Estonia and Denmark – 14; in Sweden – 39; and 64 in various positions. These employees are employed under personal contracts according to which they receive a basic monthly salary and various benefits and annual bonuses, according to their seniority. Additionally, CTY's key employees and executives are entitled to long-term compensation in the form of CTY securities, as set out below.

6.10.2 In March 2024, Ms. Henrica Ginstrom was appointed as CEO of CTY, replacing Mr. Scott Ball, effective as of April 1, 2024. Prior to her foregoing appointment , Ms. Ginstrom served as the VP of Operations of CTY.

6.10.3 CTY has several compensations plans for employees and managers, by virtue of which convertible stock options can be granted or Restricted Share Units (RSUs) of CTY. Some of the compensation plans are designated for the CEO of CTY and other specific senior officers. For additional information about CTY's compensation plans, refer to Note 8F3 to the financial statements. For details regarding buyback of CTY shares and their transfer to managers under CTY's compensation plans for its employees and managers, see Note 8D3 to the financial statements. Moreover, for information concerning the compensation terms of CTY's former CEO, see Regulation 21 in Chapter D to the periodic report.

6.11 Credit and financing:

6.11.1 **Credit Rating** - in the reporting period, S&P rated CTY with a BBB- (stable outlook) rating and subsequent to reporting period the rating outlook was revised to negative. In the reporting period, CTY terminated its contract with the rating agency, Moody's, and therefore is no longer rated by it.

6.11.2 **Capital Raising** - In November and December 2023, CTY completed two capital issues in exchange for hybrid bonds of CTY for a total amount of EUR 25 million.

In addition, subsequent to the reporting period, in February 2024 CTY completed an IPO of 11.9 million ordinary shares for total proceeds of EUR 48.2 million. Under this IPO, the Company purchased 3.7 million CTY shares for a total amount of EUR 15 million, and this taking into consideration the requirement of the Securities Authority in Finland, requiring the Company's participation to be subject to the condition that immediately after capital raising, the Company's holdings in the share capital of CTY will be less than 50%, otherwise the Company would be required to make a full tender offer for CTY shares.

6.11.3 **Financing from financial institutions** - in the reporting period CTY repaid its credit line which amounted to EUR 500 million (NIS 1.8 billion) and was in force until 2024, and instead it engaged in a financing agreement for an amount of EUR 650 million (NIS 2.6 billion), consisting of a revolving credit line of EUR 400 million and a long term loan in a total amount of EUR 250 million. The new financing agreement is fully secured by a mortgage on properties and is valid until 2026. As of reporting date, CTY has not utilized the credit line.

In addition, in November 2023 CTY signed a fixed interest loan in the amount of EUR 89.5 million (NIS 360 million), which is fully secured by a mortgage on a property for a period of 7 years.

The proceeds received from the foregoing financing agreements were used in part to buyback debentures and pay off commercial securities.

Subsequent to reporting date, CTY purchased its partner's share (50%) in the Kista Gallery property and as part thereof, it assumed the full debt on the property in the amount of SEK 1.2 billion (NIS 850 million) and pledged two additional properties in favor of this debt.

6.11.4 **Debentures** – as of December 31, 2023, CTY has debentures, which are secured by mortgages, in an amount of EUR 1,443 million. The debentures bear fixed interest at an annual rate ranging between 1.88% and 3.4% and are redeemable from 2025 through 2028. In the reporting period, CTY purchased EUR 191 million in its debentures on the market and under a tender offer issued for the purchase of its debentures and marketable securities. Subsequent to reporting period CTY issued a tender offer for debentures that were repayable in 2024 for an amount of EUR 213 million par value. At the same time, in February 2024, CTY raised green bonds that are not secured by mortgages, for a total amount of EUR 300 million, the proceeds for which are intended, among other things, for financing the acquisition of the Company's debentures under the tender offer it issued and by consolidate existing goals as part of its operations. The debentures bear fixed interest at an annual rate of 6.5%, and are redeemable in 2029.

For the debenture ratings, refer to section 6.11.1 above. For further information regarding CTY's debentures, see Notes 19C and 37C to the financial statements.

6.11.5 **Hybrid bonds** - as of December 31, 2023, CTY has two hybrid bond series in a total amount of EUR 610 million, subordinate to any other debt and unsubordinated compared to the Company's ordinary share capital, and which are considered to be part of CTY's equity. In 2023 CTY bought back hybrid bonds for a total amount of EUR 39.2 million and issued shares in return for the hybrid bonds (as set out in section 6.11.2 above).

6.11.6 Summary of balances:

The table below presents long-term credit and loans (including current maturities), which are not intended for specific use, which were received by CTY from financial institutions to finance its operations, as of December 31, 2023:

	Balance (EUR millions)	Weighted interest rate (*)	Average repayment period (years)(**)
Loans at fixed interest - SEK	89.2	5.57%	6.9
Loans at variable interest - EUR	247.3	6.30%	2.3
Debentures at fixed interest – EUR	1,238.4	1.88%	2.7
Debentures at fixed interest - NOK	204.2	3.40%	1.7
	1,779.1		

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

6.11.7 **Financial covenants**

Some of the unsecured loans, debentures and credit facilities granted to CTY and its wholly-owned subsidiaries in the ordinary course of business require compliance with financial and other covenants. For further information regarding the financial covenants, see Notes 20D(2) and 19C to the financial statements.

As of December 31, 2023 and immediately prior to the date of approval of this report, CTY and its wholly-owned subsidiaries are in compliance with all the prescribed covenants.

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

7.1 General

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

G Europe owns and operates retail shopping centers and rental residential buildings in Central Europe, mainly in Warsaw, Poland and in Prague, Czech Republic. As of December 31, 2023, it owns 15 income-producing properties of total built-up area of 400 million sq.m and land (including land in Turkey), where 70% of the property portfolio in Poland are located in Warsaw and 100% of the property portfolio in the Czech Republic are located in Prague.

During the reporting period the Company continued to implement its property disposal with its intention to focus on high quality properties in Warsaw and as of reporting date it is acting to sell the remaining properties in the Czech Republic. Moreover, at the beginning of 2020, G Europe announced its strategic plan until 2025, under which it intends to focus its operations on diversifying its asset portfolio by investing in income-producing residential real estate for rent, primarily in Warsaw. In addition, the strategy includes improvement and development of the asset portfolio by building real estate for residence or in specific cases, offices, above or close to G Europe's existing properties. In the reporting period G Europe continued to implement this strategy. As part of this, in 2022 G Europe completed the acquisition of residential buildings containing 541 apartments Warsaw (Rubikon project) and in the reporting period acquired another residential building in the foregoing project and completed full development of the apartments in the project. Furthermore, in 2023, G Europe developed several rental residential buildings with 442 apartments adjacent to its Atrium Promenada shopping center in Warsaw. The project is expected to be completed in 2024.[1] As of reporting date, G Europe has 788 income-producing residential apartments.

In the reporting period and as part of the Company's plan for disposal of properties, G Europe completed the sale of properties in Poland and the Czech Republic for a total amount of EUR 41.9 million and EUR 123.8 million, respectively, similar to their carrying amounts in the Company's books.

Furthermore, in the wake of the war between Russia and Ukraine that created exposure to the Russian economy and legislation filled with uncertainty, and as part of the Company's plan for the disposal of properties, in April 2023 G Europe sold its entire portfolio of properties in Russia for proceeds of EUR 131 million (NIS 524 million).[2] Due to the sale of its Russian property portfolio G Europe substantially reduced the exposure of its operations to war.

As part of the Group's plan for disposing of properties, G Europe completed obtaining secured financing in the amount of EUR 112 million, which enabled a combined process of purchasing the partner's share (25%) in a property located in the Czech Republic for the purpose of selling the entire property as a whole (100%). On January 31, 2024 the deal for the sale of this property was completed, for the price of EUR 259 million (NIS 1.04 billion) gross, similar to the carrying amount in the Company's books. The mortgage of EUR 112 million (NIS 450 million) which was registered on this property was reassigned to the buyer.

As part of the sales agreements G Europe engaged in during the reporting period, G Europe provided two seller loans totaling EUR 94 million, for periods of up to 5 years.

Almost all of G Europe's assets are anchored by supermarkets and retail lessees that provide daily needs. A key component in G Europe's property management strategy is the integration of anchor tenants, with a financial strength, specializing in food, fashion, leisure and entertainment, which correspond with the character and needs of consumers in property's environment. Accordingly, a significant portion of G Europe's lease agreements are with international fashion brands and/or reputable supermarkets, combined with options to leisure and food. In the

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

2 For further details, see immediate report dated April 27, 2023 (Ref. No: 2023-01-045084), presented here by way of reference.

reporting period G Europe's largest tenants are CCC which has a number of stores and different fashion brands and whose revenue constitutes 3% of the total rental income of G Europe, and LPP that includes several stores and various European brands whose revenue constitutes 3% of the total rental income of G Europe. G Europe manages almost all of its properties.

7.2 Results of operation

	Year ended					
	December 31, 2023	**December 31, 2022**	**December 31, 2021**	**December 31, 2023**	**December 31, 2022**	**December 31, 2021**
	NIS thousand			**EUR thousands**		
Total income from the operation	648,781	685,893	702,408	163,040	193,919	184,023
Gains (losses) from revaluations (consolidated)	188,128	(75,397)	148,027	46,733	(21,540)	41,911
Gains (losses) from revaluations (Company's share)	188,128	(70,654)	110,759	46,733	(20,185)	31,359
Operating profit (*)(**)	(286,775)	354,889	423,596	(78,283)	100,437	111,193
Same property NOI (consolidated)	338,524	253,966	-	84,880	71,789	-
Same property NOI (Company's share)	338,524	237,990	-	84,880	67,273	-
Total NOI (consolidated)	440,191	448,491	485,535	110,593	126,819	127,250
Total NOI (Company's share)	440,191	420,277	363,293	110,593	118,841	95,213

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

(**) In 2023, includes loss from an onerous contract arising from the sale of G Europe’s entire property portfolio in Russia.

As part of the sale transaction, the operations were assessed at fair value by external appraisers as of March 31, 2023. The valuation was accepted by the Russian authorities, and in order to approve the sale, pursuant to local regulation adopted by the Russian government concerning realization of foreign investments in the country, the gross consideration determined by the authorities is 52% lower than the value of the properties, as a result the sale price was set at RUB 11.7 billion (NIS 495 million).
The Company received the full net consideration in an amount of EUR 115.6 million (NIS 460 million).

In accordance with the accounting standards, this agreement is considered an onerous contract, and a loss of EUR 136.3 million (NIS 518 million), which includes transaction costs, was recognized in the Group's statement of income.

7.3 Economic data regarding geographic regions

Below is a breakdown of the macro-economic characteristics of G Europe's main operating regions:

	Poland			Czech Republic		
	Year ended					
	December 31, 2023	December 31, 2022	December 31, 2021	December 31, 2023	December 31, 2022	December 31, 2021
Gross domestic product (PPP) (USD billion)	1,713	1,643	1,460	539	519	474
GDP per capita (PPP) (USD)	37,199	36,946	34,969	40,048	40,615	40,858
GDP per capita growth rate (PPP)	0.20%	5.30%	6.90%	(0.50%)	2.40%	3.58%
Inflation rate	11.57%	14.30%	5.10%	10.80%	15.08%	3.85%
Yield on long-term government debt	5.19%	6.85%	3.65%	3.75%	5.02%	2.80%
Rating of long-term government debt	A- / A2	A- / A2	A- / A2	AA- / Aa3	AA- / Aa3	AA- / Aa3
Unemployment	5.20%	5.35%	3.60%	3.25%	2.50%	3.05%
Local currency to USD exchange rate at December 31	PLN - USD 0.2541	PLN - USD 0.2285	PLN - USD 0.2478	CZK - USD 0.044716	CZK - USD 0.044291	CZK - USD 0.045708

(*) Based on Bloomberg data.

Additional macro-economic data

Poland - The Polish economy in 2023 reflected growth, including real GDP growth of 6% compared to 2022. Although this growth evened out during 2023 due to a decrease in the scope of private consumption, this trend is expected to change in 2024 and 2025, and accordingly, the real GDP rate for these years is expected to increase to 2.7% and 3.2%, respectively. The inflation rate in Poland also declined to 10.9% in 2023, compared to 2022, when the inflation rate was 16.6%. According to macroeconomic forecasts, the foregoing inflation rate is expected to decrease in 2024 and 2025 to 5.2% and 4.7%, respectively, due, among other things, to the expected decrease in energy and commodity prices.

Czech Republic - The Czech economy in 2023 reflected a decrease in the real GDP, which is 0.4% compared to 2022 (when the real GDP grew at a rate of 2.3%). Nonetheless, based on macroeconomic forecasts, this trend is expected to change in 2024 and 2025, and the real GDP is expected to grow at of 1.45% and 3%, respectively. Furthermore, the Czech Republic experienced a period of high inflation which reached 15.8% in 2022 and a record high of 18% in the first quarter of 2023. Nonetheless, in the reporting period and through to the present time, the inflation rate has declined to 8.3%, among other things, due to the slowing down of the rise in energy and food prices. This trend is expected to continue in 2024 and inflation is expected to decline to 3.2%.

7.4 Aggregate data about the operating segment

Below is a breakdown of information concerning G Europe's income-producing buildings:
The data presented in sections 7.4 and 7.5 below do not include jointly controlled properties.
The reference to "other" in section 7.4 below includes in 2021-2023, G Europe's properties in Turkey and Slovakia.

7.4.1 GLA of income-producing properties

Below is a breakdown of the GLA of G Europe's income-producing properties as of December 31, 2023 and 2022 (in sq.m thousands):

Region	At December 31, 2023	As % of total income producing property GLA	At December 31, 2022	As % of total income producing property GLA
Poland	320	80.0%	341	53.3%
Czech Republic	80	20.0%	61	9.5%
Russia (*)	-	-	238	37.2%
Total	400	100.0%	640	100.0%

(*) in April 2023, G Europe sold its entire portfolio of properties in Russia. For further information, see section 7.1 above.

7.4.2 Segmentation of the fair value of income-producing properties

Below is a breakdown of data regarding the value of G Europe's income-producing properties as of December 31, 2023 and 2022:

Region	At December 31, 2023	As % of total value of producing property GLA	At December 31, 2022	As % of total value of producing property GLA
Poland (EUR thousands)	1,547,173	75.9%	1,439,720	70.1%
Czech Republic (EUR thousands)	491,508	24.1%	353,988	17.3%
Russia (*)(EUR thousands)	-	-	259,151	12.6%
Total (NIS thousands)	8,178,369	100%	7,704,369	100%

(*) in April 2023, G Europe sold its entire portfolio of properties in Russia. For further information, see section 7.1 above.

7.4.3 NOI

Below is a breakdown of G Europe's NOI for 2021-2023:

Region		for 2023	% of total property NOI	for 2022	% of total property NOI	for 2021	% of total property NOI
Poland (EUR thousands)	Consolidated	76,298	69.0%	73,923	58.3%	73,605	57.8%
	Company's share	76,298		69,272		55,074	
Czech Republic (EUR	Consolidated	24,549	22.2%	17,409	13.7%	17,508	13.8%
	Company's share	24,549		16,314		13,100	
Russia (*) (EUR thousands)	Consolidated	9,746	8.8%	31,343	24.7%	28,388	22.3%
	Company's share	9,746		29,371		21,241	
Other (EUR thousands)	Consolidated	-	-	4,145	3.3%	7,749	6.1%
	Company's share	-		3,884		5,798	
Total (NIS thousands)	Consolidated	440,191	100%	448,491	100%	485,535	100%
	Company's share	440,191		420,277		363,293	

(*) in April 2023, G Europe sold its entire portfolio of properties in Russia. For further information, see section 7.1 above.

7.4.4 Valuation gains (losses)

The table below provides a breakdown of G Europe's revaluation gains (losses) for the years 2021-2023:

Region		for 2023	% of total property NOI	for 2022	% of total property NOI	for 2021	% of total property NOI
Poland (EUR thousands)	Consolidated	19,402	43.8%	(17,162)	84.8%	21,917	55.9%
	Company's share	19,402		(16,083)		16,399	
Czech Republic (EUR thousands)	Consolidated	14,771	33.4%	(4,993)	24.6%	458	1.2%
	Company's share	14,771		(4,679)		343	
Russia (**) (EUR thousands)	Consolidated	10,107	22.8%	199	(1.0%)	18,933	48.3%
	Company's share	10,107		186		14,166	
Other (EUR thousands)	Consolidated	-	-	1,692	(8.4%)	(2,130)	(5.4%)
	Company's share	-		1,586		(1,593)	
Total (NIS thousands)	Consolidated	176,600	100%	(71,689)	100%	149,808	100%
	Company's share	176,600		(67,179)		112,092	

(*) Including adjustments resulting from the consolidation of G Europe reports.

(**) In April 2023, G Europe sold its entire portfolio of properties in Russia. For further information, see section 7.1 above.

7.4.5 Average rent per square meter

The table below provides a breakdown of G Europe's average monthly rent in 2021-2023:

Region	Year ended	
	December 31, 2023	December 31, 2022
Poland (in EUR)	21.8	17.7
Czech Republic (in EUR)	31.3	32.3
Russia (in EUR) (*)	-	15.2

(*) in April 2023, G Europe sold its entire portfolio of properties in Russia. For further information, see section 7.1 above.

7.4.6 Average occupancy rates

The table below provides a breakdown of occupancy rates of G Europe's properties as of December 31, 2023, and average occupancy rates for 2023 and 2022:

Region	At	Year ended (*)	
	December 31, 2023	December 31, 2023	December 31, 2022
Poland	95.0%	94.6%	93.5%
Czech Republic	92.9%	91.6%	83.4%
Russia (*)	-	92.9%	92.1%

(*) in April 2023, G Europe sold its entire portfolio of properties in Russia. For further information, see section 7.1 above.

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

7.4.7 Number of income-producing properties

Below is a breakdown of a number of G Europe's income-producing properties as of December 31, 2023 and 2022:

Region	At	
	December 31, 2023	December 31, 2022
Poland	13	12
Czech Republic	2	2
Russia (*)	-	7
Total	15	21

(*) in April 2023, G Europe sold its entire portfolio of properties in Russia. For further information, see section 7.1 above.

7.4.8 Average rate of return

The table below provides a breakdown of G Europe's actual average rates of return as of December 31, 2023 and 2022 (based on property value at the end of the year):

Region	Year ended (*)	
	December 31, 2023	December 31, 2022
Poland	6.2%	6.0%
Czech Republic	6.3%	6.3%
Russia (*)	-	13.6%

(*) in April 2023, G Europe sold its entire portfolio of properties in Russia. For further information, see section 7.1 above.

7.5 Expected rental income from signed lease agreements signed (*)

Period of recognition of income		Income from fixed components (in NIS thousands)	Income from variable components (in NIS thousands)	Number of terminating lease agreements	Area in the terminating agreements (in sq.m thousands)
2024	Quarter 1	86,063	4,007	49	7
	Quarter 2	86,063	4,007	49	7
	Quarter 3	86,063	4,007	49	7
	Quarter 4	86,063	4,007	49	7
2025		249,263	12,837	169	55
2026		195,056	13,222	161	40
2027		149,880	13,684	140	49
2028 and thereafter		536,884	14,233	311	135
Total		**1,475,335**	**70,004**	**977**	**307**

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

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

7.6 Aggregate data concerning properties under construction in this operating segment - in 2021-2023 G Europe did not have any properties under construction.

7.7 Aggregate data concerning and for investment in the operating segment.

Below are aggregate data concerning G Europe's land (that are classified in the Company's financial statements as investment property under development) in the years 2022-2023 (*):

		Year ended	
		December 31, 2023	December 31, 2022
Poland	The amount at which the plots of land are stated in the financial statements at the end of the period (consolidated) (in EUR thousands)	55,541	25,657
	The total area of land at the end of the period (in sq.m thousands)	212	229
	Total construction rights on land according to approved plans (in sq.m thousands)	30	19
Russia	The amount at which the plots of land are stated in the financial statements at the end of the period (consolidated) (in EUR thousands)	-	22,418
	The total area of land at the end of the period (in sq.m thousands)	-	368
Other**	The amount at which the plots of land are stated in the financial statements at the end of the period (consolidated) (in EUR thousands)	111,261	101,852
	The total area of land at the end of the period (in sq.m thousands)	155	155

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

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

7.8 Acquisition and sale of properties

Below is a breakdown of data concerning properties sold and acquired by G Europe in 2021 through 2023:

			Year ended		
			December 31, 2023	**December 31, 2022**	**December 31, 2021**
Poland	Properties sold	Number of properties sold during the period	2	4	1
		Proceeds from the realization of properties sold during the period (consolidated) (in EUR thousands)	43,500	154,000	9,939
		Area of properties sold during the period (consolidated) (in sq.m thousands)	71	83	29
		NOI of properties sold (consolidated) (in EUR thousands)	586	10,063	-
		Profit (loss) recorded from the sale of properties (consolidated) (in EUR thousands)	(2,138)	(4,788)	(257)
	Properties Properties acquired	Number of properties acquired during the period	-	3	-
		Cost of properties acquired in the period (EUR thousands)	-	48,000	-
		NOI of properties acquired (consolidated) (in EUR thousands)	-	93	-
		Area of properties acquired during the period (consolidated) (sq.m thousands)	-	19	-
Czech Republic	Properties sold	Number of properties sold during the period	1	-	-
		Proceeds from the realization of properties sold during the period (consolidated) (in EUR thousands)	107,700	-	-
		Area of properties sold during the period (consolidated) (in sq.m thousands)	26	-	-
		NOI of properties sold (consolidated) (in EUR thousands)	3,146	-	-
		Profit (loss) recorded from the sale of properties (consolidated) (in EUR thousands)	(11,785)	-	-
	Properties Properties acquired	Number of properties acquired during the period(*)	1	-	-
		Cost of properties acquired in the period (EUR thousands)	241,987	-	-
		NOI of properties acquired (consolidated) (in EUR thousands)	9,800	-	-
		Total area of properties acquired during the period (consolidated) (in sq.m thousands)	40	-	-
Russia	Properties sold	Number of properties sold during the period	10	-	-
		Proceeds from the realization of properties sold during the period (consolidated) (in EUR thousands)	115,600	-	-
		Area of properties sold during the period (consolidated) (in sq.m thousands)	833	-	-
		Profit (loss) recorded from the sale of properties (consolidated) (in EUR thousands)	(193,471)	-	-
Other	Properties sold	Number of properties sold during the period	-	2	1
		Proceeds from the realization of properties sold during the period (consolidated) (in EUR thousands)	-	120,000	3,700
		Area of properties sold during the period (consolidated) (in sq.m thousands)	-	276	61
		NOI of properties sold (consolidated) (in EUR thousands)	-	4,145	-
		Profit (loss) recorded from the sale of properties (consolidated) (in EUR thousands)	-	(1,534)	(354)

* In the reporting period the share of the partner in the property (25%) was acquired. The foregoing figures refer to 100% of the property.

7.9 Human capital

During the reporting period G Europe implemented streamlining measures as part of which a new management was appointed for the company and its workforce was reduced significantly, also due to the decrease in properties and their geographic focus.

As of December 31, 2023, G Europe (and its wholly-owned subsidiaries) employs 158 employees (compared to 350 employees in 2022). The significant decrease in number of employees is due to the streamlining processes carried out by G Europe after closing of its merger with a wholly owned subsidiary of the Company. The foregoing employees are employed under personal contracts and are entitled to a base salary, various benefits and annual bonuses, according to seniority.

7.10 Credit and financing:

7.10.1 Credit Rating – in March 2023, Moody's rating agency announced that it was downgrading the rating for G Europe's debenture series from rating Ba2 to B1 (with a stable outlook). In the fourth quarter of 2023, Moody's rating agency again downgraded the rating from B1 to B2 (with negative outlook).

7.10.2 Funding from financial institutions - as of December 31, 2023, G Europe and its wholly owned subsidiaries have two long-term loans totaling (including current maturities) an amount of EUR 286 million (excluding loans in an amount of EUR 236 million secured by properties held for sale). Simultaneously, during the year, G Europe engaged in an agreement for a loan secured by a mortgage on a property in the amount of EUR 125 million for a period of 5 years (including held for sale properties). In addition, during the reporting period a line of credit provided to G Europe in the amount of EUR 300 million (NIS 1.2 billion) expired in accordance with its terms.

7.10.3 Debentures – as of December 31, 2023, CTY has debentures which are not secured by mortgages, in an amount of EUR 562 million. The debentures bear fixed interest at an annual rate ranging between 2.625% and 4.25% and are redeemable in 2025 and 2027. For information concerning the debenture ratings, see section 7.10.1 above. In and subsequent to the reporting period, Group companies purchased G Europe debentures for a total par value of EUR 139.3 million and EUR 50 million, respectively. Moreover, in February 2024, board of directors of G Europe approved a buyback plan for its debentures for a volume of EUR 200 million.

7.10.4 Hybrid bonds - in May 2021 G Europe issued hybrid green bonds in an amount of EUR 350 million, bearing fixed annual interest of 3.625% (revisable once every five years; the next interest revision date - November 2026). The bonds are perpetual without redemption date, but G Europe has the right to redeem the bonds at the end of five years from date of issue (November 2026) and thereafter at any date of payment of the annual interest. These bonds are considered part of G Europe shareholders' equity (and accordingly, any principal repayment is deducted from G Europe's equity), and are subordinate to any other debt of G Europe. Holders of such hybrid bonds do not have similar rights to the rights of shareholders. In and subsequent to the reporting period, the Company purchased G Europe hybrid bonds for a total amount of EUR 72 million par value.

7.10.5 Intercompany financing - there is a series of intercompany financing agreements between the Company (including through its wholly owned subsidiary) and G Europe under which the Company undertook to provide G Europe with a revolving credit line for an amount of up to EUR 350 million against which G Europe undertook to provide the Company with a revolving credit line of up to EUR 200 million (from which counter withdrawals at the same time cannot be made). Furthermore, in the reporting period the Company engaged in a financing agreement with a bank that is secured by a mortgage on a property owned by G Europe.

7.10.6 G Europe properties at value of EUR 1 million are not mortgaged.

7.10.7 The following table presents long-term credit and loans received by G Europe to finance its operations, as of December 31, 2023:

	Balance (EUR in thousands)	Weighted interest rate (*)	Average repayment period (years)(**)
Secured loans at variable interest	286	4.20%	3.7
Unsecured debentures at fixed interest	562	4.05%	3.6
Total	**848**		

(*) The effective interest rate is not materially different from the weighted interest rate. The variable interest on the loan is financially backed by interest exchange transactions.
(**) Calculated only according to the repayment dates of the credit.

7.10.8 Financial covenants

Some of the debentures, credit facilities and mortgages granted to G Europe and its subsidiaries in the ordinary course of business, require compliance with financial and other covenants, as set out in Note 20 to the financial statements. As of December 31, 2023 and immediately prior to the approval date of this report, G Europe is in compliance with all the covenants set.

8. G Israel

8.1 General

8.1.1. The Company's operations in the real estate sector in Israel are carried out directly by the Company’s real estate division, and will be known below as “G Israel”.

8.1.2. In Israel, the Company engages in the rental, management, development, and betterment of commercial centers, which include, among others, shopping malls and open strip malls. The shopping centers owned by the Company in Israel serve as centers for shopping, leisure, and entertainment for their customers.

8.1.3. As of December 31, 2023, the Company owns 10 income producing properties and land in Israel, mainly concentrated in the Gush Dan area. Most of the properties in Israel are neighborhood shopping centers in major cities, in areas with high entry barriers, high socioeconomic status and high accessibility based on existing and expected public transport as well as multiple parking spaces. The property mix is adapted to the needs of the population in each area and includes service centers such as supermarkets, pharma stores, fashion chains, home and leisure, fitness, electronics, food, coffee shops, restaurants, health centers, banks, and post offices, etc. Among the properties are two properties that serve as large-scale commercial centers providing services to a wide circle of the residents in the area and its surrounding areas, and include supermarkets, pharmacies and movie theaters and restaurants.

As part of its operations in Israel, the Company has a number of projects that are in various stages of planning, construction and development, including land on which Beit Cal is located in the Korazin complex in Givatayim, a rental housing project in Tel Hashomer and an office tower in the Company's Rishon LeZion complex, as described below. Furthermore, in the reporting period the expansion of the G Savyon property by an additional 5,300 sq.m was completed.

As part of the plan for disposal of properties announced by the Company (as set out in section 1.2 of the report), in March 2023 the Company engaged in an agreement for the sale of the G Yavne shopping center for an amount of NIS 154 million gross (similar to the carrying amount in the Company books).
As part of the Company’s strategy, the Company acts to obtain and utilize most of its building rights in the properties it owns, as well as developing and expanding of the properties in accordance with the existing rights, inter alia, planning and construction of office towers for mixed-use on part of the Company’s active properties in Israel, and all taking into account the needs of the market and to improve the properties. As of reporting date, the remaining gross approved construction rights in existing properties are for a total area of 202,000 sq.m (the Company's share), for commercial, residential and office use. Subsequent to the balance sheet date the Company submitted a city building plan to the local committee of Rishon LeZion to increase the building rights, with the aim of constructing 3 additional 25-storey towers next to the office tower that is under construction.

As part thereof, the Group intends to increase its rental residential property part in all its properties, the Company purchased several plots of land in Ramat Gan belonging to the company, Apartment for Rent (south of the Tel Hashomer Sheba Medical Center), on which it plans to build a residential complex for long-term rental of 20 years, that will contain 243 residential units covering a total area of 23.3 thousand sq.m, with 7.3 thousand sq.m of service areas (before additional rights/betterment exemptions). Half of the apartments will be designated for rent controlled housing for eligible tenants, under the terms of the ILA, and the Company will rent the other half on the open market. As of reporting date, the Company received possession of the land and anticipates to begin construction during the year.

Four of G Israel properties are pledged in favor of holders of Debentures (Series O) of the Company, as set out in Appendix B to the Board of Director’s Report.

8.2 Results of operation

Below is a breakdown of operating results for the operating segment for the years ended December 31, 2023, 2022 and 2021(in NIS thousands):

	Year ended		
	December 31, 2023	December 31, 2022	December 31, 2021
	NIS thousand		
Total income from the operation	304,154	263,605	249,475
Gains (losses) from revaluations	(137,031)	35,578	212,159
Operating profit (*)	168,574	140,773	135,200
Same property NOI	165,747	171,925	-
Total NOI	197,567	195,723	155,693

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

8.3 Economic data regarding geographic regions

The first nine months of 2023 the retail segment in Israel retained high occupancy levels and real rental on apartments despite the complex business environment and uncertainty in the Israeli market due to the outbreak of the Swords of Iron war. In this period much demand was noted and a rise of 4%-6% in tenants' proceeds was reported. It should be noted that after significant growth in 2022, the reported rise in tenants' proceeds in the first three quarters of 2023 was more moderate as compared with the previous year[1].

Upon the outbreak of the war in October 2023, there was an immediate and significant impact on tenant proceeds and the number of visitors to shopping malls and shopping centers, among other things, due to temporary shutdown or limited operating hour of many businesses, mobilization of significant reserves and evacuation of residents from the affected areas. This significant impact eased up in the months since the outbreak of the war, and as of mid-November the economy gradually opened and returned to full operating, with return of the visitor traffic at the shopping centers and volume of proceeds in the commercial centers. In December there was a significant increase of 10% in proceeds in the Company's properties, compared to the corresponding period last year. This trend continued at the beginning of 2024, when an increase in proceeds of 7% was reported in the Company's properties, compared to the corresponding period last year. This, the Company estimates, is due to an improved sense of personal security, low availability of products ordered online from abroad, significant decrease in the number of Israelis traveling abroad and the desire of the citizens to get back to normal routine, parallel to the war. Nonetheless, in view of the geopolitical situation in Israel and uncertainty regarding further economic slowdown, the negotiation phase for closing lease agreements has been noticeably longer.

The Company estimates that there is not expected to be any decrease in demand or rents in the coming year in Israel, based on the assumption that private consumption will continue to grow. This assumption is based on the ongoing growth of Israel's population in recent years of 2% per year, and the expectation that the population will continue to grow[2]; on the Bank of Israel's estimates regarding the expected increase in GDP of 2% in each of the years 2023-2024 and 5% in 2025; Bank of Israel forecasts regarding the decrease in inflation in 2024 and 2025 and an that the interest rate will continue to decline and will reach 3.75%-4% in the fourth quarter of 2024[3].

The foregoing is based on the assumption that the direct economic impact of the war peaked in the fourth quarter of 2023, and that there will be no further escalation in the intensity of the war and/or expansion to other fronts.

1 Industry Survey: Cross-industry Overview - Trends and Forecasts, January 2024, Maalot S&P Global, www.maalot.co.il

2 The population of Israel at the beginning of 2024, the Central Bureau of Statistics, www.cbs.co.il

3 Macroeconomic Forecast of the Research Division, January 2024, Bank of Israel www.boi.org.il

For further information concerning the effects of macro-economic events on the Company's operations in Israel and the effects of the Swords of Iron war and progress in legislation to overhaul the judicial system in Israel, see sections 5.1-5.7 of the report.

Below is a breakdown of the macro-economic factors* with regard to Israel, where G Israel's main operations are located.

	Year ended		
	December 31, 2023	**December 31, 2022**	**December 31, 2021**
Gross domestic product (PPP) (USD billion)	537	502	441
GDP per capita (PPP) (USD)	44,742	44,032	42,270
GDP per capita growth rate (PPP)	2%	7%	10%
Inflation rate	3%	5.3%	2.8%
Yield on long-term government debt	10%	13%	11%
Rating of long-term government debt	AA- / A1 *-	AA- / A1	AA- / A1
Unemployment	4%	4%	6%
NIS-USD exchange rate as of Dec. 31	0.276	0.284	0.323

(*) Based on Bloomberg data.

8.4 <u>Principal aggregate data G Israel's properties</u>

The table below provides key data concerning G Israel’s income-producing properties: -

	At	
	December 31, 2023	**December 31, 2022**
Total GLA of income-producing properties (consolidated) (sq.m thousands)	156.0	161.0
Fair value of income-producing properties (consolidated) (in NIS thousands)	3,635,904	3,625,336
Average monthly rent per sq.m (in NIS)	124.2	117.6
Actual average occupancy rate (*)	for 2023 97.9%	for 2022 98.0%
	at December 31, 2023 97.7%	at December 31, 2022 98.1%
Actual average occupancy rate(***)	12	13
Average yields according to the actual end-of-year value	5.4%	5.6%

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

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

Period of recognition of income		Income from fixed components (in NIS thousands)	Number of terminating lease agreements	Area in the terminating agreements (in sq.m thousands)
2024	Quarter 1	62,106	56	15
	Quarter 2	58,736	45	7
	Quarter 3	55,218	48	4
	Quarter 4	52,851	51	8
2025		167,590	194	27
2026		121,082	163	23
2027		71,099	79	30
2028 and thereafter		76,001	78	25
Total		**664,683**	**714**	**139**

(*) Assuming exercise of the lease agreement extension options by the tenants.
(**) Revenue from variable components is negligible.

The information contained in this section is forward-looking information as defined in Section 32A of the Securities Law, based on the Company's estimates, which are based on the information it has to date, and there is no certainty that it will materialize due to factors beyond the Company's control, including as a result of macro-economic effects (as described in sections 5.1-5.6 and 8.3 above), and as a result of the materialization of risk factors applicable to the Company's operations as set out in section 28 of the chapter on the description of the company's business.

8.6 Aggregate data regarding G Israel investment properties under construction

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

	Year ended		
	2023	2022	2021
Number of properties under construction at the end of the period	1	2	-
Total area under construction (planned) at the end of the period (in sq.m thousands)	65,100	70,189	-
Total costs invested in the current period (consolidated) (in NIS thousands)	112,003	63,453	-
Amount at which the properties are stated in the financial statements at the end of the period (consolidated) (NIS thousands) (*)	364,200	279,810	-
Construction budget during the subsequent period (estimate) (consolidated) (in NIS thousands)	179,737	132,477	-
Total balance of estimated construction budget for completion of the construction works (estimate as of the end of the period) (consolidated) (in NIS thousands)	630,000	757,000	-
Percentage of the GLA under construction with respect to which lease agreements have been signed	0%	4%	0%
Expected annual revenue from projects that will be completed in the subsequent year and have signed contracts for fifty percent or more of their area (consolidated) (estimated) (NIS thousands)	-	2,027	-

(*) Includes a property under construction that is a real estate property in the process of expansion and is included in the balance for investment real estate in the consolidated statement.

8.7 Aggregate data regarding G Israel investment real estate

The table below provides aggregate data concerning G Israel's investment real estate (that are classified in the Company's financial statements as investment property under development):

	Year ended	
	December 31, 2023	December 31, 2022
The amount at which the plots of land are stated in the financial statements at the end of the period (consolidated) (in NIS thousands)	753,240	510,120
The total area of land at the end of the period (in sq.m thousands)	49	16
Total construction rights on land according to approved plans (in sq.m thousands)	126	38

*) Includes 1.5 thousand sq.m of land, the value of which is included under the income producing real estate item.

8.8 Breakdown of data regarding a material valuation of real estate in Ramat Gan:

Additional information required under Regulation 8B(9), in the event that a material valuation or very material valuation was used to determine the value of the data	
Subject of the valuation	Tel Hashomer, Ramat Gan
Valuation date	December 31, 2023
Value of the property evaluated as based on the valuation (NIS million)	301
Name and experience of valuator	Daniella Paz - over 10 years of experience
Dependence on the persons requesting valuation	No
Is there an indemnification agreement	Yes
Valuation model used by the Valuator	The opinion combines 2 valuation methods and for determining the value a 50-50 weight was oftributed to each method. (1) Recovery method - this method was implemented by testing the value of the land compared to the value of the finished project after deducting the developers profit and building costs. The value of the finished project was valuated according to the expected revenue capitalization method in the income-producing period with the addition of the current value of the apartments for sale value at the end of the 20 year rental period. The value of the apartments and the rentals were evaluated according to the comparative method. (2) Comparative method - this method was implemented by reviewing comparable transactions for surrounding land and adjusting them to the land evaluated.
Key assumptions according to which the valuation was conducted, based on the valuation model:	Discount rate: 5.25%
	Developers' profit margin: 10%
	Growth rate in the value of apartments: 1.5%
	Growth rate in rentals in the income-producing period: 1.5%
	Occupancy of free rent apartments: 96% in the first two years and 97% thereafter.
	Occupancy of supervised rent apartments: 100%
	Regarding the comparative method, tenders for long-term rental apartments in 2022 and 2023 were used.

8.9 Acquisition and sale of properties

The table below provides data relating to properties sold and acquired as part of G Israel operations in each of the years 2023, 2022 and 2021: -

		Year ended		
		December 31, 2023	December 31, 2022	December 31, 2021
Properties sold	Number of properties sold during the period	1	1	1
	Proceeds from the realization of properties sold during the period (consolidated) (in NIS thousands)	154,000	74,090	215,555
	Area of properties sold during the period (consolidated) (in sq.m thousands)	10,673	-	-
	NOI of properties sold (consolidated) (in NIS thousands)	2,467	2,245	-
	Profit (loss) recorded from the sale of properties (consolidated) (in NIS thousands)	2,800	(16,672)	-
Properties	Number of properties acquired during the period	-	-	1
Properties acquired	Cost of properties acquired in the period (NIS thousands)	-	-	559,020

9. **Gazit Brazil**

The Company operates in Brazil through Gazit Malls, a real estate investment fund owned and controlled by the Company (indirectly), incorporated in Brazil 82%, and through real estate investment funds and other subsidiaries in Brazil wholly owned by the Company (100%). Gazit Brazil is engaged in the acquisition, development, management and operation of commercial real estate in Sao Paulo, the business capital of Latin America.

As of December 31, 2023, Gazit Brazil focuses all its operations in the city of Sao Paulo where it holds and manages six dominant commercial centers, one commercial tower and one rental residential building, and holds two plots of land for future development (five of the commercial centers (and adjoining land) are worth a total of BRL 3,279 million (of which NIS 2,454 are held by Gazit Malls, as set out below).

In February 2024, Gazit Malls completed an IPO of its participating units on the Sao Paulo Stock Exchange in Brazil ("B3") by way of a tender offer to classified investors (below in this section: the "Tender Offer"), for an amount of BRL 301 million (NIS 226 million). After the issue, Gazit Malls purchased 223,000 shares through regular trading for BRL 16 million, all under a time-limited market making plan that ended 30 days after the IPO was completed. As a result, to date, Gazit Brazil holds 82% of the share capital of Gazit Malls.

Prior to completing the Tender Offer, the Gazit Malls classified its capital according to two classes of participating units - preferred participating units that confer surplus dividend for a period of 24 months from the date on which the offering is completed (Class A; 49% of the issued capital and voting rights) and ordinary participating units (Class B; 51% of the issued capital and voting rights). Under the Tender Offer, the Company sold part of the Class A participating units. Apart from the surplus dividend, the participating units of both Classes will have the same issued capital rights and voting rights. After 24 months as aforesaid, the Class B participating units will be converted into Class A participating units.

The participating units sold under the Tender Offer constitute 18.13% of the issued share capital and voting rights of Gazit Malls. After completing the IPO, the Company holds (indirectly) 63% of the participating units (Class A) and all the participating units (Class B) from the IPO.

The Class A participating units were issued a price of BRL 72 per unit, reflecting a 16% discount with regard to their carrying value in the Company's books (which as of the date of the IPO was BFL 86 per share, and as of reporting date is BRL 96 per share), and reflecting a 9% discount with regard to the value of the assets held by Gazit Malls, as is generally accepted for this type of transaction in Brazil.

As part of the Company's plan to sell properties that are not core properties, in July 2023, Gazit Brazil completed the sale of its share (33%) in the commercial center Cidade Jardim in Sao Paulo, Brazil in exchange for BRL 562 million, and in September 2023 it completed the sale of its holding (4.3%) in the El Dorado property located in the city of Sao Paulo, Brazil for BRL 93 million (NIS 73 million).

9.1 Results of operation

Below is a breakdown of operating results for the operating segment for the years ended December 31, 2023, 2022 and 2021 (in NIS thousands and in BRL thousands):

	Year ended					
	December 31, 2023	December 31, 2022	December 31, 2021	December 31, 2023	December 31, 2022	December 31, 2021
	NIS thousand			BRL thousand		
Total income from the operation	192,219	174,052	137,716	260,960	266,887	229,718
Gains (losses) from revaluations	36,004	(246,506)	(99,753)	43,911	(367,745)	(163,547)
Operating profit (*)	140,078	129,897	87,073	190,259	199,204	144,066
Same property NOI	145,781	124,266	-	197,901	190,573	-
Total NOI	161,585	147,532	108,249	219,357	226,253	180,141

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

9.2 Macro-economic Factors*:

	Year ended		
	December 31, 2023	December 31, 2022	December 31, 2021
Gross domestic product (PPP) (USD billion)	4,101	3,837	3,485
GDP per capita (PPP) (USD)	16,402	16,004	15,633
GDP per capita growth rate (PPP)	2.9%	3.0%	5.0%
Inflation rate	4.6%	9.3%	8.3%
Yield on long-term government debt	9.9%	12.7%	10.7%
Rating of long-term government debt	BB / Ba2	BB- / Ba2	BB- / Ba2
Unemployment	8.0%	9.3%	13.6%
BRL-USD exchange rate at December 31	0.206	0.189	0.180

(*) Based on Bloomberg data.

Additional macro-economic factors:

In 2023 the Brazilian economy was stable and robust with an annual growth rate of 2.9% Looking ahead to 2024, Brazil is expected to maintain its GDP growth, with a forecast indicating growth of 2.2% by the end of 2024, based, among other things, on a decrease in interest rates, a stable inflation rate, improvement in fiscal indicators and strengthening of the labor market. The rate of unemployment in Brazil in 2023 was 7.8%, the lowest since 2014.
Brazil is still in the early stages of loosening its monetary policies and as of the date of publication of this report, has reduced the interest rate to 10.75%, on the assumption that the inflation rate will remain under control, the interest rate is expected to reach a single digit number during 2024. The shopping centers in the country benefit from the positive outlook based on the monetary easing and high yields resulting from an increase in consumption, and in occupancy rates and rents. Apart from that, real estate prices in Brazil vary from region to region as well as compared to neighboring countries, nonetheless, cities such as São Paulo, where Gazit Brasil's property portfolio is located, continue to remain key investment areas, among other things, due to higher per capita income and low crime rate.

9.3 Principal aggregate data about Gazit Brazil's properties

The table below provides a breakdown of key data about Gazit Brazil's income-producing properties (*):

	At	
	December 31, 2023	**December 31, 2022**
Total GLA of income-producing properties (consolidated) (sq.m thousands)	150	176
Fair value of income-producing properties (consolidated) (in BRL thousand)	3,207,682	3,678,430
Average monthly rent per sq.m (in BRL thousands)	78	73
Actual average occupancy rate	for 2023 96.8%	for 2022 94%
	at December 31, 2023 95.0%	at December 31, 2022 96.5%
Actual average occupancy rate(***)	6	7
Average yields according to the actual end-of-year value (**)	5.9%	6.2%

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

(**) Average rates of return as of December 31, 2022 do not include a 33% held property, which is not managed by the Company. The average rate of return at December 31, 2022 is 6.1%.

9.4 Expected rental income from signed lease agreements

Period of recognition of income		**Income from fixed components (in NIS thousands)**	**Income from variable components (in NIS thousands)**	**Number of terminating lease agreements**	**Area in the terminating agreements (in sq.m thousands)**
2024	Quarter 1	30,320	2,496	63	106
	Quarter 2	30,320	3,379	37	349
	Quarter 3	30,320	3,099	33	289
	Quarter 4	30,320	4,521	43	141
2025		101,553	13,967	97	896
2026		90,458	14,421	153	2,574
2027		67,957	14,890	119	1,986
2028 and thereafter		218,361	15,374	201	6,071
Total		**599,609**	**72,147**	**746**	**12,412**

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

9.5 Aggregate data concerning income-producing properties under construction in this operating segment - in 2021-2023 Gazit Brazil did not have any income-producing properties under construction.

9.6 Aggregate data concerning land for investment in the operating segment as of December 31, 2023 and 2022 - Gazit Brazil has investment real estate amounting to BRL 70.2 million (NIS 53 million) of total area of 5,887 sq.m.

9.7 Acquisition and sale of properties (aggregate)

The table below provides data relating to properties sold and acquired by Gazit Brazil in each of the years 2023, 2022 and 2021 -

		Year ended		
		December 31, 2023	December 31, 2022	December 31, 2021
Properties sold	Number of properties sold during the period	1	-	-
	Proceeds from properties sold during the period (consolidated) (in BRL thousands)	562,000	-	-
	NOI of properties sold (consolidated) (in BRL thousands)	22,043	-	-
	Loss recorded from the sale of properties (consolidated) (in BRL thousands)	(78,528)	-	-
Properties Properties acquired	Number of properties acquired during the period	-	1	1
	Cost of properties acquired during the period (consolidated) (in BRL thousands)	-	33,662	18,447
	Area of properties acquired during the period (consolidated) (sq.m thousands)(**)	-	18	8

9.8 Human capital

As of December 31, 2023, Gazit Brazil has 56 full-time employees (compared to 52 employees in 2022), as per following division: Management and Administration - 5; Accounting and Finance Department - 25; Operations and Properties Department - 10; Legal Department - 8 ; Information Systems - 2 and Human Resources - 6.

The foregoing employees are employed by Gazit Brazil under individual contracts, and are entitled thereunder to a base salary, various benefits and bonuses, at the discretion of management.

For further information concerning Gazit Brazil CEO’s employment agreement, see Regulation 21 in Chapter D to the periodic report.

9.9 Financing

Gazit Brazil finances its real estate investments through the sources provided to it by the Company as well as through the issue of CRI bonds (Real Estate Receivables Certificate) and equity to entities in Brazil, as set out below. In 2021 Gazit Malls completed raising debt secured by a lien on cash flows from its properties in an amount of BRL 650 million (NIS 433 million) by way of a private placement to institutional investors through a securitization company. The debt has average life of 9.2 years, linked to the Brazilian consumer price index (IPCA) and bears a fixed annual interest of 5.89%. The debt is secured by a lien on Gazit Malls rights in rental proceeds and other receivables, dividends and other receivables arising from all its properties. In the reporting period Gazit Malls made proactive early repayment of the debentures of an amount of BRL 120 million (NIS 90 million). Gazit Malls undertook other customary financial covenants, including maintaining a debt-to-value ratio for its properties that will not exceed 50% and also undertook that in the event of acquisition of an additional property, the debt in respect thereof will not exceed 40% of the value of the acquired property. As of December 31, 2023, the outstanding CRI amounted to BRL 746 billion (NIS 560 billion).

10. Gazit Horizons

10.1. Since 2017, the Company operates in the income-producing real estate sector (shopping centers, offices and rental housing) in the United States through its wholly owned subsidiary Gazit Horizons (100%). Gazit Horizons engages in the acquisition of income-producing properties with potential for development or redevelopment, focusing on densely populated and central urban areas in major cities across the United States, particularly in New York, Boston, Philadelphia and Miami. As of December 31, 2023, Gazit Horizons owns 15 properties (of which 6 are co-owned with third parties).

Gazit Horizons was established as part of the Company's strategy to increase the rate of private real estate in its operations.

The assets acquired by Gazit Horizons[1] are high quality properties in urban and central areas, that are rented to individual tenants or multiple tenants. Gazit Horizons intends to continue investing in properties in urban areas, where it identifies opportunities to add value, through diversification of uses as well as through expansion, renovation, redevelopment and proactive management of the properties.

In March 2022, Gazit Horizons received approval from the authorities to increase its residential rental project on land that it owns in Miami, Brickell Gateway, from 364 apartments to 504 apartments. Gazit Horizons purchased a 840 sq.m plot opposite the commercial center for USD 20.1 million, and currently the total leased area is 1,300 sq.m.

In April 2022, Gazit Horizons engaged in an agreement with a US partner to develop luxury rental residences in downtown Tampa Bay, Florida, USA. The total investment in the project is USD 175 million. The project includes a 31 story building of 334 apartments located on the riverfront in the area of the city's developing artists quarter, opposite the Tampa Cultural Center and adjacent Museum of Art, as well as 130 sq.m. commercial space. The project occupancy is expected to start by June 2024.

As part of the Group's plan for disposal of properties, in January 2024 Gazit Horizons finalized a transaction for the sale of a property in New York for gross proceeds of USD 153 million, equivalent to its carrying amount in the Company's books. The entire property is leased to Home Depot and Starbucks. The property and the rental agreement with Home Depot served as collateral for a USD 134 million loan agreement in which Gazit Horizons engaged. The loan agreement was assigned to the buyer in accordance with the sale agreement[2].

Subsequent to the reporting period, the Company issued debentures from a new series (Series R) in the amount of NIS 410 million par value Secured, among other things, by a lien on Gazit Horizons' entire interests in G Alpha Portfolio LLC ("G Alpha"), a subsidiary of Gazit Horizons that holds six real estate properties in the United States. For further information about G Alpha, see Appendix A to this report. The figures in this section 10 below also include G Alpha's operations.

1 Including co-ownership with a wholly-owned subsidiary of the Company.

2 For further information, see the immediate report of January 11, 2024 (Ref. No.: 2024-01-005601), presented here by way of reference).

10.2. **Results of operation**

Below is a breakdown of operating results for the operating segment for the years ended December 31, 2023, 2022 and 2021 (in NIS thousands and in USD thousands) (*):

	Year ended December 31,					
	2023	2022	2021	2023	2022	2021
	NIS thousand			USD thousands		
Total income from the operation	114,716	94,692	68,839	31,055	28,163	21,344
Gains (losses) from revaluations	(3,046)	63,594	184,360	(1,119)	20,292	57,329
Operating profit (**)	59,384	63,843	43,849	16,132	18,898	13,583
Same property NOI	59112	51,671	-	16,029	15,368	-
Total NOI	74,104	64,684	4,6857	20,094	19,227	14,530

(*) The figures do not refer to investments in associates, which are presented in the financial statements according to the equity method.
(**) Operating profit refers to the accounting operating profit in accordance with IFRS, excluding revaluation gains.
(***) Same property NOI includes a property controlled by the jointly controlled company of Gazit Horizons, which in 2023 and 2022 was USD 26,728 thousand (NIS 98,581 thousand) and USD 25, 014 (NIS 84,103 thousand), respectively.

10.3. **Macro-economic parameters*:**

	Year ended December 31,		
	2023	2022	2021
Gross domestic product (PPP) (USD billion)	26,950	25,463	23,315
GDP per capita (PPP) (USD)	65,688	64,657	63,582
GDP per capita growth rate (PPP)	2.50%	1.90%	5.80%
Inflation rate	4.13%	8.02%	4.70%
Yield on long-term government debt	4.03%	3.97%	1.90%
Rating of long-term government debt	AA+u / Aaa	AA+u / Aaa	AA+u / Aaa
Unemployment	3.60%	3.60%	5.40%
NIS-USD exchange rate as of Dec. 31	3.627	3.519	3.110

(*) According to Bloomberg data.

Additional macro-economic data:

The growth of the US economy is expected to slacken in 2024 with a quarterly growth in GDP of 1.5% per year. Simultaneously, the growth of the US labor market is also expected to slow down in 2024, to a monthly employment rate of 150,000 employees. The unemployment rate increased in recent months, but still remains lower than that in the last decade. Although a slowdown in retail sales has been noticeable in recent months, there is clearly an improvement in sales volumes.

Furthermore, although the inflation rate in the United States peaked in min-2022 at 9%, in the reporting period there was a downward trend and as of the publication date of the report, the inflation rate was 3%. However, the above inflation rate is still above the Fed's long-term inflation target of 2%.

10.4. **Principal aggregate data relating to Gazit Horizon properties**

The table below provides a breakdown of key data about Gazit Horizon's income-producing properties:

	As of December 31,	
	2023	**2022**
Total GLA of income-producing properties (consolidated) (sq.m. thousands)	67.0	67.0
Fair value of income-producing properties (consolidated) (USD thousands)	433,645	431,292
Monthly average rent per sq.ms (USD) (**)	59.4	57.9
Actual average occupancy rate (*)	On December 31, 2023 92.5%	On December 31, 2022 92.5%
	for 2023 92.5%	for 2022 92.9%
Actual average occupancy rate(***)	12	11
Total GLA of income-producing properties (consolidated) (sq.m. thousands)	3.87%	3.90%

*) The data also refer to the investment in an investee, which is presented in the financial statements according to the equity method.

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

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

Period of recognition of income		**Income from fixed components (in NIS thousands)**	**Number of terminating lease agreements**	**Area in the terminating agreements (in sq.m thousands)**
2024	Quarter 1	22,686	48	5
	Quarter 2	22,705	74	6
	Quarter 3	22,950	74	6
	Quarter 4	23,901	41	4
2025		55,083	18	2
2026		50,158	6	5
2027		39,282	7	2
2028 and thereafter		247,698	24	25
Total		**484,463**	**292**	**55**

*) The expected income does not relate to income from equity gains in respect of investments in associates.

**) Revenue from variable components is negligible.

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

10.6. In 2021 through 2023, Gazit Horizons had no buildings under construction.

10.7. **Aggregate data concerning and for investment in the operating segment**

	Year ended December 31,	
	2023	**2022**
The amount at which the plots of land are stated in the financial statements at the end of the period (consolidated) (USD millions)	56	47
The total area of land at the end of the period (in sq.m thousands)	2	2
Total construction rights on land according to approved plans (in sq.m thousands)	41	41

10.8. **Below is a breakdown of information concerning properties sold and acquired by Gazit Horizons in 2021-2023:**

		Year ended December 31,		
		2023	**2022**	**2021**
Properties Properties acquired	Number of properties acquired during the period	-	1	2
	Cost of properties acquired during the period (USD thousands)	-	20,166	119,837
	NOI of properties acquired (consolidated) (USD thousands)	-	758	2,450
	Area of properties acquired during the period (consolidated) (sq.m thousands)	-	1	21

In the reporting period, Gazit Horizons did not sell any properties.

10.9. **Human capital**

As of December 31, 2023, Gazit Horizons employs 17 employees (compared to 16 employees in 2022), 16 of whom are in a full-time position and one in a part-time position.

The foregoing employees are employed under individual contracts, and are entitled thereunder to a base salary, bonuses and various benefits, subject to the administration discretion.

10.10. **Financing**

10.10.1 Gazit Horizons finances its investments in properties through funding provided by the Company as well as from financial institutions.

10.10.2 Mortgages and credit lines - the total liabilities of Gazit Horizons that are secured by pledges as of December 31, 2023, amounted to USD 123 million at a fixed weighted interest rate of 3% and with average repayment period of 3.5 years, as well as a loan of USD 13 million at a variable interest rate of 3.9%. The above loans do not include a loan of USD 127 million classified as a liability attributed to a property held for sale, the sale of which was completed in January 2024.

10.10.3 Financial covenants

For some of the loans and mortgages taken by Gazit Horizons in the ordinary course of business, it undertook to meet financial and other covenants (including with regard to specific properties). As of December 31, 2023 and immediately prior to the approval date of this Report, Gazit Horizons is in compliance with all the covenants set.

For information about the financial covenants in respect of G Alpha, see Appendix A to the chapter on the Description of the Company's Business.

11. **Supplementary activities of the Company that do not comprise a separate segment**

11.1. **Gazit Canada**

In November 2019, the Company established a new partnership to engage in identifying, purchasing and management of mixed-use properties in densely populated cities in Canada, focusing, at this stage, on Toronto (the "Partnership"). The Partnership is owned by the Company (60%), that invested CAD 60 million in the Partnership, and Dor J. Segal (40%), former director and CEO of the Company, who invested CAD 40 million in the Partnership, at this stage, through a company under his control, and who is the CEO of the Partnership. The Company also provided (through a Canadian subsidiary) the Partnership with a loan of CAD 50 million at the standard market interest rate.

As of the date of publication of this Report, the Partnership holds 7 properties in Canada (including through joint ventures), mainly in Toronto, in an amount of CAD 108 million (NIS 295 million), including 33% of a property with a value of CAD 200 million, another 33% of which is held by a wholly-owned subsidiary of the Company, and the balance is held by a third party.

11.2. **Securities portfolio and investment fund holdings**

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

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

Reconciliation of Consolidated Statements of Financial Position

		As of December 31	
		2023	**2022**
		(consolidated) (in NIS thousands)	
Presentation in the description of the Company's business	Total value of investment properties whose development was completed in Northern Europe	15,452,110	13,528,345
	Total value of investment properties whose development was completed in Central Europe	6,206,635	7,081,108
	Total value of investment properties whose development was completed in Israel	3,635,904	3,473,066
	Total value of investment properties whose development was completed in Gazit Brazil	2,032,506	2,451,306
	Total value of investment properties whose development was completed in Gazit Canada	182,881	184,936
	Total value of investment properties whose development was completed in Gazit Horizons	1,572,830	1,517,717
	Total investment properties classified as property held for sale in Central Europe	1,971,733	623,261
	Total investment properties classified as property held for sale in Brazil	347,594	152,270
	Total investment properties classified as property held for sale in Gazit Horizons	9,068	8,798
	Total investment properties under development in Northern Europe	26,950	1,633,706
	Total investment properties under development in Israel	364,204	279,811
	Total investment properties under development in Gazit Horizons	377,117	367,218
	Total investment properties under development in Central Europe	325,606	663,260
	Total plots of land classified as investment properties under development in Central Europe	641,030	562,676
	Total plots of land classified as investment properties under development in Israel	753,240	510,120
	Total plots of land classified as investment properties under development in Gazit Brazil	66,775	25,415
	Total plots of land classified as investment properties under development in Gazit Horizons	204,033	165,361
	Total plots of land classified as property held for sale in Gazit Horizons	545,864	507,996
	Total plots of land classified as property held for sale in Brazil	28,081	33,986
	Total (consolidated)	**34,744,161**	**33,770,356**
Presentation in the statement of financial position	The investment property item in the statement of financial position	29,082,866	28,236,479
	Investment property classified as property held for sale	2,328,395	784,328
	The investment property under development item in the statement of financial position	1,093,877	2,943,995
	Land	1,665,078	1,263,572
	Plots of land classified as property held for sale	573,945	541,982
	Total	**34,744,161**	**33,770,356**

Reconciliation to FFO

For information regarding FFO for the years ended on December 31, 2023, 2022 and 2021, see section 2.3 of the board of directors report.

D. Issues relevant to all operating segments of the Group

13. Marketing and Distribution

The Company and its subsidiaries make use of various marketing, sales promotion and advertising channels, from time to time, as is usual in the sectors and regions in which they operate. The Group operates through internal marketing staff, performing activities in its complexes, including community and commercial activities. Those activities are supported by local advertising using the Company's digital assets and social media, with the aim of maintaining and promoting the complexes as an attraction to local consumers. Commercial units are usually marketed through internal marketing and ongoing activity with realty brokers.

14. Competition

14.1. In the Company's opinion, its operating segments are characterized by a particularly high level of competition, due to the large number of firms active in these fields. The Group companies are to competition from all types of commercial real estate owners and developers, real estate companies (including public companies in the regions in which the Company operates), pension funds and financial entities, promoters in the real estate sector, private equity funds, and retail chains, as well as other owners and developers of all types of commercial real estate in areas where the Group's properties are located or which the Group is trying to enter. These include leading companies, such as Kimco, Rodamco, Wereldhave, Unibail Rodamco, and Klepierre, which compete with G Europe and CTY, Melisron, BIG, Amot, and Azrieli in Israel; and Multiplan, Iguatami, and BR Malls in Brazil.

Furthermore, in recent years, the Group is exposed to increasing competition from online retailers (retails who offer online trading platforms and manage their business online), whose market share of sales has increased considerably in recent years, although there is a marked trend of stabilization of the sales rates of these players, as well as a trend of combining online sales with sales at physical properties.

14.2. Some of these competitors have considerably greater economic resources at their disposal than those available to the Group. The competitive advantage of such competitors reduces the Group's bargaining power and could result in a reduction in the Group's profitability. The Company and its subsidiaries have several competitive advantages that assist in dealing with their competitors, which they believe are critical success factors in their operating segments, including attractive location in key cities in high-density urban-growth areas with high population growth rate and per capita income, characterized by high entry barriers; proactive management of the properties with emphasis on creating a tenant mix (including renters with low exposure to online-sales competition) and on ensuring that properties are maintained to a high standard over time; experienced senior management with proven achievements; local management that is experienced, knowledgeable and familiar with the Company's operating segments in all regions; tenant mix that includes retail chains and others that provide merchandise and daily services to the population, focusing on food products, pharma and banking that operate in emergencies or when movement is restricted. Such chains, by their very nature, have a high customer flow and are more resilient to fluctuations in the economy or in emergencies; establishing and maintaining strong relationships with tenants and a wide tenant base (as of the reporting date, the Company and its subsidiaries have more than 6,500 lease agreements, and the rental income from the largest tenant represents 3% of the total rental income in the report year (2.5% in 2022)); a sound reputation, a wealth of experience, a thorough familiarity with the sector and a proven performance record over almost three decades; geographic deployment mainly in key cities, with an advantage to open centers, regional dominance that facilitates a variety of investment opportunities and enhances the ability to contend with cyclical changes in the economic conditions in the different markets; substantial financial capabilities and access to various capital markets, including a high credit rating; holding an inventory of land adjacent to some of the Company's properties and the capacity to form further mix-use building rights in existing properties in urban areas where there such properties are in high demand, and experience in the improvement, development and redevelopment of properties.

15. **Fixed assets**

For information about the fixed assets of the Company and its subsidiaries, see Note 13 of the financial statements.

16. **Intangible assets**

The Company owns several registered trademarks in Israel, the United States, Europe and Brazil, including G-City, G, AAA, LOCATION LOCATION LOCATION in various designs. As of the reporting date, intangible properties have not been recognized as an asset in the Company's financial statements.

17. **Human capital**

17.1. Organizational structure

As of December 31, 2023, the Company and its wholly-owned subsidiaries (which are not described separately in this Report) employ 91 full-time permanent employees, as follows: 83 employees are employed in Israel (of which 21 employees in the Headquarters Division and 62 employees in the Real Estate Operations Division (total of 97 employees in 2022), who are employed mainly in the Accounting, Finance, Legal, Analysis and Business Development, Administration and HQ Departments, as well as 8 employees are employed in the United States (8 employees in 2022).

Company management consists of the CEO (the controlling shareholder of the Company and vice chairman of the board), CFO, VP and Controller, CEO of Israel Real Estate Division (who also serves as COO of the Company), VP and Legal Advisor, and two HQ VPs, as well as 7 other division level VPs.

17.2. Compensation policy and employment terms

Company employees are engaged under personal contracts, and are usually entitled to a base salary, standard social benefits and bonuses, at management's discretion. Some of the above employees are entitled to various benefits based on the seniority of their position, including through long-term compensation in Company share-based mechanisms, and as set forth in section 17.7 below.

17.3. In August 2023, the Company adopted an officers’ compensation policy (in lieu of the previous compensation policy). The compensation policy applies to the Company’s CEO and directors, including those who serve in another position in the Company (with the exception of the Company’s controlling shareholder). Under the compensation policy, the compensation package for the Company's officers will include three main components: (a) Current salary and related components; (b) annual bonuses; and (c) long-term equity-based compensation, while calculating the ratio between them, as follows: The compensation policy also sets compensation package ceilings. For further information about the Company's compensation policy, see the report for convening of a general meeting dated June 29, 2023 (Ref. No.: 2023-01-060697).

17.4. For information about compensation to directors and senior officers of the Company, see Regulation 21 in chapter D of the periodic report.

17.5. Directors and officers of the Company are also eligible for insurance, indemnification and exemption (for information, see Regulation 29A in chapter D of the periodic report).

17.6. The Company is dependent on the vice chairman of the board and CEO of the Company and its controlling shareholder, Chaim Katzman.

17.7. Company’s share-based compensation - From time to time, the Company grants shares and securities that are convertible into shares to Company officers and to its employees and those of its wholly-owned subsidiaries, as follows:

(a) 2011 Plan

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

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

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

(c) Obligation of the officers to hold Company shares

According to the Company's compensation policy, directors adopted binding guidelines to hold Company shares in a minimum quantity set by the compensation committee and board of directors, for the duration of their employment in the Company. In this context, on the grant date of restricted share units that are not contingent on performance, the officers undertook to hold all the restricted share units granted to them for a minimum holding period and on the allotment date (and/or to continue holding Company shares which they own), to purchase company Shares in a quantity equal to 25% of the quantity of shares under the restricted share units allotted to them on the allotment date, in case of an allotment to the Company CEO, or a quantity equal to 15% of the quantity of shares under the restricted share units allotted to them on the allotment date, in case of allotment to officers who report to the CEO, and to hold such shares for three years from the relevant allotment date.

17.8. Employee training

The Company and its subsidiaries have an annual training program on various topics, including ethics, prevention of sexual harassment, bribery and corruption, securities, information security, and antitrust.

18. **Working capital**

18.1. The Company and the private subsidiaries under its control usually finance their operations by dividends received from their investees, granting and receiving of interest-bearing intercompany loans, lines of credit, loans and debentures from outside sources, as well as cash flow from ongoing operations of those companies. For further information see section 2.2 of the Board of Directors Report. For further information about the Company's policy regarding working capital as well as the current assets and current liabilities of the Group, see section 3.4 of the Directors' Report. For details regarding the Group's credit policy, refer to section 3.6 of the Board of Directors' Report.

18.2. **Breakdown of the composition of working capital** - as of December 31, 2023, the working capital of the Company and its subsidiaries with regard to assets consists mainly of cash and cash equivalents, deposits, short-term loans, including marketable collateral in the amount of NIS 0.7 billion, trade and other receivables in the amount of NIS 0.6 billion, and properties held for sale in the amount of NIS 3 billion. With regard to liabilities, including working capital of the Company and its subsidiaries, it consists mainly of short-term credit and current maturities of liabilities amounting to NIS 4.2 billion, trade and other payables in the amount of NIS 0.8 billion and liabilities attributable to properties held for sale in the amount of NIS 1.7 billion.

As of the publication date of the report, the Company have access to unused approved long-term credit facilities available for immediate withdrawal and liquid balances of NIS 3 billion (of which NIS 1.2 billion in the Company and its wholly owned subsidiaries (NIS 1.7 billion as of the publication date of the report) include cash and cash equivalents, deposits and short-term investments in an amount of NIS 0.7 billion, as of December 31, 2023). During and subsequent to the reporting period, the Company took measures to extend its existing credit facilities, as set forth in section 19.3 below.

19. **Financing**

19.1. The Company usually finances it operations mainly from its operating activities, its equity, issuance of debentures, bank credit and capital issuance. The Company customarily assumes loans at various average duration and currencies depending on its investments (presently mainly NIS, EUR and USD), which bear variable or fixed interest rates. In cases where the Company takes loans in a different currency to the investment currency, it sometimes hedges the currency and/or interest rate. For further information, see section 19.13 below.

Presented below are summary data about financing activity at the level of the Company and its subsidiaries, as well as data about the Company and its wholly-owned subsidiaries. For figures on the financing activities at the Company's subsidiaries level, in the different operating segments. See sections 6.11, 7.10, 8.10, 9.9 and 10.10 above.

For information about the macroeconomic effects, including the inflation rates, changes in interest rates and fluctuations in foreign currency exchange rates, see section 5.2 of the report.

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

As of December 31, 2023, Company’s interest-bearing liabilities to banks and other corporations amounted to NIS 22.9 billion (as of December 31, 2022 to NIS 23.8 billion; and as of December 31, 2021 to NIS 23.9 billion).

As of December 31, 2023, the Company and its subsidiaries have revolving credit facilities amounting to NIS 3.6 billion, of which it had utilized a total of NIS 1.3 billion at that date.

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

As of December 31, 2023, the Company and its wholly-owned subsidiaries have revolving credit facilities from several local and international banks and financial institutions in a total amount of NIS 1.9 billion, of which NIS 1.3 billion have been utilized at the said date. As of the publication date of the report, the credit facilities of the Company and its wholly-owned subsidiaries are secured by marketable shares (CTY), non-marketable shares (mainly G Europe) and properties of the Group companies. These credit facilities are from financing entities with which the Company has engaged in long term agreements and are renewed, from time to time, for periods of three to four years, and as of the reporting date, they end in 2024-2025, of which lines of credit of the Company, in an amount of NIS 1.6 billion were to be rescheduled in 2024 and lines of credit of the Company, in an amount of NIS 0.3 billion, are to be rescheduled in 2025. In February 2024, the Company extended and revised several credit agreements and secured loans in the amount of NIS 1.2 billion, which were repayable in 2024, to 2027-2028. On the other hand, the Company prepaid a credit facility in the amount of NIS 0.2 billion.

The credit facilities bear an annual margin at a weighted rate as of December 31, 2023 of 2.5% and a total average interest rate of 7.4%. As of December 31, 2023, the Company pledged in favor of those credit facilities, among other things, 86.1 million CTY shares (which constitute 50% of its share capital) and 67 million G Europe shares (which constitute 23% of its share capital). For further information, see Note 20 to the financial statements. As of the publication date of the report, 72.5 million CTY shares (which constitute 39% of its share capital) and 67 million G Europe shares (which constitute 23% of its share capital) have been pledged in favor of those credit facilities. Furthermore, 146 G City shares are pledged in favor of Debentures (Series P) issued by the Company (49% of G Europe’s share capital).

G Europe has several means for transferring funds to the Company, including by distribution of dividends and intercompany loans. A distribution of a dividend from G Europe is subject to limits as set out in the terms of its debentures, including restriction on distribution in the event that G Europe’s leverage ratio exceeds 60% (as of December 31, 2023, G Europe’s leverage ratio was 49.8%), and distribution tests as set out in the relevant laws. For information about the credit agreements signed between the Company and G Europe, see section 7.9.5 of the report.

19.4. For information concerning regulatory changes expected to replace the IBORs benchmark interest rates and their effect on the Company, see Note 2 to the financial statements.

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

As of December 31, 2023, the Company has debentures in the amount of NIS 8.4 billion which are unsecured, other than debentures in the amount of NIS 0.44 billion which are secured by a lien on real estate in Israel and debentures in the amount of NIS 1 billion which are secured by a lien on G Europe shares. In the reporting period, the Company issued debentures in the amount of NIS 73.8 million par value (for a gross consideration of NIS 73.6 million) by expansion of debenture series, and also issued a new series of debentures convertible for shares of the Company (Series Q).

Subsequent to the reporting period, the Company issued debentures from a new series (Series R) in the amount of NIS 410 million par value (for a gross consideration of NIS 410 million), which is secured by a lien on Gazit Horizons entire interests in G Alpha, which holds six real estate properties in the United States. For information about G Alpha, see Appendix A to this report.

Under the rating report of June 2023, S&P Maalot ratified the ratings of the Company's unsecured debenture series and Debentures (Series P), which is secured by G Europe shares, at a rating of ilA-, and the rating of the secured debenture series (Series O) at a rating of ilA. S&P Maalot also left the negative rating outlook unchanged.

Under the rating report dated July 2023, Midroog ratified the ratings for debentures (Series K, L, M, N, P and Q) at a rating of A3.il, as well as the rating of debentures (Series O) at A2.il with negative outlook.

On February 4, 2024, S&P Maalot gave debentures (Series R) a rating of ilA and Midroog gave it a rating of A2.il.

On December 25, 2022, the Company announced a payment of additional interest for debentures (Series M, N, O and P) of the Company due to the downgrading of the ratings by Midroog and S&P Maalot in December 2022. For additional details, see Note 19 to the financial statements.

For information about the Company’s debentures, including the financial covenants of the debentures, the real estate properties in Israel that were pledged in favor of the holders of debentures (Series O) and the ownership rights in G Alpha that were pledged in favor of the holders of debentures (Series R), see section 7 and Appendix B of the board of directors report, and Note 19 to the financial statements.

The company has a buyback plan of debentures, as specified in section 3.8 of the board of directors report. In the reporting period, the Company bought back its debentures as specified in Note 19 to the financial statements.

Debentures (Series L) constitute material credit of the Company. For information about debentures (Series L), see Note 19 to the financial statements and section 7 of the board of directors report.

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

The Company's total mortgages and lines of credit in the G Israel operating segment that are secured by liens on the Company's assets in Israel, as of December 31, 2023, amounted to NIS 2.2 billion (as of December 31, 2022, NIS 2.5 billion). The foregoing debt bears interest at a weighted rate of 4.15% and average duration of 3.1 years.

For further information regarding Debentures (Series O) of the Company that are secured by a lien on the Company's assets in Israel, see section 7 and Appendix B to the Board of Directors' Report.

19.7. Restrictions on obtaining credit and cross default mechanisms in the Company's credit agreements and/or debentures:

The credit documents of the Company and its subsidiaries contain financial covenants that include, among other things, Company specific covenants, such as - minimum equity and leverage ratio, as well as credit level specific covenants, such as - leveraged debt to value of collateral ratio, etc., as set out in Note 20D to the financial statements. Furthermore the financing agreements contain additional conventional terms and conditions for calling loans for immediate repayment, including: Default on repayment, breach of undertaking or representation under the relevant agreement, change in control of the Company or subsidiaries, structural changes, certain material legal proceedings (including with regard to liquidation, receivership and asset sale and execution), discontinuation of operations, suspension of trading of securities that are pledged to secure credit or securities of the Company, termination or downgrading of a rating, among others.

Furthermore, some of the Company's financing agreements (which are not 'material credit') include covenants and other terms and conditions (such as causes connected to trading in shares used as collateral for financing and the Company's share and their price, causes relating to the real estate properties used as collateral, rating, changes of control), the occurrence of which require the Company to repay the loan within the time period specified in the agreement (mandatory prepayment events), and if it fails to do so, the financial institution will have the right to call for immediate payment of the financing. In some of the foregoing agreements, if the Company regains compliance with the criteria as set out in the agreement, it will be entitled to utilize the credit available once again thereunder.

In addition, as part of the Company's obligations in favor of the holders of Debentures (Series P) that are secured by a lien on G Europe shares, the Company undertook to refrain from distribution a dividend in G Europe depending on its leverage ratio. Also, as part of the Company's obligations in favor of the holders of Debentures (Series R) that are secured by a lien on Gazit Horizons' interests in G Alpha, G Alpha undertook several restrictions. For further information, see Note 19 to the financial statements.

The Company's credit agreements include cross default mechanisms which do not link specific loans, but that state that the minimum amount for activation thereof is a call for the immediate repayment of another credit agreement in an amount of USD 40-50 million. Furthermore, with respect to several entities that provide credit to the Company under several separate agreements, there are cross default mechanisms regarding various loans provided to the Company by that entity, in a way that calling for immediate repayment of a credit facility or loan provided by a specific entity will lead to calling for immediate repayment of other credit provided by the same entity. Some of the said agreements also include cross collateral mechanisms and calling for immediate repayment of a specific financing agreement allows a lender to be repaid also from collateral provided in favor of another financing agreement of the Company with them. Moreover, some of the Company's marketable debentures series include a cross default mechanism with respect to calling for immediate repayment of another debenture series and in Debentures (Series M, N, O, P, Q and R) also with respect to calling for immediate repayment of material bank financing (as defined in the relevant deeds of trust).

As of reporting date, all cross-credit agreements of the Company (and its wholly-owned subsidiaries, except G Europe) that are subject to the foregoing cross default conditions amount to NIS 4.1 billion. In addition, as aforesaid, the Company's marketable debentures that include a cross default mechanism (with regard to other debenture series and/or substantial bank financing) amount to NIS 7.5 billion.

19.8. As of December 31, 2023 and immediately prior to the approval date of this Report, the Company and its wholly-owned subsidiaries are in compliance with all covenants prescribed with respect to them. In addition, as of December 31, 2023, all of the Company's subsidiaries are in compliance with all covenants prescribed with respect to them, and to the best of the Company's knowledge, there has been no change in this status as of the date of this Report.

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

Covenants	Required minimal ratio	Covenant calculation as of December 31, 2023
Minimum shareholders' equity	NIS 4 billion	NIS 4.8 billion
Average EPRA direct result in two consecutive quarters	More than NIS 60 million	NIS 125 million
Net interest bearing liabilities to total balance sheet (consolidated)	Will not exceed 75%	62%
Net interest bearing liabilities to total balance sheet (expanded separate information)	Will not exceed 77.5%	68%
Value of non-pledged assets (expanded separate information)	Will not fall below USD 200 million	USD 1,478 million
Minimum rating	BBB rating by S&P Maalot or Baa2 rating by Midroog	A- A3

For further information concerning the total amount of loans called for immediate repayment in the event of breach of any of the causes as set out above, see section 19.7 above.

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

The following table presents the credit and long-term loans (including current maturities) received by the Company and wholly-owned subsidiaries to finance their operations, that are not intended for specific use, as of December 31, 2023:

	Balance (NIS in millions)	Weighted interest rate	Effective Interest rate	Average repayment period (years)(*)
Secured loans from financial institutions at variable interest	4,057	5.67%	5.67%	1.56
Secured loans from financial institutions at fixed interest	2,793	2.56%	2.56%	6.01
Unsecured loan from financial institutions at fixed interest	327	6.00%	6.00%	3.75
Secured debentures at fixed interest	1,444	1.62%	1.58%	3.71
Unsecured debentures at fixed interest	8,354	3.84%	4.14%	3.06
Total	**16,975**	**4.02%**	**4.16%**	**3.83**

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

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

The table below provides details regarding the outstanding credit of the Company (1) and its wholly-owned subsidiaries (in NIS millions), as of December 31, 2023:

	The Company (1)	CTY	Total
Outstanding debentures (tradable and non-tradable)	9,798	5,787	**15,585**
Balances regarding credit from banks and financial institutions (2)	5,827	1,535	**7,362**
Total liabilities	15,625	7,322	**22,947**
Approved revolving credit facilities	1,918	1,665	**3,583**
Utilized credit facilities (3)	1,277	-	**1,277**
Balance for utilization	641	1,665	**2,306**
Guarantees in the ordinary course of business	401	255	**656**

(1) The Company and its wholly-owned subsidiaries
(2) Including the utilization of approved credit facilities.
(3) Includes utilization with respect to the provision of guarantees.

19.12. Swaps:

From time to time, the Company explores the possibility of raising additional sources when necessary, including the need to exercise its business strategy and improve working capital and for debt restructuring, at market terms and conditions.
Most of the Company’s debt issuances on the local capital market (70%) are not CPI-linked. At the same time, the Company has CPI-linked NIS-denominated liabilities, while most of its properties are foreign currency denominated according to the Group’s active currencies. To mitigate the currency exposure of the equity to exchange rate fluctuations, among other things, the Company enters into short-term and long-term swap transactions, as necessary, in most of which it replaces the shekel liability with foreign currency liability, in accordance with ISDA (International Swap and Derivatives Association) agreements between the Company and various banking institutions. The long-term swap transactions are mainly fully reconciled with the debenture repayment schedules (principal and interest). In addition, in relation to most of the swaps, the Company has entered into agreements (credit support annexes) that provide for mechanisms for the current settling of accounts between the Company and the banking institution that is the counterparty to the swap, in connection with the fair values of such transactions. For information about swaps, see Note 34C to the financial statements and section 4 of the board of directors report.

20. **Taxation**

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

21. **Environmental protection**

21.1. The Group strives to manage its operation according to sustainability principles, in an environment-friendly way, and believes that combining sustainability principles with the Group’s business strategy ensures long-term success and sustainable growth. Therefore, the Group invests resources in protecting the environment, while setting future goals that express its commitment and builds environment-friendly shopping centers. The Group believes that the consumers, retailers and Group companies will benefit from this course of action in the long term. For example, the use of green energy and the recycling of various materials will benefit the community, preserve the environment, and reduce costs for the Company in the long term. In addition, in the Group’s opinion, the growing awareness of maintaining aspects of sustainability will cause the population to prefer visiting "green" shopping centers over regular shopping centers, thereby increasing the value of the Group companies' properties.

The environmental issue is managed by executive managers who also consult with external advisors who promote the issue. Social responsibility was and will continue to be an issue that reflects the Group's positive and active approach to environmental and community issues. The Company has a code of social responsibility that presents the Company’s policy on environmental and community issues, among others.

21.2. The Company has been participating in the Ma’aleh rating since 2006 and as of the reporting date, it has the highest rating - Platinum Plus. Since 2011, the Company publishes a corporate responsibility (ESG) report according to GRI principles, that also reflects the operations of the subsidiaries G Europe and CTY.

The Company is promoting several environmental projects in Israel, primarily an office tower in Rishon Le-Zion that is constructed according to the LEED Gold standard. The Company has also completed several measures in its properties to reduce its energy consumption, including the installation of photovoltaic systems on the roofs of its properties, installation of electric car charging stations, switching to LED light bulbs, installation of movement sensors for lighting, and replacing non-energy efficient air-conditioning systems. The Company also assesses various possible solutions to reduce its carbon footprint and for green operation of its properties, including in connection with waste treatment, and has launched an organic waste treatment pilot that turns it into water at one of its properties.

21.3. In Europe, the subsidiaries G Europe and CTY operate according to long-term target-based programs and have gained recognition and high ratings for their activities in that area from leading organization, as follows: Among Nordic companies, CTY is considered a pioneer in the implementation of sustainability principles in its shopping centers and has even gained recognition and awards for this reason. CTY has a goal-oriented program aimed at promoting and controlling parameters such as waste management, recycling, construction materials, efficient use of resources (energy and water), air quality, etc. CTY's sustainability policy sets challenging targets and goals to be achieved by 2030, to better reflect its priorities and effect on its surrounding community. Among other things, CTY's sustainability report for 2022 was declared one of the best in the industry, and it has won the EPRA Gold Award for Sustainability Best Practices for the tenth consecutive year, as well as other awards and ratings. In 2016, CTY adopted the application of the BREEAM certificate, which is awarded for the achievement of an external benchmark of environmental standards that are designated to improve the environmental performance of existing buildings.

In addition, the Lippuliava project that was completed in 2022 is the first project in the world to be awarded a gold certificate for smart construction due to it being carbon-free.

G Europe strives to reorganize its operations and properties to operate in the spirit of the sustainability principles. In 2021, G Europe received a gold medal of EPRA Sustainability Best Practices Recommendations for the third consecutive year. In May 2021, G Europe became a company in the Polish Green Building Council (PLGBC) and was awarded a 5 Green Star rating from the Global Real Estate Sustainability Benchmark (GRESB).

21.4. Due to their real estate holdings, the Company and its subsidiaries are subject to federal, state and local environmental legislation and regulation. In this regard, they could be held responsible for and be required to bear the costs involved in clearance and reclamation with respect to various environmental hazards, pollution, and toxic materials that are found at, or are emitted from, their properties (and could also have to pay fines and compensation with respect to such hazards). Such costs could be high and could even exceed the value of the relevant properties. Failure to remove these hazards could have a detrimental effect on the ability of the Company and its subsidiaries to sell, rent or pledge the properties at which such hazards are found, and could even result in legal action. As of December 31, 2023, the Company and its subsidiaries are acting to correct environmental defects or hazards that they have identified, but there is no certainty that additional environmental defects or hazards won't be discovered in the future, including such that were created during the period when the properties were owned by the third parties from whom the properties were acquired and which have not yet been discovered. Furthermore, future changes in environmental laws (that have become more stringent over the past few years) could have a material effect on the Company’s status, from the operational and the financial aspects. As of December 31, 2023, Newco believes that the costs expected to be incurred with respect to its liability for environment-related damages are not material to the Company and its subsidiaries.

22. **<u>Restrictions and Supervision of the Corporation's Operations</u>**

22.1. The Group's operations are subject to various laws and regulations in the different regions where it operates, from various aspects as is customary in the development and operation of commercial real estate properties in those regions including the following aspects: Planning and construction laws, regulation regarding the establishment and development of real estate properties, municipal regulations concerning licensing for the use of the properties and their operation, laws concerning accessibility, laws pertaining to the protection of the environment and antitrust laws. Moreover, as part of their ongoing operations, the Group companies are subject to regulation in additional areas such as labor laws, laws pertaining to protection of privacy, taxation, intellectual property and others.

22.2. In addition, the Company, CTY, G Europe[1] and Gazit Malls being reporting companies, are subject to regulations pertaining to the securities laws and the stock exchange rules (including corporate governance rules) applying to each of these companies according to the country where they are incorporated and where their securities are traded. Compliance with these requirements entails substantial costs for the Company as well as for the aforesaid Group companies, and, their breach could lead to the companies being fined and even to the perception of an administrative breach or a criminal offense.

22.3. Pursuant to the Efficiency of Enforcement Procedures in the Securities Authority (Legislation Amendments) Law, 2011, and with the aim of identifying and preventing breach of securities laws, the Company has adopted an internal securities law enforcement plan. The Company also has a code of ethics, anti-bribery and corruption policy and a set of internal procedures aimed at setting a standard of behavior in the internal and external relationships of the Company with the different interested parties, investors, suppliers, tenants and others.

22.4. The Company is subject to the Law to Promote Competition and Reduce Concentration, 2013 (the "Concentration Law") which aims to reduce the concentration level in the Israeli economy through the imposition of structural limitations and corporate governance rules on interests held in the form of a pyramid structure and prohibiting holding of more than two tiers of a reporting corporation in Israel, separation between interests in a significant non-financial corporation and interest in a significant financial corporation, while the Company is defined as a "significant non-financial corporation"[2] and a 'concentrated entity". Accordingly, the limitations on interests in significant financial corporations above a specific threshold apply to it and interested parties in it. Moreover, since the controlling shareholder of the Company is a reporting company, the Company is a second-tier company, in a way that prevents it from controlling another Israeli public company.

22.5. The provisions of the Concentration Law require the legally competent regulator[3] to assign a right to a concentrated entity in one of the industries listed in the Law before assigning such rights to entities on the list of concentrated entities.

In addition, under the Law, the Minister of Finance and the Governor of the Bank of Israel were tasked with setting forth provisions for limitations on the accumulated credit extended in Israel to a corporation or a business group (a controlling shareholder and the companies under his control) by Israeli financial entities, taking into account, inter alia, the liability of each company or all companies of the business group. The Minister of Finance and the Governor of the Bank of Israel may prescribe that such provisions will also apply to borrower groups and to related companies in circumstances as will be set forth.

The Supervisor of Banks in Israel set limits on the volume of loans that may be provided by a bank in Israel to a "single borrower", a "group of borrowers" and the bank's largest "groups of borrowers", as defined in the said directive, as well as restrictions the liability of a borrower and of a group of borrowers. The Company and the its controlling shareholder obtain loans and credit from Israeli banks, and therefore, such restrictions could affect the volumes of credit that may be attained by the Company. For further information, see also the chapter on risk factors.

1 In February 2022, G Europe delisted from trading following its merger into a wholly owned subsidiary of the Company. G Europe has bonds that are traded on the Luxembourg Stock Exchange.

2 In this regard, see the amendment of the list of significant non-financial corporations and list of concentrated entities published by the Concentration Reduction Committee in August 2021.

3 The regulator authorized to assign rights in specific resources.

23. **Material agreements and strategic collaboration agreements**

Reorganization agreement with Norstar Group

The Company, Norstar Holdings and Norstar Israel Ltd. (a wholly-owned company of Norstar Holdings: "Norstar Israel", Norstar Holdings and Norstar Israel Ltd. are the Company's controlling shareholders and will be collectively called below: "Norstar Group"), are party to an agreement that includes the following arrangement ("G-City-Norstar Agreement"): (a) A service agreement under which the Company provided Norstar Group with the following services: (b) a non-competition undertaking on behalf of Norstar Group to the Company as set out below. The G-City-Norstar Agreement replaced and amended the previous agreement between the parties from 1998, and pursuant to section 275(A1) of the Companies Law, it is renewed every three years, the last renewal being in December 2023, after being approved in the general meeting of the Company on December 3, 2023.

Below are the main points of the G-City-Norstar Agreement as are valid on the reporting date:

A. Amendment of the non-competition provisions

According to the amended version of the G-City-Norstar Agreement, Norstar has undertaken that, so long as Norstar Group continues to be the Company's sole controlling shareholder (as defined in section 1 of the Israel Securities Law, 1968) and so long as the Company is principally an owner, developer, and operator of shopping centers and retail-based, mixed-use properties (hereinafter in this section: "Shopping Centers") and/or controls and holds companies that are engaged primarily in said fields as a principal activity, Norstar Group will not engage in the ownership, development and operation of Shopping Centers and will not own shares in companies that are engaged in such fields as its principal activity (other than holding a company), and any proposals it receives to engage in and/or to hold the aforementioned will be passed on by it to the Company. The aforesaid will not apply to financial investments in the shares of companies listed on a stock exchange in Israel or abroad, which are engaged in the field of owning, operating and developing Shopping Centers as their principal activity, provided that Norstar Group does not own 5% or more of the issued share capital of any such company. For removal of doubt, it is clarified that Norstar may own, develop and operate real estate other than Shopping Centers, as defined above, and may hold the shares of companies that own, develop and operate real estate other than Shopping Centers as their primary activity.

B. Service agreement

Under the current service agreement between the parties, the Company provides Norstar Group with various services in return for a monthly payment of NIS 178,500 linked to the increase in the CPI in Israel plus VAT (until November 2023, the management fees amounted to NIS 133,000 ("Management Fees"). Under the agreement, the Company provides the following services to Norstar: Secretarial services, bookkeeping services (including reporting to authorities), treasury services, IT and information systems services, communications, legal services, and dealing with bank financing, the capital markets and investments of Norstar Israel and companies from the Group (including Norstar and companies controlled by it). As of the reporting date, the Service Agreement is in effect for a period of three years starting on November 16, 2023 (after being extended several times since its initial approval), at the end of which it will be automatically renewed, and will continue to be renewed, from time to time, for three-year periods, where each of the parties may refrain from renewal by informing the other party by written notice no later than 90 days before the end of the agreement period (all subject to the provisions of the Companies Law).

24. **Legal proceedings**

For information about legal proceedings to which the Company and its subsidiaries are party, see 24D to the financial statements.

25. **Goals, business strategy and forecast for developments in the coming year**

25.1. The Company and its subsidiaries usually review their business strategy and goals, from time to time, due to the developments in its business and the macro-economic environment. Core points in the strategy of the Company and its subsidiaries, both as regarding real estate operations and as regarding the structure and financial operations of the Company, are summarized below:

- To focus investment on a relatively small number of income-producing properties, but at a very high value and as far as possible on mixed-use properties in key cities, in densely populated areas, that are, if possible, connected to or close to public transportation (such as: train stations, buses, etc.) and with high walkability index, through directly or indirectly held properties.
- The sale of properties with a limited growth potential and/or low operational effectiveness, including based on an examination of the type of the property and its geographic location, and while designating the consideration to enhancing its growth in urban areas and improving its operational efficiency and capital costs, as well as lowering leverage in the Group.
- Selective and rational activity in the rental sector, development and redevelopment of income-producing properties, in the commercial sector, office and residential or mixed-use sectors, with the aim of expanding the property portfolio and spreading risks to increase the yield and mainly to upgrade the existing property portfolio. The Company and its subsidiaries endeavor to ensure that their development activities will not exceed a substantial proportion of their total assets.
- Self and pro-active management – operations in the various countries are conducted through experienced local management. Expertise, knowledge, experience, contacts and familiarity with the business environment enable the Company to pursue a pro-active strategy that is intended to advance internal growth, inter alia, by adapting the Company's properties to developments in the market, hedging and high positioning of the existing properties portfolio, and pursuit of opportunities to acquire and develop properties that are in densely populated areas. Such capabilities also enable the Company to manage properties and real estate companies for partners in return for appropriate management fees.
- Assessing M&A opportunities with respect to real estate companies (including public companies), while making focused acquisitions, entering into agreements for strategic relations with other companies.
- Using the Company's existing management and financing infrastructure to assess entering other investment areas that invest in the Company's area of operation and/or that have similar attributes in terms of the nature of investment, by joining an expert in the field or establishment of independent management infrastructure.
- Continuing the creation of cooperation with institutions in Israel and worldwide, and managing the properties owned by such partnerships in a manner that reflects the Group's experience and expertise.
- Maintaining a high level of liquidity that enables the pursuit of business opportunities in the areas of operation in which the Company and its subsidiaries operate, and the management of its debts, which are spread over many years. Maintaining as close an economic correlation as possible between the currency in which its assets are acquired and the currency in which the liabilities to finance the acquisition of those assets are taken out, in order to maintain its equity in the currencies of the various markets it operates in, and in similar proportions to the proportion of the assets in the various currencies to the total assets, and while entering, from time to time, into hedging transactions to reduce exposure to fluctuations in the exchange rates of foreign currencies. For details regarding the Company's credit policy and deviation thereof, see section 4 of the board of directors' report.
- Utilizing international capital markets to increase financial flexibility and to gain greater exposure to local and international institutional investors, including the improvement of the credit rating of the Company, with an eye to reducing the debt costs of the Company.
- Attributing significant importance to transparency and reliability vis-à-vis investors (shareholders and debenture holders) and acting accordingly.
- The Company and its subsidiaries believe that the human capital they employ is one of their most important resources. Retaining human capital over time provides a stable basis for growth of the operations of the Company and its subsidiaries and for the creation of value for its shareholders.

25.2. Pursuant to the Company's strategy, in the reporting period, the Company announced it is increasing its plan to sell off properties to an amount of NIS 7 billion For further information about the plan and volume sold to date, see section 1.2 of the report.

25.3. Simultaneously, pursuant to the Company's above strategy, the Company believes it is expected to continue investing in some of its existing platforms, focusing on expanding operations in its private branches. For information about projects under development in the different territories, see the description of operations of each of the segments in which the Company operates under sections 6-10 of the report.

25.4. Furthermore, the Company considers renewable energy a segment that coincides with its operations and it will therefore assess the possibility of entering this segment, both as part of its properties and as a separate business, including as part of streamlining and cost reduction efforts.

25.5. The Company intends to finance its expected investment, if any, from its equity, operating activities, public and private capital raising and bank credit, as well as realizing other of its investments, according to its above strategy. The provisions of this section above are subject to economic and other developments in the relevant regions, including continuation of the inflation rate and interest rates on the market, as well as the Iron Swords War and its effects on the Group's operations, as set forth in sections 5.1-5.6 of the report.

The Company's estimates regarding the manifestation of the foregoing strategy and achieving the above goals constitute forward-looking information as defined in the Securities Law – 1968. These estimates are based on the Company's plans and its assumptions as of this date, whereas they constitute a vision and goal, which are based to a significant extent on expectations and assessments with respect to economic and other (industry-related and general) developments, and their interrelationships. Furthermore, the Company's foregoing investment plans are subject to its free cash flow and financial capabilities, investment opportunities in the relevant markets, the economic and financial conditions in these markets and worldwide, and special situations such as the effect of inflation, the increase in interest rates, and the Iron Swords War. The Company's expectations and assessments, including regarding its ability to realize its vision and achieve the goals that it has set for itself, which, to a significant extent, are also based on factors that are inherently beyond its control, are uncertain and may not materialize or may materialize in part, and Company management may deviate from or change them, depending on various factors, including macroeconomic conditions, beyond the Company's control, such continuing inflation, rising interest rates, the effects of territorial events (including the Iron Swords War and legislative changes in Israel), and the outcome of materialization of the risk factors applicable to the Company's operations as set out in sections 5 and 28 of the chapter on the Description of the Company's Business. At the same time, it is clarified that Company management will from time to time assess its plans and revise them according to those and other changes.

26. **<u>Material events subsequent to the reporting period</u>**

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

27. **<u>Financial information regarding geographic segments</u>**

See Note 36 to the financial statements.

28. **<u>The Company's risk factors</u>**

28.1. <u>Macro risks</u>

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

The business results of the Company and its subsidiaries are dependent on their ability to raise loans or capital in the future and on the terms thereof, in order to repay loans and attain the cash flows required for their operation. The financing ability of the Company and its subsidiaries could be affected by various reasons, including an unavailability or a shortage of external financing sources, changes in existing financing terms, changes in the results of their operations, legislative changes (including regulatory limitations on the Group's credit balances, as detailed in section 23.3 above) and deterioration of the economic situation in their operating regions. Furthermore, the operating results of the subsidiaries could be affected by changes in interest rates (including as specified in section 5.2 of the report), although in light of the fact that most of the liabilities of the Company and its subsidiaries are at fixed interest rates, changes in the rates of interest have only a limited effect. The debt balances of the Company and its subsidiaries could have a material impact on them, including where the allocation of a material part of the cash flow to the repayment of loans is concerned, and it could also impair the ability to allocate resources to the operation, development and acquisition of properties, and the ability to distribute dividends and raise capital. In addition, the Company has CPI-linked NIS-denominated liabilities and thus has an exposure to CPI changes. The Company routinely conducts swap transactions for part of the CPI-linked liabilities, replacing the CPI linkage with fixed interest. In addition, breach of the obligations of the Company and/or its subsidiaries under financing agreements, including undertakings to maintain financial ratios, which are also affected by extraneous market factors, and restrictions with respect to change of control (including the possibility that calling for immediate repayment pursuant to another financing agreement could lead to calling for immediate repayment of other credit, as set out in section 19.8 of the report), could have material implications, such as a demand for prepayment of loans, disposal of properties and refinancing under less favorable terms. Also, a change (or anticipated change) in the credit rating of any of the subsidiaries could affect their access to financial markets and increase their credit costs.

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

28.1.2. Exchange rate fluctuations – the Company's equity has a currency exposure mainly in the Euro, U.S. Dollar, Brazilian Real and Canadian Dollar, in such a manner that strengthening of the foreign currencies against the NIS increases its equity and weakening of their exchange rates decreases its equity. Such effects are offset against linkage basis and interest rate swap and forward transactions undertaken by the Company and partially against call options, all in accordance with the Company's risk management policy (as set out in section 4 of the board of directors' report). In addition, changes in the exchange rates affect the fair value of derivative financial instruments (mainly the SWAP and forward type), that provide economic hedging. The Company's profitability could be adversely affected to a material degree by the absence of hedging or at least partial hedging against changes in the exchange rates. For information about deviation from the Company's risk management policy, see section 4 of the board of directors' report.

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

28.1.3. Changes in capital markets – Some of the Company's assets consist of shares of CTY, a public company held by the Company, most of which are used as collateral for the Company's credit facilities. Furthermore, the Company has a securities portfolio (as set forth in section 11.2 of the report) and accordingly, changes in the capital markets and volatility in share prices in the wake of changes in market conditions and other conditions which the Company cannot control, could affect the price of the Company's and Group companies' shares, and the Company's performance and business results, which might, inter alia, expose the Company to the possibility of non-compliance with the financial covenants stipulated in its credit agreements and limit the ability to raise further capital. Upon delisting of G Europe (as set out in section 7 of the report), the Company's holdings of securities of public companies decreased significantly.

28.1.4. Macroeconomic conditions that affect geographical regions – The properties of the Group are widely distributed in different cities across the globe and by nature are exposed to different macro and macroeconomic conditions that affect the operation and value of the properties. A material proportion of the Group's leasable premises are located in Helsinki, Stockholm, Sao Paulo, Warsaw, Prague, Boston, Miami, New York and the Gush Dan area, thereby presenting an increased risk that the Group could be adversely affected, to a significant degree, by a downturn in the economic conditions in one or all of these regions. Among other things, due to the Iron Swords War and its effect, and public concern that the judicial reform planned in Israel, if renewed, will adversely affect the economy in Israel, as set out in section 5.5 of the report.

28.1.5. Risk of natural disasters, pandemics, war and terror attacks and uninsured risks – Terror attacks and war could negatively affect the Group's properties. Among other things, as stated above, the Israeli economy, particularly the operations of the shopping centers, are affected by their security and political situation. The political instability in the Middle east, which exacerbated with the outbreak of the Iron Swords War (as well as terror events and war that may develop in other regions where the Group operates) may have a material negative effect on the state of the economy, leading to impairment of the Company's business results in Israel and other relevant territories, both in terms of performance of the properties and in terms of the activity of Company headquarters, which is carried out mainly in Israel (for further information, see section 5.3 of the report).

In addition, some of the Group's assets are located in areas exposed to natural disasters, climate change and other risks that may adversely affect the Group's lessees or visitors to its malls, and which are not insurable or are not fully covered by the Group's insurance policies. The availability of insurance coverage for these and other risks could decrease and its premium cost could increase, in a manner that could lead to limited insurance coverage of Group companies.

In addition, some of the Group's assets are located in areas exposed to natural disasters, climate change and other risks that may adversely affect the Group's lessees or visitors to its malls, and which are not insurable or are not fully covered by the Group's insurance policies. The availability of insurance coverage for these and other risks could decrease and its premium cost could increase, in a manner that could lead to limited insurance coverage of Group companies. Furthermore, a widespread pandemic that leads to high morbidity rates, such as the Covid-19 pandemic, adversely affects demand and consumption of some merchants in the Shopping Centers and may adversely affect the Group's revenues, current cash flows and the Company's ability to finance and reschedule its debt.

28.1.6. Investment in developing countries – Some of the Group's investments are in emerging markets, mainly in Central Europe and Brazil. The Group's investments in emerging markets are exposed to higher risks compared with its investments in markets in North America and in Northern and Western Europe; this includes also legal, economic and political risks to which the Company's investments in these countries are exposed.

28.2. <u>Sector-specific risks</u>

28.2.1. Changes in consumer buying habits – Most of the Group's properties are shopping centers, which are based on food, pharma and clothing stores, and services, mainly medical services, gyms and cinemas. Changes in the buying habits in the regions surrounding those shopping centers, such as a move toward buying in different types of centers or platforms or a move toward buying over the internet (online trading), have a material effect on the tenant mix, the commercial space allocated to the consumer and entertainment sectors, and the Company's revenue from different tenants. These trends also affect the rent calculation mechanisms in future lease agreements and all their effects may have a negative impact on the Company's operations and financial results. Within the main consumption trends in recent years, the Group companies are witnessing an increasing growth in the volumes of online purchases, to an extent that could reduce the sale volumes of certain tenants and affect the demand for commercial space by these tenants. This trend strengthened significantly during the Covid-19 pandemic and led to a material increase in online trade in 2021, but decreased thereafter. In addition, such changes could reduce proceeds received by Group companies, which are based on the sales volume in the property.

28.2.2. Financial strength of tenants, including anchor tenants – Among the factors affecting the Group's revenues is the financial strength of the tenants of its properties, and particularly tenants that are major tenants, including anchor tenants. Factors such as deterioration in the economic conditions in the Group's operating regions, changes in consumer buying habits, increased competition in the Group's operating regions and return of the financial recession in the Group's markets of activity, as well as the risk of the outbreak of diseases, such as the Covid-19 virus, wars (including the Iron Swords War) and supply chain disruptions could impact the business activity and financial strength of anchor tenants and other tenants in the Group's properties, which could in turn lead to non-renewal of lease agreements, delays in the occupation of the Group's properties, and default on payment of rent, and as a result could have an adverse effect on the Group's revenues. The departure of an anchor tenant has implications for the whole of the shopping center where the anchor tenant had rented premises and on the drawing power of the shopping center, and thus also on the Group's income from that shopping center. This is true even if the anchor tenant continues to pay the rent with respect to the closed premises. In addition, if an anchor tenant leaves, occupying the property again at attractive terms could be difficult, and the number of visitors to the property will decrease, which may negatively affect other tenants of the property.

28.2.3. Changes in the rental policy of retail chains and major tenants – A large proportion of the major tenants of the Group are retail chains. The Group’s business results could be adversely affected by a change in the retail chains’ policy regarding the operating framework for their stores (such as the size of their stores) and the regions where they operate, or expansion of the online trade platforms of the retail chains and material tenants on account of physical stores.

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

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

The Market Concentration Law also includes reference to control issues in a pyramid holdings structure and separation between significant non-financial corporations and significant financial corporations. For further information, see section 22 of the Report. Furthermore, the Market Concentration Law sets out provisions for limitations on credit extended to a corporation or a business group by financial bodies, in accumulate, taking into consideration, inter alia, the liability of each corporation or all companies of the business group. Such limitation could impede the ability of the Group to obtain credit to repay loans and for the cash flow required for its activity, and harm its operating results. Moreover, the Company is controlled by Norstar Holdings Inc., which is a public company and as such, is considered a second tier company. Therefore, the Company may not control other Israeli public companies, which prevents it from pursuing business opportunities.

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

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

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

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

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

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

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

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

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

28.3.2. Dependence on management - The Company is dependent on the continued activities of the Vice Chairman of the Board and CEO of the Company.

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

Furthermore, most of Norstar’s holdings in the Company are pledged to entities that finance its operations, including in favor of marketable debentures issued by Norstar. A breach of the provisions of these financing agreements by Norstar in a manner that will entitle the lenders to exercise the pledges on the Company’s shares, could adversely affect the Company's investors, including in the event that the lenders wish to sell the Company's shares. Moreover, in some of the Company’s financing agreements, including its marketable debentures, a change in control (as defined in these agreements) may be cause for calling for immediate repayment of the relevant credit, and in some employment agreements of Company managers, in the event that their employment is terminated due to a change of control of the Company, they will be eligible for favorable retirement conditions.

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

28.3.5. Commencement of operations in new fields and regions - The Group's commencement of operations in new fields and regions where it does not have vast experience, entails costs and risks deriving, inter alia, from the need to learn and become familiar with the various aspects relating to operations in the said fields and regions, including regulatory aspects, the business and macroeconomic environment, a new currency exposure, etc., as well as the establishment of new systems and administrative headquarters at substantial costs and their integration in the Group. Moreover, many years could elapse before the results desired in entering a new field and/or region of activity are attained, in light of the need to obtain regulatory approvals and construction permits, determining the correct mix of tenants, recruiting the appropriate management team, and purchasing a sufficient number of properties that will generate revenue that compensates for the construction and administrative expenses. Among other things, the Company's entry into the rental residential market, and if it elects to enter the renewable energy sector, entails the risks involved in development, operation and management of the properties.

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

28.3.7. Holding structure of the Group – Among others, the Company operates through companies that are not wholly-owned by it. Among these, as of the publication date of the report, substantial parts of the issued share capital of CTY are owned by the public, as well as by other significant shareholders, and as from February 2024, Gazit Malls offered part of its shares to the public in Brazil. Until February 2022, a significant part of G City Europe's share capital was held by the public and at present, its debentures are held by the public and listed on the Luxembourg Stock Exchange. As a reporting company, these companies are subject to the customary legal and regulatory restrictions of public companies and reporting companies. Despite being the controlling shareholder of CTY and Gazit Malls, the Company may find itself unable to take specific courses of action without the required approval from other shareholders in such subsidiaries (whether by law or by virtue of incorporation documents). Furthermore, to date, pursuant to the provisions of the Finish law, the Company may not increase its holdings in CTY without issuing a tender offer for the rest of CTY shares. The existence of other shareholders in the said company could limit its ability to take certain courses of action, including to increase its percentage interests in such company, consolidate similar activities, leverage synergy that may exist between the various companies or reorganize the Group's structure. In addition, the Company may not be able to determine the date and scope of dividends paid by some of its subsidiaries, which could reduce the Company's cash flows and impede its ability to repay its debt. The Group is also exposed to risks inherent in shared ownership in properties with third parties, including the need to obtain the agreement of the Group's partners in the said properties in order to make decisions, and the possibility of disagreements between the Group and said partners, as well as risks derived from the said partners becoming insolvent, exposure to financing the partner's investment in the shared properties, and the implications of these risks on the operation of the shared properties. The properties are consolidated in the financial statements in accordance with IFRS, based on the effective or legal extent of control. Changes in the Company's control of the subsidiaries could lead to change in the presentation of the investment in the subsidiaries in the financial statements, as well as affect the way in which investors perceive the Company. In addition, to comply with the Company's reporting requirement as a public company, it relies on information which it receives from the subsidiaries. Although the Company believes it receives from the subsidiaries material information it requires, it does not have agreements with all of them with respect to receiving such information. The Company believes that it receives from its subsidiaries the material information that it requires. Furthermore, CTY, which is listed on the Helsinki Stock Exchange (OMX), in Finland, and Gazit Malls, which is listed on the Sao Paulo Stock Exchange, are subject to non-uniform reporting obligations. Therefore, the Company might not be able to present certain information as is presented by other real estate companies in other regions.

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

28.3.9. Cyber and information security risks – A cyber attack is a malicious attack carried out in digital space aimed at disrupting, stealing, disabling or damaging IT infrastructure or the information it contains. Such attack on the Group's IT infrastructure may adversely affect the Company’s operations and business, including leakage of business or private information, damage the Group's reputation, financial damage, and more. Due to the security situation in the country, there are increasing warnings of cyber attacks from foreign security forces, which are aimed at harming large companies in the Israeli economy. As a result, in the Group's estimation, its information systems were and are expected to be a target for cyber attacks by malicious parties, including terror groups, due to being an Israeli company. To the best of the Group’s knowledge, as of the reporting date, the Group has not experienced any loss, disruption of information or other significant damage due to a cyber attack against its operations and systems. The Group companies regularly invest in securing systems and updating them, backup mechanisms, monitoring and recovery procedures, with the aim of reducing the risk they pose. The Group companies also take measures to back up their information, to reduce the possible harm from cyber attacks against their systems, and to increase their disaster recovery capability. Furthermore, from time to time, the Company assesses new and innovative means of protection required against these risks and works towards adjusting them to existing risks and increasing the awareness of its staff to the issue. However, the nature of cyber attacks and infiltration of information system by authorized parties is constantly changing and becoming more sophisticated, reducing the Company's ability to fully deal with a sophisticated cyber attack. Therefore, despite the protective measures taken by the Company, it may not be able to fully defend itself and prevent all damage that may be incurred due to infiltration of its systems or the economic effects of such damage. As aforesaid, the Company acts to improve its ability to respond to cyber attacks by constantly improving the defense system, increasing awareness, allocating dedicated resources and strengthening its IT system in order to maintain the integrity, reliability and availability of the information, with minimum business damage. Among other things, the Company conducted a cyber risk survey, presented the conclusions to its board of directors and implemented it in 2023. Furthermore, several other engagements were entered into with external parties to improve the Company’s preparedness for a cyber incident, such as a cyber crisis management company and a company for 24/7 monitoring of the Company’s operations to identify suspicious security incidents. Moreover, the Company has a dedicated cyber board committee that meets several times a year and the Company's board of directors receives a comprehensive review on the subject and discusses its recommendations periodically.

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

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

Appendix A

Description of the operations of GHI Alpha Portfolio LLC

"G Alpha".

The operations of G Alpha are described based on its consolidation, unless explicitly stated otherwise.

A. Description of the general development of the operations of G Alpha and a brief description of the its area of operation

1. G Alpha's operations and a description of its business development

1.1 General

G Alpha is a limited liability company established in the State of Delaware in the USA on October 23, 2023. G Alpha is a wholly owned company of Gazit Horizons Inc. ("Gazit Horizons"), a wholly owned (indirectly) subsidiary of G City Ltd. ("the Company").

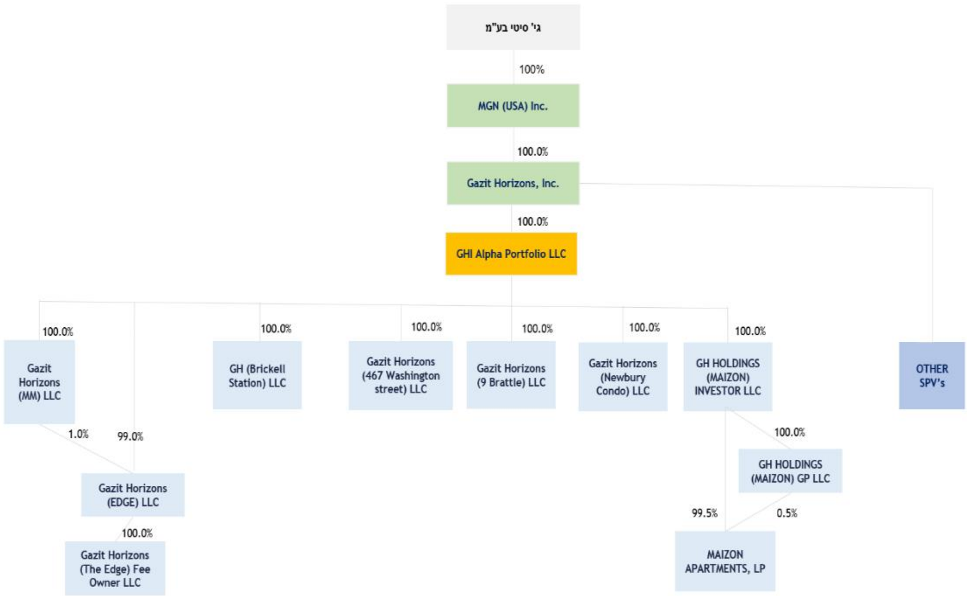
On February 4, 2024, G Alpha and Gazit Horizons engaged in an agreement under which Gazit Horizon transferred to G Alpha, against the allotment of capital, its entire holdings in 6 private companies wholly owned by it, each of which holds an income-generating property, as set out in the chart in section 1.3 below (the "Contribution Agreement").

To date, G Alpha holds (indirectly) six income-generating properties worth a total amount of USD 282.9 million. For information concerning G Alpha properties, see section 6 below.

1.2 In view of the incorporation of G Alpha on October 23, 2023 and the transfer of consolidated companies under the control of Gazit Horizon, as aforesaid, G Alpha has prepared pro forma financial statements that include balance sheets as of December 31, 2023 and 2022, as well as statements of income and statements of cash flows for the years ended December 31, 2023, 2022 and 2021, pursuant to the provisions of Regulation 9A and 38B of the Securities Regulations (Periodic and Immediate Reports), 1970, which reflect the results of G Alpha's consolidated operations, as if its consolidated companies at that date were consolidated in its financial statements throughout the foregoing periods. The description of G Alpha's operations in this chapter, including all the comparable data and financial data therein, constitute pro forma data.

1.3 Structure of G Alpha.

Below is the structure of G Alpha's holdings at the present time:



1.4 Areas of Activity:

G Alpha engages, through the companies under its control, is in the management of income-generating mixed-use real estate properties, including for commercial and residential rental uses, in densely populated urban areas in large cities in the US, mainly in New York, Boston, and Miami, and as of reporting date, it owns 6 income-generating properties worth USD 282.9 million. For further information concerning G Alpha's areas of operations, see section 6.1 below.

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

Since its establishment, as set out above, no investment has been made in G Alpha capital and the controlling shareholders of G Alpha have not made any transactions whatsoever other than the allocation of capital by Gazit Horizon under the Contribution Agreement with the transfer of the properties to G Alpha.

3. Distribution of dividends

3.1 Since the incorporation of G Alpha, as set out above, G Alpha has not distributed any dividends.

3.2 To date G Alpha has no dividend distribution policy.

To date, G Alpha has not assumed any restrictions with regard to the distribution of dividends, other than the restrictions under the deed of trust for Debentures (Series R) of the Company (the "Deed of Trust"). For further information see section 5.11.1.3 of the Deed of Trust.

B. Other information

4. Financial information concerning the Company's operating segments

Below is a breakdown of financial data relating the income and expenses of G Alpha's operations, based on its proforma financial statements as of December 31, 2023 (in USD thousands):

For the year ended December 31, 2023

	Commercial Segment	Residential and Rental Segment	Consolidated
Revenue from external sources	6,296	9,654	15,950
Costs	1,162	4,097	5,259
Operating income	5,134	5,557	10,691
Total assets attributable to the operating segment	128,065	158,318	286,383
Total liabilities attributable to the operating segment	27,112	64,316	91,428

For the year ended 31.12.2022

	Commercial Segment	Residential and Rental Segment	Consolidated
Revenue from external sources	5,778	8,627	14,405
Costs	1,001	3,182	4,183
Operating income	4,777	5,445	10,222
Total assets attributable to the operating segment	122,836	162,192	285,028
Total liabilities attributable to the operating segment	26,795	64,094	90,889

For the year ended 31.12.2021

	Commercial Segment	Residential and Rental Segment	Consolidated
Revenue from external sources	4,232	4,141	8,373
Costs	621	1,734	2,355
Operating income	3,611	2,407	6,018
Total assets attributable to the operating segment	104,837	132,405	237,242
Total liabilities attributable to the operating segment	26,827	64,388	91,215

5. Financial environment and the effects of external factors on G Alpha's operations

For highlights regarding trends, events and developments in the US macroeconomic environment, including entry and exit barriers of the operating sector, which the Company estimates have or are expected to have a material effect on G Alpha's business results or on developments in G Alpha, see sections 5.1 – 5.2, 5.4, 5.6 – 5.11 and section 10.3 of Part A of the Company's periodic report for 2023, to which this Appendix is attached (the "Periodic Report" and "Chapter on the Description the Company's Business", respectively).

C. Description of G Alpha's operating segments

6. General

Through companies under its control, GHI Alpha engages in the management of income-producing properties with potential for redevelopment, focusing on densely populated and central urban areas in major cities across the United States, in New York, Boston and Miami. As of December 31, 2023, G Alpha holds 6 properties through wholly owned subsidiaries.

6.1 G Alpha operates in two operating segments:

- The commercial real estate segment - in this operating segment, G Alpha engages in the management and improvement of income-generating real estate for commercial space;
- Rental residential segment - in this operating segment, G Alpha engages in short term rental of residential apartments.

The rental residential segment focuses on the Maizon Apartments property located in the Brickell district of Miami (as set out in section 6.10 below) and G Alpha's other properties all operate in the commercial real estate segment.

The properties held by G Alpha are exclusive properties in central high-density urban areas, that are rented to individual tenants or to multiple tenants.

6.2 Results of operation

For further information concerning the establishment of G Alpha and the transfer of Gazit Horizon's consolidated companies to G Alpha, see section 1 above.

Below is a breakdown of the condensed operating results (pro forma) for the years ended December 2023, 2022 and 2021 (in USD thousand) according to G Alpha's two operating segments:

Commercial Segment

	For the year ended		
	December 31, 2023	**December 31, 2022**	**December 31, 2021**
	USD thousands		
Total income from the operation	6,296	5,778	4,232
Gains (losses) from revaluations	3,187	(3,840)	9,353
Operating profit (**)	5,124	4,777	3,593
Same property NOI	3,804	3,661	-
Total NOI	5,134	4,777	3,611

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

Residential and Rental Segment

	For the year ended		
	December 31, 2023	**December 31, 2022**	**December 31, 2021**
		USD thousands	
Total income from the operation	9,654	8,627	4,141
Gains (losses) from revaluations	(3,900)	30,495	27,689
Operating profit (**)	5,557	5,445	2,407
Same property NOI	5,557	5,445	-
Total NOI	5,557	5,445	2,407

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

6.3 Macro-economic parameters*:

For further information concerning macro-economic parameters in the United States for 2023 and 2022, see section 10.3 of the chapter on the description of the Company's business, and section 3.3 of the board of directors report as of December 31, 2023.

6.4 Principal aggregate data relating to G Alpha's properties

Below is a breakdown of key data about G Alpha's income-producing properties (*):

Commercial Segment	**At December 31, 2023**	**At December 31, 2022**	**At December 31, 2021**
Total GLA of income-producing properties (consolidated) (sq.m thousands)	10.4	10.4	9.3
Fair value of income-producing properties (consolidated) (USD thousands)	126,339	121,519	104,109
Monthly average rent per sq.ms (USD) (**)	44.66	44.19	34.17
	at December 31,		
	2023	2022	2021
Actual average occupancy rate (*)	97	89%	83%
	for 2023	for 2022	for 2021
	94%	90%	80.0%
Number of yielding buildings	5	5	4
Average yields according to the actual end-of-year value	4.1%	4.1%	3.5%

Residential and Rental Segment	**At December 31, 2023**	**2022**	**2021**
Total GLA of income-producing properties (consolidated) (sq.m thousands)	19.2	19.2	19.2
Fair value of income-producing properties (consolidated) (USD thousands)	156,600	160,500	130,000
Monthly average rent per sq.ms (USD)	40.4	37.57	31.64
	at December 31, 2023	at December 31, 2022	at December 31, 2021
Actual average occupancy rate (*)	93%	96%	100.0%
	for 2023	for 2022	for 2021
	94%	95%	99%
Number of yielding buildings	1	1	1
Average return according to the actual end-of-year value[1]	3.5%	3.35%	3.2%

[1] It is hereby clarified that of the properties included in this table, two properties at value of USD 42 million are land rented to the owners of the existing building by way of ground lease, and an income-producing property with fair value deriving mainly from the value of the land, and therefore the ongoing income is lower than the return from the other three properties included in the table.

6.5 Expected rental income from signed lease agreements

Commercial Segment

Period of recognition of income		Income from fixed components (in NIS thousands)	Number of terminating lease agreements	Area in the terminating agreements (in sq.m thousands)
2024	Quarter 1	1,310	1	-
	Quarter 2	1,315	-	-
	Quarter 3	1,320	-	-
	Quarter 4	1,481	-	-
2025		5,411	1	-
2026		5,449	1	-
2027		5,314	3	1
2028 and thereafter		46,089	11	8
Total		**67,689**	**17**	**9**

(*) Revenue from variable components is negligible.

Residential and Rental Segment

Period of recognition of income		Income from fixed components (in NIS thousands)	Number of terminating lease agreements	Area in the terminating agreements (in sq.m thousands)
2024	Quarter 1	2,302	45	3
	Quarter 2	2,341	72	5
	Quarter 3	2,363	73	6
	Quarter 4	2,361	36	3
2025		41	14	1
Total		**9,408**	**240**	**18**

*) The rental agreements in the rental residential segment are for short term of approximately one year.
**) Revenue from variable components is negligible.

The foregoing information contained in this section is forward-looking information as defined in Section 32A of the Securities Law, based on the Company's estimates, which are based on the information it has to date, and there is no certainty that it will materialize due to factors beyond the Company's control, including as a result of macro-economic effects (as described in sections 5.1 through 5.2, 5.4, 5.6 and 10.3 of the Chapter on the Description of the Company's Business), and as a result of the materialization of risk factors applicable to the Company's operations as set out in section 28 of the chapter on the description of the Company's business.

6.6 In 2021- 2023, G Alpha had no buildings under construction.

6.7 As of December 31, 2023, G Alpha has no inventory of investment real estate.

6.8 As of December 31, 2023, G Alpha does not have a principal tenant[1].

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

6.9 Below is a breakdown of information concerning properties sold and acquired by Gazit Horizons in 2021-2023:

		Year ended		
		December 31, 2023	December 31, 2022	December 31, 2021
Properties acquired	Number of properties acquired during the period	-	1	1
	Cost of properties acquired during the period (USD thousands)	-	20,166	102,311
	NOI of properties acquired (consolidated) (USD thousands)	-	758	2,408
	Area of properties acquired during the period (consolidated) (sq.m thousands)	-	1.1	38.9

* The property that was acquired in 2022 is attributed to the commercial segment and the property that was acquired in 2021 is attributed to the rental residential segment.

6.10 Of the property portfolio, one property is a very material property and one property is a material property, and both together constitute 77% of the value of G Alpha's property portfolio, as set out below:

6.10.1 Maizon Apartments [1]

A. Information of the Company's property at December 31, 2023:

Name and location of property	Maizon Apartments, Brickell, Miami, Florida, USA
Area of the property - divided according to uses	Rental residential - 22,996 sq.m (262 residential apartments); parking lot - 13,251 sq.m; commercial space - 1,243 sq.m[2]
The Company's share in the property	100%
Holding structure of property	The property is directly held (100%) by Maizon Apartments LP (limited partners, where 99.95% is held by GH Holdings (Maizon) Investor LLC and the rest is held by GH Holdings (Maizon) GP LLC. GH Holdings (Maizon) Investor LLC is wholly held by G Alpha, which is wholly held by Gazit Horizons Inc. Gazit Horizons Inc. is wholly held by MGN (USA) Inc., which is wholly held by the Company.
Names of the partners in the property	Not relevant.
	Nonetheless, it is noted that the property is registered as a condominium, and the commercial space located on the entrance level is owned by a third party[3].
Details of legal title to the property	Wholly owned (Fee Simple)
Legal title registration status	The title rights are registered in favor of the holders of the rights in the property.
Substantial unused building rights	Based on the Max Gross Building Area plan, there are building rights of at least 11 thousand sq.m, subject to payment of a tax to the municipality. These rights are not included in the value of the building.
Special matters (exceptions, material construction, soil pollution, etc.)	--
Financial statement presentation method	IFRS (fair value)

1 It is hereby clarified that as the property was acquired by the Company in June 2021, the figures below with regard to 2021, refer only to the period from acquisition by the Company.

2 The commercial space is owned by a third party and not included in the value of the property.

3 For information concerning restrictions applicable to the use of the property under the agreement with the owners of the commercial space, see section G below.

B. Principal data

Data according to 100% (the company's share in the property - 100%)	2023	2022	2021
Fair value at the end of the period (in USD thousands)	156,600	160,500	130,000
Revaluation gains or losses (in USD thousands)	(3,900)	30,495	27,689
Average occupancy (%)	93%	96%	96%
Total revenue (in USD thousands)	9,654	8,627	4,141
Average rent per sq.m (monthly) (USD)	40.4	37.6	31.6
Average annual rental per sq.m in leases signed in the period (NIS)	43.1	39.29	32.21
NOI (in USD thousands)	5,557	5,445	2,407
Adjusted NOI (in USD thousands)	6,430	5,828	2,508
Actual rate of return (%)	3.50%	3.40%	3.20%
Adjusted rate of return (%)	4.10%	3.60%	3.90%
No. of tenants at end of reporting year	243	251	249
Exchange rates	3.627	3.519	3.11

C. Analysis of revenues and costs structure

Below is a breakdown of information concerning the income and expenses applicable to the property as of December 31, 2023, as per the Company’s share in the property (100%), in USD thousand:

	2023	2022	2021
From rentals – Fixed	8871	7,842	3,794
From rentals – Variable	783	785	397
Total revenue	9,654	8,627	4,141
Management, maintenance and operation	4,097	3,182	1,734
Total Expenses	4,097	3,182	1,734
NOI:	5,557	5,445	2,407

D. Principal tenants of the property

The property does not have a principal tenant.

E. Expected income from signed lease agreements

Data according to 100% (the company's share in the property - 100%)	2024	2025*
Fixed components	9,367	41

* As the agreements with the apartment tenants are for a period of up to 15 months, to date binding agreements for these apartments have not yet been signed.

** Revenue from variable components is negligible.

F. Specific financing

Specific financing		Loan A	
Balance in the statement of financial position	December 31, 2023	Presented as short-term loans	
		Presented as a long-term loan (USD million)	63.75
	Fair value at December 31, 2023 (USD million)	52.3	
	Date of receipt of original loan	June 8, 2021	
	Amount of original loan (USD million)	63.75	
	Effective interest rate at December 31, 2012 (%)	Fixed interest of 2.71%	
	Repayment dates of principal and interest	Monthly interest payments, principal will be repaid on January 7, 2028	
	Key financial covenants	Net value[1] of Gazit Horizon will not fall below USD 60 million.	
		Gazit Horizon liquidity will not fall below USD 2 million.	
	Other key conditions (including value of land, progress in construction, progress in leases, key tenants, etc.)	None	
	Note wither a key covenant or other criteria has been violated as of the end of the reporting period	No	
	Is it non-recourse	Yes. Nonetheless, it is noted that in favor of the loan guarantees were given by the parent company Gazit Horizon with regard to certain events of violation of the loan agreement. (For further information regarding the guarantees, see section 6.16 below).	

1 The net value is defined as the total assets net of Gazit Horizon's liabilities.

G. Pledges and material legal restrictions on property

Breakdown concerning mortgages and material restrictions relating to the property at December 31, 2023

Class	Description	The amount is secured by a lien as of December 31, 2023 (in USD thousands)
Liens - first class	A first class mortgage is registered on the property dated June 8, 2021 in favor of a financing institution, as set out in section 1.1.1.6 above.	63,750
Liens - second class	Not relevant	
Restriction on the condominium building	There is a restriction under the local law prohibiting the registration of rental apartments as a condominium until June 2030.	
Restriction on the use of part of the parking areas*	The owners of the areas for commercial use in the property is the exclusive holder of rights of use of 74 parking spaces.	
Restriction on rezoning*	Rezoning of residential use to any other use requires the agreement of the owners of the commercial space in the property	
Restrictions on structural changes in the property	Restrictions concerning construction changes on the building that will materially affect the operating systems of the property, the operating costs, access, etc.	
Restrictions on transfer*	It is prohibited to transfer the property in parts	
Operational restrictions*	Restrictions concerning the use of the common areas of the property	

* The foregoing restrictions are according to the agreement with the owners of the commercial space in the building.

H. Details regarding the valuation

Information concerning a valuations conducted by external valuators and by the Company of the property for 2021, 2022 and as of June 30, 2023, on the relevant dates:

	Nominal value (in USD thousands)	Identity of appraiser	Is the valuator independent	Is there an indemnification agreement	Effective date of valuation	Valuation model
2023	156,600	Newmark	Yes	No	June 30, 2023	Discounting of revenue
2022	160,500	Internal valuator	No	No	December 31, 2022	Discounting of revenue and DCF
2021	130,000	Cushman & Wakefield	Yes	No	September 30, 2021	Discounting of revenue and DCF

Key parameters used for the valuation as of June 30, 2023 (DCF method)

Section	2023	2022	2021
GLA taken into account in the calculation (sq.m)	19,209	19,209	19,209
Occupancy rate in year +1 (%)	N/A	96%	N/A
Occupancy rate in year +2 (%)	N/A	96%	N/A
Representative occupancy rate of the leasable area used for the valuation (%)	95%	96%	97%
Average monthly rentals per sq.m leased in year 1 for valuation purposes (USD)	N/A	48.27	N/A
Average monthly rentals per sq.m leased in year 2 for valuation purposes (USD)	N/A	49.72	N/A
Average representative monthly rentals per sq.m leased for valuation purposes (USD)	45.93	42.11	31.58
Representative cash flow / representative NOI used for valuation purposes (USD) **	6,655	6,914	4,537
Discounting rate used for valuation purposes (%)	4.25	4.25	3.5
Sensitivity analysis for value	**Changes in value (in USD thousands)**		
Occupancy Rates			
Rise of 5%	11,130	12,218	
Decrease of 5%	(12,382)	(10,801)	
Discounting rate			
Rise of 0.25%	(8,707)	(7,494)	
Decrease of 0.25%	9,779	8,377	
Average rent per square meter			
Rise of 5%	11,811	10,815	
Decrease of 5%	(11,825)	(10,865)	

** Generally accepted index in the income-producing real estate sector, reflecting operating profit after deducting operating expenses, but before deducting financing expenses.

6.10.2 The Edge, a 5.5 thousand sq.m shopping center that is part of a mixed-use project located on the Williamsburg beach front neighborhood in Brooklyn, New York, which as of December 31, 2023, was valued at USD 61 million. The property is leased at 94.5%.

Breakdown of additional information regarding The Edge:

The Edge			**Note - in USD millions, unless stated otherwise**												**Additional information required under Regulation 8B(9), in the event that a material valuation or very material valuation was used to determine the value of the data**			
Region		Year/Period	Carrying value at end of period (USD million)	Fair value at the end of the period (USD million)	Revenue from rental in the period (USD million)	Actual NOI in the period (USD million)	Actual rate of return (%)	Adjusted yield rate (%)	Yield rate over cost (%)	Property value to debt ratio (LTV) (%)	Valuation gains (losses)	Occupancy rate at end of the period (%)	Average rent per sq.m / month (USD)	Average income per sq.m / year (EUR) (*)	Valuation date	Name and experience of valuator	Valuation model used by the Valuator	Additional underlying discounting rate assumptions (%)
Functional currency	USD																	Terminal Cap 5.75%
Primary use	Retail (shopping center)	2023	61	61	3.4	2.9	5.20%	5.30%	6.80%	43%	3.4	94.5%	46.06	552.68	Q3-23	Newmark Valuation & Advisory	Blended sales comparison and income capitalization	
Original cost	47.3																	DCF Discount Rate 6.75%
Company's share in property (%) (capital rights/voting rights)	100%	2022	57	57	3.4	3.1	5.40%	5.50%	6.50%	46%	(0.3)	100%	46.62	559.49	Q3-22	Newmark	Blended sales comparison and income capitalization	Terminal Cap 5.5%
																		DCF Discount Rate 6.5%
Gross area (sq.m)	5,516	2021	57.3	57.3	3	2.7	4.70%	5.30%	5.70%	45%	9.9	89%	41.97	503.64	Q3-21	CohnReznick	Blended sales comparison and income capitalization	Terminal Cap 5.0%
Retail GLA (sq. m)	5,516																	

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

The property has 3 tenants the cumulative revenue from which (of the total revenue of the commercial center) is 55.8%. The rental agreements with these tenants are for periods ranging from 6 to 22 years, with the date of termination of the agreement with one of the tenants December 31, 2027. As a rule, the rental fees are made up of a base rental fee only that can be increased each period, and all as set out in the agreement.

6.11 Human capital

As of December 31, 2023, G Alpha does not have any employees. G Alpha receives services from Gazit Horizon free of charge.

6.12 Marketing and Distribution

For further information, see section 13 of the Description of the Company's Business.

6.13 Competition

For further information, see section 14 of the Description of the Company's Business.

6.14 Fixed assets

The fixed assets of G Alpha include, mainly, improvements of the rented space and office equipment of negligible value.

6.15 Working capital

Breakdown of composition of working capital - as of December 31 2023, G Alpha's working capital with regard to the properties consists mainly of cash and cash equivalents, receivables and payables in the amount of USD 2,273 thousand. With regard to G Alpha's comprehensive liabilities, working capital consists mainly of trade and other payables in an amount of USD 937 thousand.

6.16 Financing

A. G Alpha finances its operations mainly from its ongoing operations, its equity and bank loans received by the companies under its control. G Alpha, through the companies under its control, customarily assumes loans at various average duration depending on its investments, which bear variable or fixed interest rates and is backed by mortgages on some of the properties that it owns.

Information concerning financing activities of G Alpha and its subsidiaries.

B. G Alpha's liabilities

As of December 31, 2023, G Alpha's interest bearing liabilities to banks and others amounted to USD 90 million (excluding changes in liabilities compared to December 31, 2022 and as of December 31, 2021) The total liabilities are with respect to mortgages against real estate, as set out below.

G Alpha and its subsidiaries have two bank loans secured by liens on two of G Alpha's properties, as of December 31 2023 they amounted to USD 90 million (unchanged compared to December 31, 2022 ,and December 31, 2021). The foregoing debt bears fixed interest at a weighted rate of 2.98% and average duration of 4.4 years, as set out below:

- A loan agreement between Maizon Apartments LP (a wholly owned subsidiary of G Alpha that holds the rights to the Maizon property) and a US institutional investor from January 2021, for an amount of USD 63.75 million, secured with a mortgage on the Maizon property and with Gazit Horizon guarantees. The loan is until January 2028 and bears fixed interest[38] . For further information, see section 6.10.1(F) above

- A loan agreement between Gazit Horizons (Edge) Fee Owner LLC (DE) (a wholly owned subsidiary of G Alpha that holds the rights to The Edge property) and a US institutional investor from August 2014, for an amount of USD 26 million, secured by a mortgage on the Edge property, and guarantees provided by the Company. The loan is until May 2026 and bears fixed interest[39].

38 Guarantees provided by the Company and Gazit Horizon for loans are "bad boy" guarantees, i.e. guarantees under which, in certain cases (inter alia, violations of the agreement relating to insolvency of the relevant borrower corporation, prohibited transfer of the property, etc.) the lender will have the right to claim repayment from the guarantor.

39 See footnote 8 above.

C. Restrictions on obtaining credit and cross default mechanisms in G Alpha’s credit agreements:

The credit documents of some of G Alpha's subsidiaries contain restrictions and financial criteria that include, among other things, criteria relating to a specific level of credit, such as Gazit Horizon's minimum equity, Gazit Horizon's minimum liquidity balance, provisions regarding the transfer of ownership in the specific companies (giving prior notice, restrictions on change of control, etc.) and restrictions regarding the these companies being 'special purpose entities' (restrictions with regard to assuming obligations outside the normal course of business, restrictions on pledging assets, etc.). Moreover, these agreements include restrictions on distribution of dividends in breach events.

The financing agreements contain additional conventional terms and conditions for calling loans for immediate repayment (subject to materiality and relief periods), including: Default on repayment, breach of undertaking or representation under the relevant agreement, certain material legal proceedings (including with regard to liquidation, receivership and asset sale and execution), among others. In the event of cause for immediate repayment, the relevant lender will be entitled to exercise any right available to them under the relevant loan agreement, including calling for immediate repayment of the entire debt, including fines for early repayment, initiation of enforcement procedures[40], including appointment of a receiver and other remedies as is customary in agreements of this type, which may result in breaching other G Alpha financing agreements. Nonetheless, G Alpha's financing agreements do not include a cross default mechanism.

As of December 31, 2023 and immediately prior to the date of approval of this report, G Alpha and its wholly-owned subsidiaries are in compliance with all covenants prescribed with respect to them.

D. Below is a breakdown of the material financial covenants included in G Alpha’s credit agreements and its compliance with them as of reporting date:

Covenant	Required minimal ratio	Covenant calculation As of December 31, 2023
Minimum net value[41] of Gazit Horizon	USD 60 million	USD 507 million
Gazit Horizon liquid balances	USD 2 million	USD 9 million
Net value[42] of G City	USD 50 million	USD 1.3 million
G City liquid balances	USD 1 million	USD 192 million

As of December 31, 2023 through to close to reporting date, G Alpha did not assume any new credit.

40 In the event of exercising procedures, the party that will step into the shoes of the borrower will be required to comply with the conditions set out in the loan for transfer, and will also be required to comply with all the borrower’s obligations under the loan agreements.

41 The net value is defined as the total assets net of Gazit Horizon’s liabilities.

42 This value as determined by the Company based on GAAP and which reasonably approved by the lender

6.17 Taxation

For further information regarding the tax laws applicable to GHI Alpha and the Company's consolidated subsidiaries in the United States see Note 23 to the Company's consolidated financial statements for 2023.

6.18 Quality of the Environment

A. The environmental issue is managed by G City Group executive managers who also consult with external advisors who promote the issue. For further information, see section 21 of the Company's periodic report.

The Company has a code of social responsibility that also applies to G Alpha, which, among other things, presents the Company's policy on environmental and community issues. Social responsibility was and will continue to be an issue that reflects the Company's positive and active approach to environmental and community issues.

B. Due to their real estate holdings, G Alpha and its subsidiaries are subject to federal, state and local environmental legislation and regulation. In this regard, they could be held responsible for and be required to bear the costs involved in clearance and reclamation with respect to various environmental hazards, pollution, and toxic materials that are found at, or are emitted from, their properties (and could also have to pay fines and compensation with respect to such hazards). Such costs could be high and could even exceed the value of the relevant properties. Failure to remove these hazards could have a detrimental effect on the ability of G Alpha and its subsidiaries to sell, rent or pledge the properties at which such hazards are found, and could even result in legal action. As of December 31, 2023, G Alpha and its subsidiaries are acting to correct environmental defects or hazards that they have identified, but there is no certainty that additional environmental defects or hazards won't be discovered in the future, including such that were created during the period when the properties were owned by the third parties from whom the properties were acquired and which have not yet been discovered. Furthermore, future changes in environmental laws (that have become more stringent over the past few years) could have a material effect on G Alpha's status, from the operational and the financial aspects. As of December 31, 2023, G Alpha believes that the costs expected to be incurred with respect to its liability for environment-related damages are not material to G Alpha and its subsidiaries.

6.19 Restrictions and Supervision of the Corporation's Operations

G Alpha's operations are subject to various laws and regulations in the United States concerning various issues as is customary with regard to the development and operation of commercial real estate properties in those regions and including the following issues: Planning and construction laws, regulation regarding the establishment and development of real estate properties, State and municipal regulations concerning licensing for the use of the properties and their operation, laws concerning accessibility, laws pertaining to the protection of the environment and antitrust laws. Moreover, as part of their ongoing operations, G Alpha and its subsidiaries are subject to regulation in additional areas such as laws pertaining to protection of privacy, taxation, intellectual property and others.

6.20 Legal proceedings

As of reporting date, there are no legal proceedings to which G Alpha and/or its subsidiaries are party.

6.21 Goals, business strategy, and projected developments for the coming year

G Alpha is a special purpose company established for the purpose of securitization of several properties and is wholly owned and controlled by Gazit Horizon. The business strategy presented below is Gazit Horizon's business strategy, which is also relevant for G Alpha.

Below is a summary of the core issues of the strategy of G Alpha and its subsidiaries: The strategy and objectives, as aforesaid, will be reviewed from time to time, against the developments in G Alpha's business and macroeconomic environment:

To focus investment on a number of income-producing and rental residential properties on the US East Coast, aiming to improve them and generate value, and if possible on mixed-use strong properties in key cities, in densely populated areas, that are, if possible, connected to or close to public transportation (such as: train stations, bus stops, etc.) and with high walkability index.

Selective and rational activity in the rental sector, management and redevelopment of income-producing properties, in the commercial sector, office and residential or mixed-use sectors, with the aim of increasing the yield and upgrading the existing property portfolio.

Active management – operations in the United States are conducted through experienced local management. Expertise, knowledge, experience, contacts and familiarity with the business environment enable G Alpha to pursue a pro-active strategy that is intended to advance internal growth, inter alia, by adapting G Alpha's properties to developments in the market, hedging and high positioning of the existing properties portfolio.

The Company's estimates regarding the manifestation of the foregoing strategy, constitute forward-looking information as defined in the Securities Law – 1968. These estimates are based on the Company's plans and its assumptions as of this date. These estimates are uncertain and may not materialize or may materialize in part, and the Company's management may deviate from them or change them, depending on various factors, including macroeconomic conditions beyond the Company's control, such as continuing inflation, rising interest rates, the effects of territorial events, and the outcome of materialization of the risk factors applicable to the Company's operations as set out in section 28 of the chapter on the Description of the Company’s Business and their effects on the global economic situation.

The aforesaid goals are forward-looking. They constitute a vision and goals, which are based to a significant extent on expectations and assessments with respect to economic and other (industry-related and general) developments, and their interrelationships. G Alpha’s foregoing investment plans of are subject to its free cash flow and financial capabilities, as well as the investment opportunities and the economic and financial conditions in these markets, as well as special situations (such as the global Covid pandemic and the war between Russia and Ukraine). The Company and G Alpha cannot be certain that their expectations and assessments will indeed be realized, including with respect to their ability to realize their vision and to achieve the goals that they have set for themselves, including G Alpha’s investment plan, which, to a significant extent, are also based on factors that are inherently beyond their control. It is also hereby clarified that the management of the Company and G Alpha will from time to time review G Alpha’s plans and will update them according to such and other changes. It is hereby clarified that G Alpha’s operating results, including its investment goals, may differ materially from the plans and results estimated or implied by this information.

6.22 G Alpha’s risk factors

For further information concerning G Alpha risk factors see section 28 in the chapter on the description of the company’s operations in the Period Report, noted here by way of reference. The risk factors set out in the foregoing Periodic Report refer to the risk factors for the Company and that also have direct and/or indirect consequences on the operations of G Alpha, excluding specific risk factors that are not relevant to the operations of G Alpha, as set out below: Section 28.1.2 (exchange rate fluctuations), section 28.1.3 (changes in capital markets), section 28.1.6 (investments in developing countries), section 28.2.5 (legislative and regulatory requirements with regard to the Companies Law, Securities Law and Market Concentration Law), section 28.3.4 (entering new sectors of operation and operating regions), section 28.3.5 (failure in implementing strategic acquisitions), section 28.3.6 (the Group's holdings structure).

CHAPTER B

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

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G CITY LTD.

Directors’ Report to the Shareholders
For the year ended December 31, 2023

The Board of Directors of G City ltd. (the “Company”) is pleased to present the Directors’ Report of the Company for the year ended December 31, 2023 (the “Reporting Date”):

1. The Company and its Operations

1.1. Overview

The Company, directly and through its public and private investees[1] (collectively: the "**Group**"), engages in operating, improvement, development and acquisition of income-producing properties for mixed-use, including retail, office and residential located in in North America, Israel, Brazil, Northern and Central Europe with the focus on densely populated urban cities.
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 focusing on properties and areas which have a potential for increasing building rights, value appreciation and cash flows growth by proactive management, improvement, addition of uses, development and redevelopment, and the Company evaluates opportunities within its core business and similar fields in other regions, 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.(**G Europe**), which operates in Central Europe, through Gazit Horizons Inc. (“**Gazit Horizons**”) in the U.S.A and a subsidiary operating in Canada ("**Gazit Canada**"), including through partnership "Gazit Tripllle".

Additionally, the company operates in Brazil through Gazit Malls FII, a real estate[2] investment fund under the (indirect) Company’s control, incorporated in Brazil which was listed in an IPO for trading in February 2024 ("**Gazit Malls**") (as detailed in section c below), as well as through other wholly-owned subsidiaries of the company ("Gazit Brazil"). In addition, the group operates in Northern Europe through a public sunsidiary, with a similar strategy, in which the Company is the largest shareholder. These operations are conducted through Citycon Oyj. (“**CTY**”).

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. Disposal of non-core properties or properties that the company has fully appreciated. As part of this, from the beginning of 2023 and up to the publication of this report, the company and its fully owned subsidiaries completed the sale of properties totaling NIS 2.9 billion. For further details, refer to the section below.

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 February 1, 2024, the initial public offering (IPO) of Gazit Malls was completed in the amount of BRL 301 million (NIS 226 million), by way of a tender offer of part of the Company's holdings[3].
Within 30 days after the offering, the Company repurchased 223 thousand shares during trading in an amount of BRL 16 million, as part of an enhanced market making program that was announced at the time of the initial offering.

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

[2] ‘FII’ – Fundo De Investimento Imobiliario.

[3] For further details, refer to the immediate reports from 12.31.2023, 1.28.2024 and 2.1.2024 (reference: 2023-01-118024, 2024-01-010548, and 2024-01-012318, respectively), which are included on the referral.

d. During the Reporting period, the company's board of directors decided not to distribute dividends to the company's shareholders for the quarters of 2023. Also, on March 28 2024, the company's board of directors decided not to distribute dividends to the company's shareholders for the first quarter of 2024. The company's board of directors will review and consider the dividend distribution policy for 2024, considering the progress of the property disposition plan, as announced by the company on October 25, 2022, which has been updated from time to time, as stated above, 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 disposition plan for non-core group properties, which is updated from time to time ("**the Property Disposition Plan**"). According to the Property Disposition Plan, the company intends to sell properties with a total value of NIS 7.0 billion in Europe, Brazil, the United States and Israel.
As of the date of the plan's publication until the publication date of this report, the company and its fully owned subsidiaries have entered into binding agreements for the sale of properties totaling NIS 4.0 billion, at book values (excluding the sale of assets in Russia).
The actual dispositions 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.

Below is the breakdown of properties dispositions (in NIS millions)[1]

	Completed	In advanced negotiation	In Marketing	Total
G Europe	2,816	1,096	1,278	5,190
G Israel	154	-	145	299
Gazit Horizons	567	-	-	567
Gazit Brasil*	498	368	38	904
Total carrying amount	4,035	1,464	1,461	**6,960**

Furthermore, a wholly owned subsidiary of the company has completed secured financing agreements for properties in Europe in the amount of EUR 237 million, and the company intends to obtain secured funding for some of which non-binding letters of intent have been received, secured for debt-free properties (primarily in Europe[2]) in an aggregate amount of over EUR 235 million.
The company's estimations regarding the sale of properties and their financing, including the scope of properties to be implemented, the consideration to be received, implementation timelines, funding receipt, and their scope 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 disposition beyond what is detailed above.

[1] For further details regarding the properties disposition refer to section 1.1 to description of the Company’s business.

[2] Including properties in the amount NIS 910 million for which the company intends to receive financing as a preliminary step before their sale.

1.2. Group Properties as of December 31, 2023

	Country of operation	Holding interest	Income-producing property	Properties under development	Other assets	GLA (sq.m thousands)
CTY	Finland, Norway, Sweden, Estonia and Denmark	50.9%	34	-	-	1,011
G Europe	Poland and Czech Republic	100.0%	15	-	-	400
Gazit Brasil	Brazil (Sao Paulo)	100.0%	6	-	1	150
G Israel	Israel	100.0%	10	3	-	156
Gazit Horizons	USA	100.0%	11	3	1	67
Gazit Canada	Canada	100.0%	1	-	-	18
Total carrying amount			**77**	**6**	**2**	**1,820**
Jointly controlled properties (proportionate consolidation)			8	-	-	79
Total			**85**	6	**2**	**1,881**

		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	15,450	27	-	15,477
G Europe	Poland and Czech Republic	8,179	326	669	9,174
Gazit Brasil	Brazil (Sao Paulo)	2,387	-	67	2,454
G Israel	Israel	3,679	364	753	4,796
Gazit Horizons	USA	1,582	923	204	2,709
Gazit Canada	Canada	183	-	-	183
Total carrying amount		**31,460**	**1,640**	**1,693**	**34,793**
Jointly controlled properties (proportionate consolidation)		1,356	342	-	1,698
Total		**32,816**	**1,982**	**1,693**	**36,491**

1. Including the expansion of income-producing properties

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

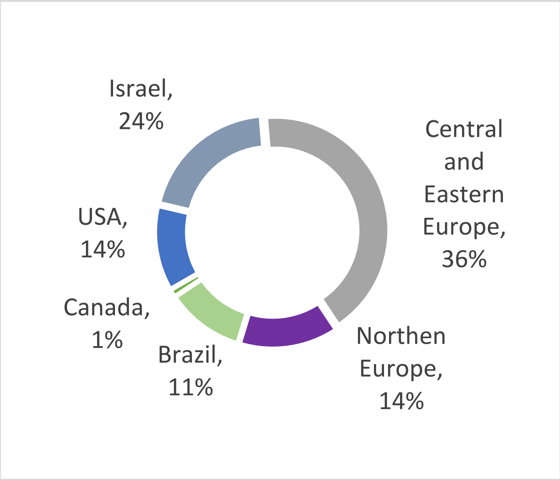
	Country	Number of Properties	Carry amount in NIS
G Europe	Czech Republic	2	2,075[1]
G Brasil	Brazil (Sao Paulo)	1	347
Gazit Horizons	USA	1	555
Total carrying amount		**4**	**2,977**[2]

[1] Including a property in Romania in the amount of NIS 28 million.

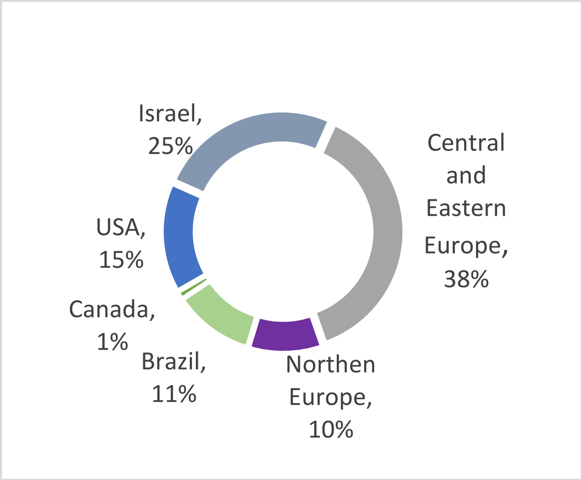
[2] A total of NIS 1,590 million was completed from the balance after the reporting date.

1.3. Breakdown of the Company's investments by regions (on an expanded Solo basis) as of December 31, 2023:

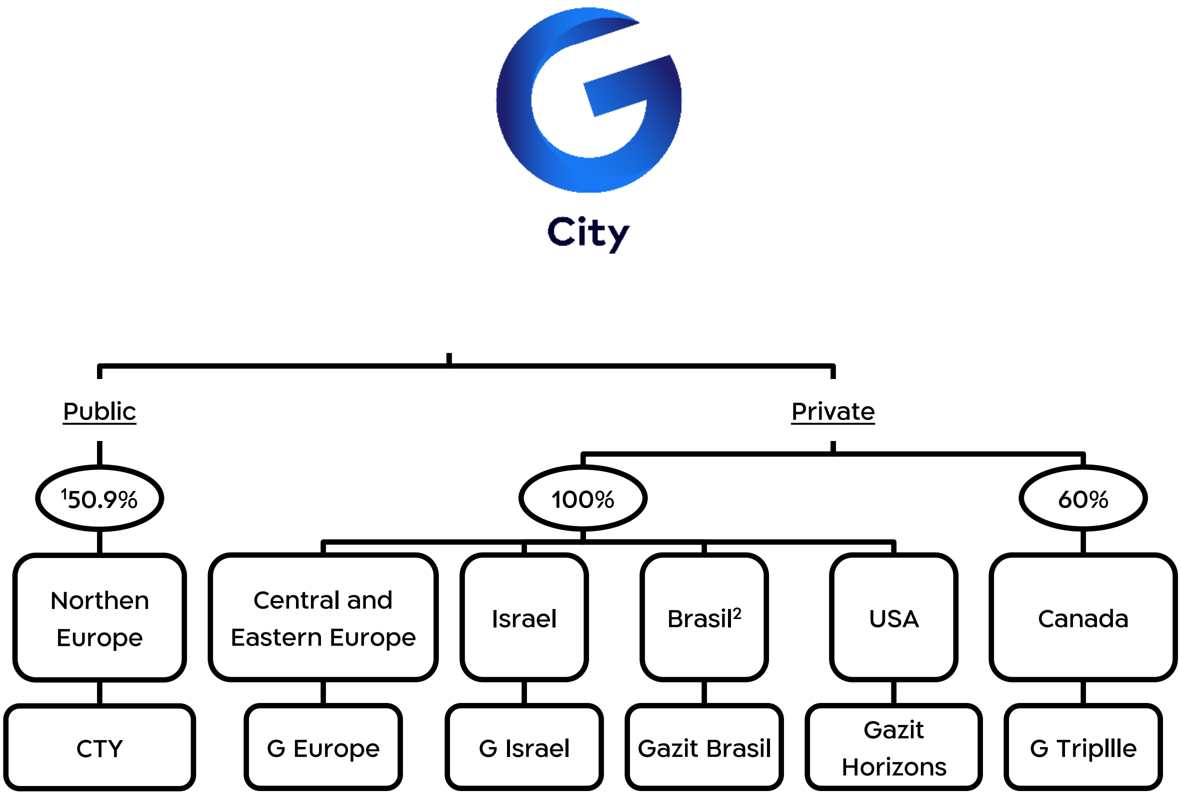
Carrying amount



Market Value



1.7. The Company's Major Holdings (holding structure and interests as of December 31, 2023):



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1 For details regarding the issuance of shares in CTY, after the reporting date, and the company's participation in the issuance and the reduction to a holding rate of 49.6%, refer to note 8d5 to the financial statements.

2 For details regarding the issuance of part of the activity in Brazil in January 2024, refer to note 5a to the financial statements.

1.8. Highlights– 2023 (the "Reporting Period")

(NIS millions, other than per share data)	December 31		
	2023	2022	
Net debt to total assets (Expanded Solo)[1]	66.6%	67.6%	-
Net debt to total assets (Consolidated)[1]	62.0%	60.0%	-
Equity attributable to equity holders of the Company	4,837	5,016	-
Equity per share attributable to equity holders of the Company (NIS)	26.0	30.1	-

	For the year ended December 31		
	2023	2022	Change
Rental income and others	2,438	2,303	5.9%
NOI[2]	1,667	1,583	5.3%
NOI adjusted for exchange rates changes	1,667	1,759	(5.2%)
NOI excluding Russia's activity	1,630	1,472	10.7%
Cash flows from operating activities per share - expanded Solo (NIS)[3]	2.33	2.38	(2.1%)
FFO[4]	505	424	19.1%
Diluted FFO per share (NIS)[4]	2.85	2.59	10.0%
FFO adjusted for exchange rates	505	505	-
FFO per share adjusted for exchange rates changes (NIS)	2.85	3.07	(7.2%)
FFO excluding Russia's activity	485	329	47.4%
FFO per share excluding Russia's activity	2.74	2.00	36.9%
Number of shares used in calculating the diluted FFO per share (in thousands)	177,052	164,362	7.7%
Acquisition, construction and development of investment property	1,491	1,359	-
Disposal of investment property	1,386	1,918	-
Fair value gain (loss) from investment property and investment property under development, net	(767)	(450)	-
Net income (loss) to shareholders of the Company	(1,203)	(1,340)	-
Diluted net earnings (loss) per share (NIS)	(6.79)	(8.15)	-
Cash flows from operating activities	650	648	-

1 The impact of increasing non-controlling interests as a result of issuing part of the operations in Brazil on this ratio is a reduction of 1.1%, without taking into account the effects of any additional actions known until the date of publication of this report. For details regarding the net debt to total assets (consolidated), which includes the accrued interest, refer to section 7i below.
2 NOI ("Net Operating Income") – Rental income, net of property operating expenses.
3 Refer to section 2.2 below.
4 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.

1.8. **Highlights– 2023 (the "Reporting Period") (cont.)**

- As of December 31, 2023, the Company and its subsidiaries have liquidity including revolver undrawn credit facilities available for an immediate drawdown of NIS3.0 billion (of which NIS 1.2 billion in the Company and wholly-owned subsidiaries which includes cash and cash equivalents, marketable securities and short-term deposits of NIS 0.6 billion). The liquidity balance and undrawn credit facilities as of the reporting date is in the amount of NIS 1.7 billion. This is including, among other things, the issuance of a new series of debentures (Series R), the completion of the sale of a property in the Czech Republic, and the offering of part of the operations in Brazil.
- As a result of fluctuations in currency exchange rates of the US dollar, the Canadian dollar, the Euro and the Brazilian real against the NIS, the equity attributable to the Company's equity holders increased in the 2023 by NIS 625 million (net of the effect of cross-currency swap transactions).
- In general, fluctuations in the exchange rates of the US dollar, the Canadian dollar, the Euro and the Brazilian real against the shekel have the following effect:
  - The appreciation of these currencies against the shekel has a positive effect on the Company's assets, shareholders' equity, NOI and economic FFO due to the translation of the foreign currency into shekels at higher rates. On the other hand, the appreciation will result in a negative impact on the Company's net income through the increase in financing expenses due to the revaluation loss on the hedging instruments (the financial derivatives) which is reflected in the income or loss statements through an increase in financing expenses.
  - A devaluation of these currencies against the shekel has a negative effect on the on the Company's assets, shareholders' equity, NOI and Economic FFO and, on the other hand, a positive effect on the Company's net income through the decrease in financing expenses due to the revaluation gain on the hedging instruments which is reflected in the income or loss statements through a decrease in financing expenses.

1.9. Highlights– Fourth Quarter of 2023 (the "Quarter")

(NIS millions, other than per share data)	For the 3 months ended December 31		
	2023	2022	Change
Rental income and others	657	601	9.3%
NOI	422	400	5.5%
NOI, adjusted for exchange rates changes	422	452	(6.6%)
NOI excluding Russia's activity	422	372	13.4%
Cash flows from operating activities per share - expanded Solo (NIS)[1]	0.43	0.39	10.3%
FFO[2]	140	79	77.2%
FFO per share (NIS)[2]	0.78	0.48	62.5%
FFO adjusted for exchange rates changes	140	100	40.0%
FFO, adjusted for exchange rates changes	0.78	0.61	27.9%
FFO excluding Russia's activity	140	54	159.3%
FFO per share excluding Russia's activity (NIS)	0.78	0.33	136.4%
Number of shares used in calculating the diluted FFO per share (in thousands)	179,659	166,573	7.9%
Acquisition, construction and development of investment property	244	300	-
Disposal of investment property	-	940	-
Fair value gain (loss) from investment property and investment property under development, net	(711)	(858)	-
Net income (loss) attributable to shareholders of the Company	(284)	(929)	-
Diluted net earnings (loss) per share (NIS)	(1.58)	(5.75)	-

[1] Refer to Section 2.2 below.

[2] The FFO (Funds from Operations) are presented according to the management approach and EPRA guidelines.

- As a result of the exchange rate changes of the of the US dollar, the Canadian dollar, the Euro and Brazilian real against the NIS, the equity attributable to Company shareholders increased in the Quarter by NIS 183 million (net of the effect of hedging transactions).

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

2.1. Summary of the Company's holdings as of December 31, 2023:

Name of company/Region	Type of security/ property	Quantity (millions)	Holding interest (%)	Carrying amount (NIS millions)	"Market value as of 31.12.2022 (NIS in millions)"
CTY	Shares (OMX)	87.6	50.9	2,765	1,827
Israel	Income-producing property and land	-	-	4,790	-
Brazil	Income-producing property and land	-	-	2,106	-
USA	Income-producing property and land	-	-	2,780	-
Canada	Income-producing property	-	-	225	-
Europe	Income producing property and land	-	-	7,184	-
Total assets				**19,850**	

The Company's monetary balances (including balances of its privately-held subsidiaries and G Europe) ("expanded Solo") as of December 31, 2023 (NIS millions):

	NIS in millions
Debentures of the company	7,542
Debentures of G Europe	2,256
Debts to financial institutions	7,231
Total debentures and debts to financial institutions (*)	17,029
Other monetary liabilities	1,091
Total monetary liabilities	18,120
Less - monetary assets[2]	4,832
Less - other invetments[3]	75
Total liabilities, net[4]	**13,213**

The Company's monetary balances (including balances of private subsidiaries) ("expanded Solo") as of December 31, 2023 (NIS million):

Year	Debentures	Debentures of G Europe	Financial Institutions		Mortgages[5,6]	Total	%
			Secured[5,6]	Unsecured			
2024	1,199	-	1,174	36	392	2,801	16
2025	1,180	1,310	85	36	396	3,007	18
2026	1,138	-	14	36	857	2,045	12
2027	1,321	946	25	218	547	3,057	18
2028	1,205	-	31		1,495	2,731	16
2029	1,189	-	37		162	1,388	8
2030	-	-	45		847	892	5
2031 onwards	310	-	378		420	1,108	67
Total	**7,542**	**2,256**	**1,789**	**326**	**5,116**	**17,029**	**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, short term traded securities and deposits in the amount of NIS 0.6 billion, properties held for sale in the amount of NIS 3.0 billion, loans and receivables totaling in the amount of NIS 0.8 billion and. from 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 1,065 million, deferred tax liability in the amount of NIS 515 million with respect to investment property and other investments and NIS 220 million in non-controlling interestsin part of the company's properties.

5 The repayment dates of the mortgages include the mortgages attributed to properties held for sale in the years 2027, 2028 and 2031 and thereafter in the amount of NIS 466 million, NIS 405 million and NIS 487 million, respectively.

6 Until the publication of the report, the company entered into extension agreements for secured credit lines and mortgages to financial institutions in the amount of NIS 1.2 billion with repayment dates of 2024 for the years 2027 and 2028.

2.2. Cash flows from operating activities - expanded Solo:

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

	Year ended December 31		For the 3 months ended December 31	
	2023	2022	2023	2022
	NIS millions (other than per share data)			
Dividends from public investees	179	158	46	40
EBITDA from private companies, net of Capex and other income*	892	808	204	175
Total income	**1,071**	**966**	**250**	**215**
General and administrative expenses	(68)	(71)	(10)	(16)
Interest expenses, net	(576)	(487)	(158)	(129)
Taxes	(14)	(16)	(4)	(5)
Total expenses	**(658)**	**(574)**	**(172)**	**(150)**
Cash flows from operating activity	**413**	**392**	**78**	**65**
Cash flows from operating activity per share (NIS)	**2.33**	**2.38**	**0.43**	**0.39**

* Includes income from early redemption of interest-bearing debt and capital expenditures on assets (CAPEX) in the amount of NIS 60 million and NIS 15 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.

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

	For the year ended December 31			For the 3 months ended December 31	
	2023	2022	2021	2023	2022
	(NIS millions, other than per share data)				
Net income (loss) attributable to shareholders of the Company for the period	**(1,203)**	**(1,340)**	**646**	**(284)**	**(929)**
Adjustments:					
Fair value loss (gain) from investment property and investment property under development, net	767	450	(621)	711	858
Capital loss (gain) on disposition of investment property	681	116	43	5	84
Changes in the fair value of financial instruments, including derivatives, measured at fair value through profit or loss	130	988	(580)	(22)	219
Adjustments with respect to equity-accounted investees	(48)	47	(15)	17	45
Deferred taxes and current taxes with respect to disposal of properties	94	(340)	629	11	(236)
Acquisition costs recognized in profit or loss	-	1	4	-	1
Non-controlling interests' share in above adjustments	(275)	(98)	100	(317)	(146)
Nominal FFO (EPRA Earnings)	**146**	**(176)**	**206**	**121**	**(104)**
Additional adjustments:					
CPI Linkage and exchange rate differences	328	539	212	(21)	96
Amortization and depreciation	24	20	20	7	5
Other adjustments(1)	23	139	29	13	106
FFO according to the management approach (Adjusted EPRA Earnings)	521	522	467	120	103
FFO per share adjusted for exchange rates according to the management approach (NIS)	2.94	3.18	3.07	0.67	0.62
Gain from early redemption of hybrid debentures	97	-	-	46	-
Coupon for hybrid bonds	(113)	(98)	(72)	(26)	(24)
FFO according to the management approach (Adjusted EPRA Earnings)	**505**	**424**	**395**	**140**	**79**
FFO per share according to the management approach (in NIS)	**2.85**	**2.59**	**2.60**	**0.78**	**0.48**
FFO adjusted for exchange rates according to the management approach (NIS)	**505**	**505**		**140**	**100**
FFO per share adjusted for exchange rates according to the management approach (NIS)	**2.85**	**3.07**		**0.78**	**0.61**
Number of shares used in calculating the diluted FFO per share (in thousands) (2)	**177,052**	**164,362**	**151,976**	**179,659**	**166,573**

As of the reports for the first quarter of 2023, the company stopped neutralizing from the FFO calculation the gain/loss component from early repayment of interest-bearing debt and added the profit/loss component from the early redemption of hybrid debentures, reflecting the gain/loss from recurring cash flows of the company's operations as part of its normal course of business. This is because the company believes this approach better represents the calculation of its FFO by taking into account the use of its financial resources, including the proceeds to be received from the large-scale Disposition 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 and hybrid 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. The total gain from early redemption of interest-bearing debt included in the FFO calculation for 2023, 2022 and 2021 is NIS 160 million, NIS 38 million and NIS 0 million, respectively, and for the 3 months ended December 31, 2023 and 2022, it is NIS 33 million and NIS 36 million, respectively.

1 Income and expenses adjusted against the net income (loss) for the purpose of calculating FFO, which include non-recurring expenses including expenses arising from the termination of engagements with senior Group officers, share-based compensation expenses and the adjustment of expenses.

2 Weighted Average for the period.

Below is the breakdown of the FFO sources

(NIS millions, other than per share data)	For the year ended December 31		
	2023	2022	2021
Income			
NOI from investment properties	886	863	342
Group share of CTY's FFO	174	192	180
Group share of G Europe's FFO	-	-	173
Group share in FFO of investees excluding CTY and G Europe[1]	32	44	8
Total income	1,092	1,099	703
Expenses			
Real Financing, net[2]	(386)	(462)	(138)
General and administrative	(185)	(197)	(116)
Current taxes	(16)	(16)	(54)
Total expenses	(587)	(675)	(308)
FFO according to the management approach	505	424	395
FFO per share according to the management approach (NIS)	2.85	2.59	2.60

1) Until the beginning of 2022, G Europe's FFO was presented separately due to G Europe becoming a privately held company wholly owned by the Company.

2) Net real financing expenses include profit from early redemption of interest-bearing debt and hybrid debentures.

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

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

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

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

	December 31	
	2023	2022
	NIS in millions	
EPRA NRV		
Equity attributable to the equity holders of the Company, per the financial statements	4,837	5,016
Exclusion of deferred tax liability on revaluation of investment property to fair value (net of minority's share) [1]	841	988
Fair value asset adjustment for derivatives, net[2]	(33)	(221)
EPRA NRV	**5,645**	**5,783**
EPRA NRV per share (in NIS)	**30.3**	**34.7**
EPRA NTA		
Equity attributable to the equity holders of the Company, per the financial	4,837	5,016
Exclusion of deferred tax liability on revaluation of investment property to fair value (net of minority's share) [1]	484	559
Goodwill adjustment attributable to assets	(228)	(226)
Fair value asset adjustment for derivatives, net[2]	(33)	(221)
EPRA NTA	5,060	5,128
EPRA NTA per share (in NIS)	27.1	30.7
EPRA NDV		
Equity attributable to the equity holders of the Company, per the financial statements	4,837	5,016
Goodwill adjustment attributable to assets	(228)	(226)
Fair value asset adjustment for derivatives, net	1,209	2,705
EPRA NDV	5,818	7,495
EPRA NDV per share (in NIS)	31.2	44.9
Issued share capital of the Company used in the calculation (in thousands of shares)[3]	**186,378**	**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 properties in the Reporting Period

- 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 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 (NIS 208 million). In July 2023, G Europe entered into a non-binding memorandum for the sale of the property in consideration of EUR 265 million. The company expects its completion by January 2024.
- 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 61.7 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 as well as annual principal payments. 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 July 2023, Gazit Brasil completed the sale of its share (33%) in the Cidade Jardim shopping center in São Paulo, Brazil in exchange of BRL 562 million (NIS 425 million). The commercial center is free of debt or encumbrance.
- In September 2023, Gazit Brasil completed the sale of its share (4.3%) in the El Dorado shopping center in São Paulo, Brazil, in exchange BRL 93 million (NIS 73 million).

Property activities

3.2. Highlights of operational data:

	Income producing properties[1]	GLA (in thousands of square meters)	Occupancy rate in core properties	
			31.12.2023	31.12.2022
G Israel	10	156	97.7%	98.1%
Gazit Brasil	6	150	96.8%	95.5%
Gazit Horizons	13	81	92.5%	94.1%
CTY	35	1,057	96.0%	94.5%
G Europe	15	400	94.6%	94.1%

	Average basic monthly rent per square meter		Change in same property NOI [2]	NOI (million)	
	31.12.2023	31.12.2022	Reporting period	Q4. 2023	Q4. 2022
G Israel	NIS 124.2	NIS 117.6	2.1%[3]	NIS 43.0[4]	NIS 49.2
Gazit Brasil	R$ 78	R$ 73	3.8%	R$46.1	R$51.5
Gazit Horizons	$59.4	$ 57.9	4.3%	$ 5.3	$ 5.0
CTY	€ 24	€ 23.7	6.5%	€ 50.5	€ 51.2
G Europe	€ 23.6	€ 15.9	18.2%	€ 27.4	€ 32.2[5]

1 Includes jointly controlled properties.

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

3 Excluding the effects of the iron swords war, the increase from same properties in 2023 increased by 8.8% compared to 2022.

4 Excluding the effects of the iron swords war, property NOI in the quarter in the amount of NIS 56 million.

5 Net cash flow from properties excluding Russia in the fourth quarter of 2022 in the amount of EUR 24.1 million.

Projects in planning, construction and development

Construction Projects	Plan	Gross GLA Area (SQM)	G CITY Share	Expected Completion	Fair Value as of 31.12.23 (100%, Million NIS)	Cost to Complete (100%, Million NIS)	Expected Annual NOI (100%, NIS Million)
G City Rishon Lezion	Office Tower under construction	65,100	100%	2026	364	630	67
AER Tampa	A luxury residential project for rent in Downtown Tampa, which includes 334 housing units for rent (with full financial support)	37,000	94%	2024	586	156	47
Promenada, Warsaw	First phase of the Promenada Village rental housing project which includes 442 apartments and 1,500 square meters of commercial space on ground floor adjacent to the existing Atrium Promenade mall. Built on a plot of land owned by the company.	16,000	100%	2024	118	84	16
				Total 100%	**1,068**	**870**	**130**
				Company share	1,033	861	127

Land for future development	Plan	Gross GLA Area (SQM)	G CITY Share	Expected Completion	Fair Value as of 31.12.23 (100%, Million NIS)	Cost to Complete (100%, Million NIS)	Expected Annual NOI (100%, NIS Million)
Tel Hashomer Apartment for Rent'	Construction of 4 residential apartment buildings with 243 apartments for rent (before right additions/Shabas reliefs) for long term leasing for a period of 20	30,700	100%	TBD	301	TBD	TBD
Beit Cal	Construction of mixed-use towers with 70,000 square meters of office space, 11,000 square meters of residential space and 6,300 commercial space. At this stage the existing building is leased for a period of one year with two options for extension (until the end of 2025).	90,100	100%	TBD	391	TBD	TBD
Brickell, Miami	Constructing a mixed-use 61-story tower, approved to expand residential units to 504.	42,000	100%	TBD	204	TBD	TBD
Promenada, Warsaw	Second phase continuation of the Promenada Village rental housing project which includes 1,200 apartments (45,000 square meters) and 5,300 square meters of commercial space on ground floor adjacent to the existing Atrium Promenade mall. Built on a plot of land owned by the company which is currently used as a parking lot.	50,300	100%	TBD	277	TBD	
				Total	1,173	TBD	TBD

The data above includes information regarding projects under planning and construction (including additional projected area, completion schedules, projected time to complete, cost to complete and projected annual NOI) which constitutes a forward-looking statement, as defined under Israeli Securities Law. Such information is based on the company's estimates as of this date and may change in the future.

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

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

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

International debt rating of subsidiaries:

Rating Agency	G City	CTY	G Europe
Moody's	[1]ilA3/ Negative	-	B2/ Negative
S&P	[1]ilA-/ Negative	BBB-/ Negative1	-

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

The company's income from rent in the group's active countries, with the exception of the USA, is mostly linked (over 90%) to the increase in the consumer price index and contributes to the growth of its income as well as the value of its assets, respectively. At the same time, most of the company's debt (66.5%) 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 (89.5% 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 2023.

3.3. Material Events in the Group in the Reporting Period

A. In the Reporting period, the Company issued 11.8 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 290 million, refer to Note 19c8 to the financial statements.

C. For details regarding the issuance of a new series of convertible debentures (series Q) and its expansion in November 2023 in the amounts of NIS 210 and of NIS 410 million, respectively, refer to Notes 19c1 and 19c16 to the financial statements.

D. For details regarding buyback of debentures and hybrid debentures of CTY in the amount of EUR 184 million and EUR 87 million par value, respectively, refer to Notes 19d2 and 8d4 to the financial statements.

E. For details regarding buyback of G Europe's debentures and hybrid debentures in the amount of EUR 114 million and EUR 72 million par value, respectively, refer to Notes 19e2 and 8c3 to the financial statements.

F. In October 2023, G Europe completed secured financing for a for the property in Warsaw, Poland, in the amount of EUR 125 million for a five year period.

G. For details regarding the debt raising by the Company by way of expansion of debentures (Series O) in an amount of NIS 74 million, refer to Note 19c13 to the financial statements.

H. For details regarding the issuance of the Company's shares in exchange for G Europe's hybrid debentures, refer to Note 8c3 to the financial statements.

I. For details regarding the issuance of CTY shares in exchange for CTY's hybrid debentures, refer to Note 8d4 to the financial statements.

3.4. Dividend Distribution Policy

In the Reporting Period, the Company’s Board of Directors decided not to distribute a dividend to the Company's shareholders in 2023. Also, on March 28 2024, the company's board of directors decided not to distribute dividends to the company's shareholders for the first of 2024. The Company's Board of Directors will convene and review the Company’s dividend distribution policy for the year 2024, including based on progress in the execution of the plan for disposal of properties announced by the Company on October 25, 2022 as updated from time to time, and additional considerations, subject to the distribution tests set out in the Companies Law, 1999.

3.5. Financial Position

Current assets

The balance of current assets, as of December 31, 2023, total NIS 4.3 billion, compared with NIS 3.7 billion as of December 31, 2022. The increase in current assets derives mainly from an increase in classification of investment properties for sale which was offset by 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 December 31, 2023, 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 8a1 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). The balance of the financial derivatives is presented net of amounts received under CSA (Credit Support Annex) agreements entered into with certain financial institutions that establish settlement mechanisms between the Company and the banking institution with which the swap transaction is being carried out with respect to the value of the financial derivatives (CSA agreement). As of December 31, 2023, the aforesaid balance of financial derivatives amounted to NIS 290 million, compared to NIS 186 million as of December 31, 2022.

Investment property and investment property under development

The balance of investment property and investment property under development (including properties held for sale presented in current assets), as of December 31, 2023, amounted to NIS 34.8 billion, compared with NIS 33.8 billion as of December 31, 2022.
The increase in these balances during 2023 is primarily due from fluctuation in exchange rates.

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

	Northern Europe	Central-Eastern Europe	Israel	Brazil	USA
December 31, 2023	6.0	6.2	6.6	7.6	4.9
December 31, 2022	5.5	7.0*	6.4	7.7	5.0

*The capitalization rate in Central and Eastern Europe as of December 31, 2022, excluding Russia, was 6.0%.

Intangible assets, net

The balance of intangible assets, net, as of December 31, 2023, totaled NIS 447 million, compared with NIS 433 million as of December 31, 2022. The balance of intangible assets mainly consists of goodwill attributable to properties in Norway held by CTY.

Current liabilities

The balance of current liabilities, as of December 31, 2023, totaled NIS 6.9 billion, compared to NIS 4.4 billion as of December 31, 2022. The balance primarily includes credit from banking institutions and others, and current maturities for long-term liabilities in the amount of NIS 4.2 billion, compared to NIS 3.0 billion as of December 31, 2022. Additionally, the balance includes liabilities attributed to assets held for sale in the amount of NIS 1.7 billion. After the reporting date the company extended most of the credit lines due in the coming year.

Non-current liabilities

The balance of non-current liabilities, as of December 31, 2023, totaled NIS 20.7 billion, compared to NIS 23.0 billion as of December 31, 2022. The decrease in non-current liabilities is primarily due to repayment and buyback of debentures and a decrease in deferred taxes. The aforementioned decrease is offset by the fluctuation in exchange rates.

Equity attributable to equity holders of the Company

Equity attributable to the shareholders of the Company, as of December 31, 2023, amounted to NIS 4,837 million, compared with NIS 5,016 million as of December 31, 2022.

The decrease is mainly due to a loss attributed to the company's shareholders in the amount of NIS 1,203 million. The aforementioned decrease was offset by the issuance of the company's shares in the amount of NIS 241 million and an increase in the capital reserves in the amount of NIS 783 million (mainly from foreign currency translation reserve).

The equity per share attributable to the shareholders of the Company as of December 31, 2023 totaled NIS 26.0 per share, compared with NIS 30.1 per share as of December 31, 2022.

Non-controlling interest

The balance of non-controlling interests, as of December 31, 2023, amounted to NIS 6.5 billion, compared with NIS 7.0 billion as of December 31, 2022. The balance mainly comprises of interests of CTY’s other shareholders at a rate of 49.1% of CTY’s equity as well as CTY's and G Europe’s hybrid debentures.

The decrease in non-controlling interests is primarily due the buyback of CTY's and G Europe’s hybrid debentures in the amount of NIS 0.6 billion and by the portion of other shareholders in dividends declared by the subsidiaries in an amount of NIS 0.2 billion. The decrease is offset by a gain attributed to non-controlling interests in the amount of NIS 0.3 billion.

3.2 Operating Results

A. Following are the summary results of operations for 2021-2023:

	Year ended December 31,		
	2023	2022	2021
	NIS in millions		
Rental and other income	2,438	2,303	2,296
Property operating and other expenses	771	720	714
Total gross profit	1,667	1,583	1,582
Fair value gain (loss) from investment property and investment property under development, net	(767)	(450)	621
General and administrative expenses	(349)	(374)	(342)
Other income	5	14	16
Other expenses	(686)	(130)	(58)
Company's share in earnings (losses) of equity-accounted investees, net	(2)	(51)	41
Operating income (loss)	(132)	592	1,860
Finance expenses	(1,340)	(2,263)	(1,017)
Finance income	272	117	886
Income (loss) before taxes on income	(1,200)	(1,554)	1,729
Taxes on income (tax benefit)	120	(318)	690
Net income (loss)	(1,320)	(1,236)	1,039
Attributable to:			
Equity holders of the Company	(1,203)	(1,340)	646
Non-controlling interests	(117)	104	393
	(1,320)	(1,236)	1,039
Net earnings (loss) per share attributable to equity holders of the Company (NIS):			
Total basic net earnings (loss)	(6.79)	(8.15)	4.26
Total diluted net earnings (loss)	(6.79)	(8.15)	4.25

Statement of Comprehensive Income for 2021-2023:

	Year ended December 31,		
	2023	**2022**	**2021**
	NIS in millions		
Net income (loss)	(1,320)	(1,236)	1,039
Other comprehensive income (loss) (net of tax effect):			
Amounts that will not be reclassified subsequently to profit or loss:			
Net losses on financial assets at fair value through other comprehensive income	(51)	2	27
Amounts that will be or that have been reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	1,048	1,008	(1,862)
Net losses on cash flow hedges	(81)	146	57
Total other comprehensive income (loss)	916	1,156	(1,778)
Comprehensive income (loss)	(404)	(80)	(739)
Attributable to:			
Equity holders of the Company	(665)	(553)	(222)
Non-controlling interests	261	473	(517)
	(404)	(80)	(739)

B. Analysis of operating results for 2023

Rental income and others

Rental income and others increased by 5.9% to NIS 2,438 million in 2023, compared with NIS 2,303 million in 2022.

Excluding the change in the average exchange rates, rental and other income during 2023 decreased by 4.8% as compared to 2022. The decrease is primarily due to the sale of non-core assets, mainly Russia, 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.

Property operating and other expenses

Property operating and other expenses and others totalled NIS 771 million in 2023, representing 31.6% of total rental and other income, compared to NIS 720 million, representing 31.3% of total rental and other income, in 2022.

Net operating income (NOI)

Net operating income increased by 5.3% to NIS 1,667 million in 2023 (68.4% of rental income), compared with NIS 1,583 million (68.7% of rental income) in 2022.

Excluding the change in the average exchange rates the net operating income in 2023 decreased by 5.2%, compared with 2022. The decrease in net operating income is due to the reasons described in rental income and others above when in the corresponding quarter last year included net operating income from Russia in the amount of EUR 31.3 million (NIS 111 million) compared to EUR 9.7 million (NIS 37 million) in 2023.

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

The Group applies the fair value model, as prescribed in IAS 40 (Revised), Investment Property. As a result of implementing this standard, in 2023 the Group recognized a fair value loss on its properties in a net amount of NIS 767 million, compared to fair value loss of NIS 450 million in 2022. The fair value loss in 2023 is primarily due to the properties in Northern Europe, resulting from an increase in the capitalization rate of cash flows which was offset by improved cash flows from assets as well as from land for residential rentals in Israel.

General and administrative expenses

General and administrative expenses totaled NIS 349 million (14.3% of total income) in 2023, compared to NIS 374 million (16.2% of total income) in 2022. The decrease in general and administrative expenses is mainly due to efficiency measures of G Europe. The aforesaid decrease was offset by the strengthening of the Group's operating currencies in relation to the NIS.

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

In 2023, this item amounted to a loss of NIS 2 million (loss of NIS 51 million was recorded in 2022) and primarily comprised of the Group’s shares in a net loss of CTY, Gazit Horizons, ATR and Gazit Canada (Gazit Tripllle).

Other Expenses

Other expenses in the reporting period primarily comprises to a loss resulting from the sale of the group's assets in Russia. For further details, please refer to Note 31d to the financial reports.

Financing expenses

Financing expenses amounted to NIS 1,340 million in 2023, compared with NIS 2,263 million in 2022.

The decrease in financing expenses in 2023 compared to 2022 is mainly due to a loss from the revaluation of financial derivatives in 2023 in the amount of NIS 122 million compared to a loss from the revaluation of financial derivatives in 2022 in the amount of NIS 707 as well as a loss from revaluation of marketable securities in the amount of NIS 6 million in 2023 compared to a loss in the amount of NIS 183 million in 2023.

The average interest rate on the interest-bearing liabilities of the Company level on expanded Solo basis is 4.1% compared with 3.38% as of December 31, 2022.

Financing income

Financing income totaled NIS 272 million in 2023, compared to NIS 117 million in 2022. The financing income in 2023 primarily comprises of dividend income in the amount of NIS 7 million (an income of NIS 30 million in 2022 which includes interest income in the amount of NIS 91 million (income in the amount of NIS 49 million in 2022) and income from early redemption of interest-bearing debt in the amount of NIS 160 (income in the amount of NIS 38 million in 2022).

Taxes on income (tax benefit)

Tax expenses totaled NIS 120 million in 2023, compared with tax income of NIS 318 million in 2022.

In 2023, the Group companies recorded current tax expenses of NIS 153 million primarily arising from withholding tax on dividends and return of investment from Canada and Brazil, compared to current tax expenses of NIS 61 million in 2022.

Additionally, deferred tax income of NIS 33 million, arising primarily from net changes in the temporary differences between the tax base and the fair value of investment property, investment property under development, including disposal of properties as well as a losses for tax purposes (net deferred tax income of NIS 349 in 2022 million relating primarily to the net changes in the balances of the temporary differences between the tax base and the fair value of investment property and investment property under development, including the disposal of properties).

In addition, tax income of NIS 30 million was recognized in 2022.

C. Operating results for 2023, on a quarterly basis:

	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Total 2023
	NIS in millions					
Rental income and others	**601**	604	585	592	**657**	2,438
Property operating expenses and others	**201**	194	167	175	**235**	771
Total gross profit	**400**	410	418	417	**422**	1,667
Fair value gain (loss) from investment property and investment property under development, net	**(858)**	155	138	(349)	**(711)**	(767)
General and administrative expenses	**(105)**	(88)	(78)	(89)	**(94)**	(349)
Other income	**(16)**	5	-	-	**-**	5
Other expenses	**(68)**	(522)	(158)	(1)	**(5)**	(686)
Company's share in earnings (loss) of equity- accounted investees, net	**(59)**	(46)	99	(31)	**(24)**	(2)
Operating income	**(706)**	(86)	419	(53)	**(412)**	(132)
Finance expenses	**(634)**	(387)	(395)	(425)	**(261)**	(1,340)
Finance income	**67**	39	147	76	**138**	272
Profit (loss) before taxes on income	**(1,273)**	(434)	171	(402)	**(535)**	(1,200)
Taxes on income (tax benefit)	**(234)**	(36)	73	64	**19**	120
Net income (loss)	**(1,039)**	(398)	98	(466)	**(554)**	(1,320)
Attributable to:						
Equity holders of the Company	**(929)**	(509)	(3)	(407)	**(284)**	(1,203)
Non-controlling interest	**(110)**	111	101	(59)	**(270)**	(117)
	(1,039)	(398)	98	(466)	**(554)**	(1,320)

Comprehensive income for 2023 on a quarterly basis:

	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Total 2023
			NIS in millions			
Net income (loss)	**(1,039)**	(398)	98	(466)	**(554)**	(1,320)
Other comprehensive income (loss) (net of tax effect):						
Amounts that will not be reclassified subsequently to profit or loss:						
Net gain (losses) on financial assets at fair value through other comprehensive income	**1**	-	(33)	1	**(19)**	(51)
Amounts that will be or that have been reclassified to profit or loss:						
Exchange differences on translation of foreign operations	**784**	577	415	308	**(252)**	1,048
Net gain (loss) for cash flow hedges	**7**	(10)	17	3	**(91)**	(81)
Total other comprehensive income (loss)	**792**	567	399	312	**(362)**	916
Total comprehensive income (loss)	**(247)**	169	497	(154)	**(916)**	(404)
Attributable to:						
Equity holders of the Company	**(614)**	(133)	311	(238)	**(605)**	(665)
Non-controlling interest	**367**	302	186	84	**(311)**	261
	(247)	169	497	(154)	**(916)**	(404)

D. Analysis of operating results for the fourth quarter of 2023

Rental income and others

Rental income and others increased by 9.3% to NIS 657 million in the Quarter, compared with NIS 601 million in the corresponding quarter last year.

Excluding the change in the average exchange rates, rental and other income in the Quarter decreased by 3.2% as compared to the corresponding quarter last year. The decrease is primarily due to the sale of non-core assets, mainly Russia, 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.

Property operating expenses and others

Property operating expenses and others totaled NIS 235 million in the Quarter, representing 35.8% of total rental income and others, compared with NIS 201 million, representing 33.4% of total rental income and others in the corresponding quarter last year.

Net operating income (NOI)

Net operating rental income increased by 5.5%% to NIS 422 million in the Quarter (64.2% of total rental income), compared with NIS 400 million (66.6% of rental income) in the corresponding quarter last year.

Excluding the change in the average exchange rates, the net operating rental income in the Quarter decreased by 6.6% compared with the corresponding quarter last year. The decrease in net operating income is due to the reasons described in rental income and others above when in the corresponding quarter last year included net operating income from Russia in the amount of EUR 8.1 million (NIS 29 million).

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

The Group applies the fair value model, as prescribed in IAS 40 (Revised), *Investment Property*. As a result of implementing this standard, the Company and its subsidiaries recognized a fair value loss on its properties in a net amount of NIS 711 million in the Quarter, compared to fair value loss of 858 million in the corresponding quarter last year.

The decrease in fair value in the quarter is mainly due to an increase in the capitalization rate of the properties following the interest rate increases in Europe and Israel as well as from land for residential rentals in Israel.

The fair value loss in the qaurter is primarily due to the properties in Northern Europe, resulting from an increase in the capitalization rate of cash flows which was offset by improved cash flows from assets.

General and administrative expenses

General and administrative expenses totaled NIS 94 million (14.3% of total income) in the Quarter, compared with NIS 105 million (17.5% of total income) in the corresponding quarter last year. The decrease in general and administrative expenses is mainly due to efficiency measures of G Europe.

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

This item amounted to a loss of NIS 24 million in the quarter (loss of NIS 59 million was recorded in the corresponding quarter last year) and is primarily comprised of the Group’s shares in the net loss of comprehensive companies CTY, Gazit Horizons, G Europe and Gazit Canada (Gazit Tripllle) which mainly results from a negative revaluation of investment property mainly due to an asset in Northern Europe.

Financing expenses

Financing expenses totaled NIS 261 million in the Quarter, compared with NIS 634 million in the corresponding quarter last year. The decrease in financing expenses primarily arises from compare with loss from revaluation of financial derivatives in the amount of NIS 240 million compared with earnings from revaluation of financial derivatives in the corresponding quarter last year and from the expenses in respect of linkage differences to the CPI in Israel (which increased during the reporting period at a rate of 0.1% compared to an increase of 0.8% in the corresponding quarter last year).

Financing income

Financing income in the Quarter totaled NIS 138 million, compared with NIS 67 million in the corresponding quarter last year. Finance income in the quarter comprises of a gain of NIS 33 million from early redemption of interest-bearing debt (in the corresponding quarter last year a gain of NIS 36 million), dividend income and gain from revaluation of marketable securities of NIS 3 million (in the corresponding quarter last year dividend income and gain from revaluation of marketable securities of NIS 18 million), interest income of NIS 22 million (in the corresponding quarter last year income of NIS 13 million) and a gain of NIS 17 million from the revaluation of financial derivative.

Taxes on income (tax benefit)

Tax expenses totaled NIS 19 million in the Quarter, compared with tax income of NIS 234 million in the corresponding quarter last year.

Tax expenses in the quarter mainly comprises of the Group's companies current tax expenses of NIS 72 million, primarily due to withholding tax on dividends from Canada, compared to current tax income of NIS 1 million in the corresponding quarter last year.

Additionally, current tax income in the Quarter was recorded by deferred tax income of NIS 57 million, mainly arising from net changes in temporary differences between the tax base and fair value of investment property, investment property under development, and disposal of properties (deferred tax expenses of NIS 228 million arising primarily from net changes in the temporary differences between the tax base and the fair value of investment property, investment property under development and disposal of properties, in the corresponding quarter last year). In addition, tax expenses of NIS 4 million were recorded in the Quarter regarding prior years, compared with tax income of NIS 5 million in prior years in the corresponding quarter last year.

3.7 Liquidity and sources of finance

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

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

As of December 31, 2023, the Company and its subsidiaries have liquidity, including undrawn[1] long-term credit facilities available for immediate drawdown and liquid balances totaling NIS 3.0 billion (of which NIS 1.2 billion of the Company and it’s wholly-owned subsidiaries) which includes cash and cash equivalents, tradable securities and short-term deposits of NIS 0.7 billion (of which NIS 0.6 billion of the Company and it’s wholly-owned subsidiaries) and have binding undrawn long term credit facilities available for immediate drawdown of NIS 2.3 billion (of which NIS 0.6 billion of the Company and it’s wholly-owned subsidiaries).

Additionally, as of December 31, 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 14.1 billion (40.5% of the total investment property and investment property under development).

Furthermore, the company has unencumbered properties in an expanded solo to the of NIS 5.4 billion (NIS 3.9 billion in G Europe, NIS 0.5 billion in Brazil, NIS 0.8 billion in the USA and NIS 0.2 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, as well as obtaining secured debt financing on properties, refer to section 1.1 above.

As of December 31, 2023, the Company had a negative working capital balance under its consolidated reports and under its separate reports (solo) of NIS 2.6 billion and NIS 2.7 billion, respectively, and negative cash flow from operating activities under its separate reports (solo), 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 2.3 billion and NIS 0.6 billion, respectively.

After the reporting date, the Company raised debt of NIS 0.4 billion (expanded solo) and extended credit facilities held for repayment of NIS 1.2 billion in 2024 to 2027-2028 and held for sale properties of the Company’s wholly owned subsidiaries in the amount of NIS 3 billion (a total of NIS 1.6 billion was completed after the reporting date).

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 foregoing credit subject to complying with the terms prescribed in the agreements and regarding which the Group Companies pay various commissions, including a credit allocation fee.

3.8 Cash Flows

Cash flows from operating activities in 2023 totaled NIS 650 million, compared with NIS 648 million in 2022.

In 2023, the Company and its subsidiaries financed their operations through issuance of the Company’s shares in net amount of NIS 150 million and through receiving loans and credit facilities in a net amount of NIS 1,222 million and through disposal of investment properties and repayments of loans in a net amount of NIS 247 million. These cash flows were primarily used for repayment of debentures (including hybrid debentures and interest payments) in a net amount of NIS 2,522 million, for investments in financial properties in a net amount of NIS 105 million and for dividend payments by the Groups’ Companies in the amount of NIS 217 million.

3.9 Purchase plan

A. On March 28, 2023, the Company’s Board of Directors resolved to adopt a new buyback program for the Company's debentures (in place of the previous program) with a par value of up to NIS 300 million, in relation to all the outstanding series of debentures, the program is in effect until March 31, 2025. 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. As of the date of publication of the report, the company had purchased debentures with a par value of NIS 278 million under the previous program.

B. On March 31, 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 Company didn’t purchase any shares under this program.

4. Reporting of Exposure to Market Risks and their Management

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

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

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

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

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

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

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

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

e. **Credit risks:** As of December 31, 2023, the overall fair value of the Company's portfolio of financial derivatives is positive in favor of the Company. It is thus exposed to the risk that the counterparty might not meet its obligations to the Company. The Company's policy is to perform transactions in financial derivatives with financial institutions with high financial strength (according to external credit ratings). In addition, most of the activity is executed under ISDA and CSA (Credit Support Annex) agreements, in which accounts are settled weekly over a certain threshold and cash is provided as collateral against the value of financial instruments derivatives, in order to reduce the exposure to credit risks. As of December 31, 2023, banks have deposited to the Company NIS 464 million (in U.S. dollar /Euro currencies) that constitutes collateral.

f. **Price risk:** As of December 31, 2023, the Company has investments in tradable financial instruments, in respect of which it is exposed to risk resulting from fluctuations in the security price, which is determined by market prices. As part of its risk management policy, the Company reviews hedging transactions from time to time to reduce the price risk exposure.

During 2023, there were no significant changes to the Company's market risks management policy.

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

4.4. Changes in foreign currency exchange rates – From January 1, 2023 through December 31, 2023, the NIS appreciated against the Euro, the U.S. dollar, the Brazilian Real and the Canadian Dollar by 6.9%, 3.1%, 11.3% and 5.5%, respectively. With regard to the effect of exchange rate changes on the Company's equity as of December 31, 2023, refer to Appendix A of the Directors' Report. In addition, some of the Company's liabilities are linked to changes in the Israeli consumer price index (primarily with respect to operations in Israel). From January 1, 2023 through December 31, 2023, the (known) consumer price index rose by 3.3%.

4.5. Inspection methods and policy implementation:

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

4.6. In the period from January 1, 2023 through the date of approval of the financial statements, the individuals responsible for reporting and managing the Company's market risks (the Company's CEO and CFO) held and continue to hold regular weekly discussions concerning the exposure to market risks, including changes in exchange rates and interest rates. In the above period, the Company's Board of Directors also discussed the foregoing risks and the Company's policy regarding them at meetings in which the financial statements as of December 31, 2022, March 31, 2023, June 30, 2023, September 30, 2023, December 31, 2023 were approved and on September 14, 2023.

5. Corporate Governance Aspects

5.1. Contributions

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

In 2023, the Group contributed to various educational, welfare, health and cultural entities in the different countries in which it operates.

Additionally, with the outbreak of the "Iron Swords" war in Israel, the Company donated NIS 0.9 million to residents of the Gaza vicinity through various organizations, and also acted for the welfare of residents of the south and IDF soldiers through events and activities at its properties in Israel.The majority of the social investment was directed to education, as follows:

A. Supporting the South initiative – 2023 was the twelfth operating year of the initiative. During the year, the Company invested NIS 2.1 million in the education projects in the cities Kiryat Malakhi and Yeruham, as part of which the Company assisted in financing the operation of youth centers and provided support to elementary and high schools, kindergartens and day care centers.
The support is provided in cooperation with the Ministry of Health, the local authorities, other philanthropic parties and professional entities.

B. The G- City Real Estate Institute – The Company has established and supports a real estate research institute at the Interdisciplinary Center (IDC) Herzliya, Israel, including support to their MBA program, This year the institute held a series of online events and continued to publish a quarterly index for apartment prices.

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

D. In addition to the contributions in the Reporting Period, the Group’s employees take part in voluntary activities, the Organization Larger than Life and assisted communities near the Gaza border by packing agricultural produce.

The total contributions of the Company and its private subsidiaries in 2023 amounted to NIS 4.9 million.

5.2. Disclosure regarding the Internal Auditor

The Company’s internal auditor:
Mr. Doron Cohen has been serving as the internal auditor of the Company since July 22, 2019. Mr. Cohen is a Certified Accountant, a Certified Internal Auditor and is a partner of Fahn Kanne Control Management Ltd**.**

Is the internal auditor an employee of the Company or a person who provides internal audit services on behalf of an external party:
The internal auditor provides internal audit services in the format of an external service provider, through the company Fahn Kanne Control Management Ltd.

Legal requirements met by the internal auditors:
The internal auditor meets the requirements of Section 146(b) of the Companies Law and Section 8 of the Internal Audit Law.

Holding of securities of the Company or of a related party:
As of the date of this report, neither the internal auditor nor any of his employees held securities of the Company or of any related party.

The internal auditor’s relationship with the Company or with a related party:
The internal auditor also serves as the internal auditor of Norstar Holdings, Inc., the controlling shareholder of the Company, although, in the opinion of the Company and the internal auditor, this does not give rise to a conflict of interests with his role as internal auditor of the Company.

Other duties of the internal auditor within the Company:
Apart from his duties as the internal auditor of the Company, the internal auditor is not otherwise engaged by the Company and does not provide any other services to the Company.
Other duties of the internal auditor outside the Company:
The internal auditor serves as a partner of Fahn Kanne Control Management Ltd., which provides internal audit services, internal control services, etc. to various companies and entities.
Method of the internal auditor's appointment:
Mr. Cohen was appointed as the Company's internal auditor pursuant to a resolution of the Company's Board of Directors dated July 22, 2019 (in accordance with the recommendation of the Company's Audit Committee dated May 19, 2019).
Identity of the person to whom the internal auditor reports within the organization:
Within the organization, the internal auditor reports to the Chairman of the Audit Committee.

The internal auditor's work plan:

The internal auditor's annual work plan for 2023 is based on a risk survey since January 2023. The plan took into account the subjects examined and expected to be examined over the years in accordance with a multiannual plan. The plan was established in coordination with the Audit Committee of the Board of Directors and the Company management. The work plan was discussed and approved by the Audit Committee.

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

Examination of the Company's material transactions in 2023 by the internal auditor:

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

Audit abroad and audit of investees:

Private subsidiaries – The internal audit reports also relate to the Company's private subsidiaries abroad. In 2023, the internal auditor conducted an internal audit of the activity of the private companies, Gazit Brasil, Gazit Horizons and G Europe, according to the work plan approved by the Company's Audit Committee.

Public subsidiaries – With regard to the audit of the Company's public subsidiaries listed abroad, such entities are subject to the restrictions of the law applicable to them. With regard to the internal audit at CTY and as of 2023 other internal auditors serves CTY in accordance with a work plan established for them by the relevant authorized organs of CTY and also work in conformity with professional international internal auditing standards.

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

Scope of the internal auditor's engagement:

The scope of the internal auditor's engagement varies in accordance with the annual audit plan. In 2023, 3,685 hours were spent on internal audit activity, in accordance with the breakdown presented in the table below.

	Work hours
Internal audit in Israel	1,605 hours
Internal audit of the Company's private subsidiaries abroad	2,080 hours
Total	**3,685 hours**

The number of the auditor's work hours was set at 3,685 hours, based on the audit subjects that were determined for examination in 2023, compared with 2,500 internal audit hours in 2022. Starting in 2023, the company's audit plan will apply to G Europe and will be carried out by the company's internal auditor. During 2023, G Europe served as an external internal auditor who acted according to a work plan adopted by the aforementioned relevant authorized body.

It should be noted that the scope of the internal auditor’s engagement is flexible, meaning that, as 2023 progressed and as the various audit reports were discussed, the Audit Committee was empowered to permit the internal auditor to increase the number of audit hours that had been decided upon at the outset in the annual audit program.

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

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

Freedom of access for the internal auditor:

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

Reports of the internal auditor:

a. In May 2023, the Internal Auditor submitted an audit report on the topic of "Digital Marketing Survey" at the company.
b. In May 2023, the internal auditor submitted an audit report on "internal enforcement in the field of securities" in the company.
c. In May 2023, the internal auditor submitted an audit report on "safety in centers in the real estate division" in the company.
d. In May 2023, the internal auditor submitted an audit report on "asset valuation in the real estate division" in the company.
e. In May 2023, the internal auditor submitted an audit report on "security of payment methods" at G-City Europe.
f. In August 2023, the internal auditor submitted an audit report on "Collection from tenants in the real estate division" in the company.
g. In August 2023, the internal auditor submitted an audit report on "Cash Flow Forecast Management" at Gazit Brasil.
h. In August 2023, the internal auditor submitted an audit report on "activity with banks" at Gazit Brasil.
i. ninth. In August 2023, the internal auditor submitted an audit report on the "application of signature rights" at Gazit Horizons.
j. In August 2023, the internal auditor submitted an audit report on "procurement and contracts" at Gazit Horizons.
k. In August 2023, the internal auditor submitted an audit report on "cash flow management" at G-City Europe.
l. In August 2023, the internal auditor submitted an audit report on the subject of "current management of assets" at G-City Europe.
m. In December 2023, the internal auditor submitted an audit report on "transactions with interested parties and material transactions" in the company.
n. In December 2023, the internal auditor submitted an audit report on "budget management and cash flow" in the company.
o. In December 2023, the internal auditor submitted an audit report on "use of the company aircraft" in the company.
p. In December 2023, the internal auditor submitted an audit report on "financing, loans and debentures" in the company.
q. In December 2023, the internal auditor submitted an audit report on "ongoing management of assets in the real estate division" of the company.
r. In December 2023, the internal auditor submitted an audit report on "occupancy of G Savion in the real estate division" in the company.
s. In December 2023, the internal auditor submitted an audit report on "development project management" at Gazit Horizons.
t. In December 2023, the internal auditor submitted an audit report on "Application of signature rights" at G-City Europe.
u. In January 2024, the internal auditor submitted an audit report on the "survey of environmental protection" in the company.
v. In January 2024, the internal auditor submitted a report on "Correcting deficiencies and monitoring the implementation of recommendations".

w. In February 2024, the internal auditor submitted an audit report on "Capex project management" at Gazit Brasil.
x. In February 2024, the internal auditor submitted an audit report on the subject of "asset valuation" at Gazit Brasil.
y. In February 2024, the internal auditor submitted an audit report on the subject of "property valuation" at Gazit Horizons.
z. In February 2024, the internal auditor submitted an audit report on the subject of "asset valuation" at G-City Europe.
aa. In February 2024, the internal auditor submitted an audit report on the "sale of assets" at G-City Europe.
bb. In February 2024, the internal auditor submitted a report on "Monitoring the activity of an internal auditor in the group".
cc. In February 2024, the internal auditor submitted a report on "updating the control risk survey" in the company.

The Audit Committee discussed the foregoing reports in its meetings on May 22 2023, August 9 2023, December 4 2023, January 30 2024 and February 19 2024.

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

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

Compensation of the internal auditor:

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

5.3. **Auditor's fees**

Independent auditors of the Company: Kost Forer Gabbay & Kasierer, Certified Public Accountants (member of Ernst & Young Global)

The fees of the independent auditors that audit the financial statements of the Company and its subsidiaries are as follows:

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

	For the year ended December 31	
	2023	2022
	NIS thousands	
Fees for audit and related services	2,772	2,552
Other fees	654	1,002
Total	**3,426**	**3,554**

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

B. Ernst & Young Finland (CTY):

	For the year ended December 31	
	2023	2022
	NIS thousands	
Fees for audit and related services	3,988	3,184
Other fees	798	354
Total	**4,786**	**3,538**

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

	For the year ended December 31	
	2023	2022
	NIS thousands	
Consulting fees and tax services	201	146
Total	**201**	**146**

D. Ernst & Young Brazil:

	For the year ended December 31	
	2023	2022
	NIS thousands	
Fees for audit and related services	406	340
Consulting fees and tax services	183	130
Total	**589**	**470**

E. PWC Poland (ATR):

	For the year ended December 31	
	2023	2022
	NIS thousands	
Fees for audit and related services	3,976	4,132
Others	554	1,443
Total	**4,530**	**5,575**

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

6. Disclosure Regarding the Financial Reporting of the Company

6.1. Additional information and events subsequent to the reporting date

A. For details regarding the issuance of new debentures (Series R) by the Company, secured by shares of private companies that own investment property in the United States, in an amount of NIS 410 million, refer to Note 19g21 to the financial statements.

B. For details regarding the offering of part of the operations in Brazil in an amount of BRL 301 million (NIS 226 million), refer to Note 37a to the financial statements.

C. For details regarding the equity issuance by CTY in an amount of EUR 48 million and the Company's participation in the offering, refer to Note 8d5 to the financial statements.

D. For details regarding the debenture issuance by CTY in an amount of EUR 300 million, refer to Note 19d'3 to the financial statements.

E. For details regarding the early redemption of CTY's debentures due in 2024 in an amount of EUR 213 million, refer to Note 19d4 to the financial statements.

F. After the reporting date, the Company extended most of the credit facilities due in the coming year.

For details refer to Section 19 to Description of the Company’s business.

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

A. As of December 31, 2023, there were seventh series of listed debentures issued by the Company as follows:

	Issue date	Par value Date of issue	Par value of debentures as of 31/12/2023	Par value of debentures, plus linkage differences as of December 31, 2023	Total accumulated interest as of December 31, 2023	Presented in the financial statements as of December 31, 2023	Market value as of December 31, 2023	Interest type and rate	Principal payment date	Interest payment date	Basis linkage and linkage terms (Principal + interest)
		NIS in thousands		NIS in millions							
Debentures (Series K)	September 2011 (1)	2,896,407	330,088	380.9	10.2	383	390.5	Fixed 5.35%	5 installments with the first installment in September 2018 at the rate of 10%, the second installment in September 2020 at the rate of 15%, the third, fourth and fifth installments in September of the years 2022-2024 each at the rate of 25%	Paid twice a year on March 31 and September 30.	The principal and the interest are linked to the increase in the consumer price index
Debentures (Series L)	October 2013 (2)	2,957,801	2,512,778	2,793.8	-	2,815	2,648.0	Fixed 4.00%	5 installments with the first installment in June 2023 at the rate of 10%, the second and third installments in June 2024-2025 at the rate of 15% each, and the fourth and fifth installments in June of the years 2026-2027 at the rate of 30% each.	Paid twice a year on June 30 and December 31	The principal and the interest are linked to the increase in the consumer price index
Debentures (Series M)	February 2018 (3)	1,801,110	1,396,500	1,576.1	-	1,596	1,426.9	Fixed 3.28% (8)	6 installments with the first installment in June 2021 at the rate of 5%, the second installment in June 2022 at a rate of 10%, the third installment in June 2023 at a rate of 5%, the fourth installment in June 2025 at a rate of 30%, the fifth installment in June 2026 at a rate of 10% and the sixth installment in June 2028 at a rate of 40%.	Paid twice a year on June 30 and December 31	The principal and the interest are linked to the increase in the consumer price index
Debentures (Series N)	January 2020 (4)	1,272,890	768,622	851.2	3.6	834	685.2	Fixed 1.79%(8)	5 installments with the first installment in September 2022 at the rate of 17.5%, the second installment in September 2023 at a rate of 15%, the third installment in September 2024 at a rate of 15%, the fourth installment in September 2029 at a rate of 25% and the fifth installment in September 2031 at a rate of 27.5%.	Paid twice a year on March 31 and September 30.	The principal and the interest are linked to the increase in the consumer price index
Debentures (Series O)	October 2020 (5)	401,800	401,800	448.1	1.0	440	427.9	Fixed 1.33%(8)	4 installments with the first installment in March 2024 at the rate of 8%, the second installment in March 2025 at a rate of 15%, the third installment in March 2027 at a rate of 30% and the fourth installment in March 2028 at a rate of 47%.	Paid twice a year on March 31 and September 30.	The principal and the interest are linked to the increase in the consumer price index
Debentures (Series P)	August 2021(6)	957,395	905,926	990.5	3.2	1,004	854.5	Fixed 1.75%(8)	4 installments with the first installment in March 2024 at the rate of 12.5%, the second installment in March 2027 at a rate of 25%, the third installment in March 2028 at a rate of 20% and the fourth installment in March 2029 at a rate of 42.5%.	Paid twice a year on March 31 and September 30.	The principal and the interest are linked to the increase in the consumer price index
Debentures (Series Q)	July 2023(7)	574,138	574,138	574.1	13.8	470	566.1	Fixed 5. 5%(8)	2 installments with the first installment in June 2025 at the rate of 10%, the second installment in June 2029 at a rate of 90%.	Paid once a year on June 30.	The principal and the interest aren't linked to the increase in the consumer price index

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

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

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

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

(5) Debentures (Series O) were first issued in October 2020, pursuant to a shelf offering, when NIS 328 million par value were issued. In November 2023 the Company issued, by means of extending the series, NIS 74 million par value of debentures (Series O) secured by lien on real estate in Israel, refer to Section F above.

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

(7) Debentures (Series Q) were first issued in July 2023, pursuant to a shelf offering, when NIS 444 million par value were issued. In November 2023, the Company issued, by means of extending the series, NIS 130 million par value. The debentures (Series Q) can be converted to company's shares, for further details refer to note 19c20 to the financial statements.

(8) Refer to section N below

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

	Trustee	Contact person at the trustee	Trustee's address	Fax	Email
Debentures (Series K)	Mishmeret Trust Services Company Ltd.	Rami Sebti	48 Menahem Begin Road, Tel-Aviv	03-6374344	ramis@mtrust.co.il
Debentures (Series L)	Mishmeret Trust Services Company Ltd.	Rami Sebti	48 Menahem Begin Road, Tel-Aviv	03-6374344	ramis@mtrust.co.il
Debentures (Series M)	Reznik Paz Nevo Trustees Ltd.	Yossi Resnik	14 Yad Haharutzim Street, Tel-Aviv	03-6389222	yossi@rpn.co.il
Debentures (Series N)	Strauss Lazar Trust Company (1992) Ltd.	Ori Lazar	Yigal Alon St 94, Tel Aviv-Yafo	03-5613824	ori@slcpa.co.il
Debentures (Series O)	Reznik Paz Nevo Trustees Ltd.	Yossi Resnik	14 Yad Haharutzim Street, Tel-Aviv	03-6389222	yossi@rpn.co.il
Debentures (Series P)	Reznik Paz Nevo Trustees Ltd.	Yossi Resnik	14 Yad Haharutzim Street, Tel-Aviv	03-6389222	yossi@rpn.co.il
Debentures (Series N)	Strauss Lazar Trust Company (1992) Ltd.	Ori Lazar	Yigal Alon St 94, Tel Aviv-Yafo	03-5613824	ori@slcpa.co.il
Debentures (Series Q)	Hermetic Trust Company (1975) Ltd.	Meirav Ofer Oren and Dan Avnon	30 Derech Sheshet Hayamim, Bnei Brak	03-5271451	hermteic@hermetic.co.il

C. Rating of the debentures:

	Issue date	S&P Maalot’s rating close to issue date	Midroog’s rating close to issue date	S&P Maalot’s rating at the periodic report approval date (*)	Midroog’s rating at the period report approval date (*)	Date and reference of the immediate report about the latest S&P Maalot rating (**)	Date and reference of the immediate report about the latest Midroog rating (**)
Debentures (Series K)	September 2011	A+/ Positive	Aa3	A-/ Negative	A3/ Negative	04/02/2024 Ref: 2024-15-010582	04/02/2024 Ref: 2024-01-012789
Debentures (Series L)	October 2013	AA-/Stable	Aa3	A-/ Negative	A3/ Negative	04/02/2024 Ref: 2024-15-010582	04/02/2024 Ref: 2024-01-012789
Debentures (Series M)	February 2018	AA-/Stable	Aa3/Stable	A-/ Negative	A3/ Negative	04/02/2024 Ref: 2024-15-010582	04/02/2024 Ref: 2024-01-012789
Debentures (Series N)	January 2020	AA-/Stable	Aa3/Stable	A-/ Negative	A3/ Negative	04/02/2024 Ref: 2024-15-010582	04/02/2024 Ref: 2024-01-012789
Debentures (Series O)(3)	October 2020	AA/ Negative	Aa2/ Negative	A-/ Negative	A3/ Negative	04/02/2024 Ref: 2024-15-010582	04/02/2024 Ref: 2024-01-012789
Debentures (Series P)(4)	August 2021	AA-/Watch Negative	Aa3/ Negative	A-/ Negative	A3/ Negative	04/02/2024 Ref: 2024-15-010582	04/02/2024 Ref: 2024-01-012789
Debentures (Series Q)(5)	July 2023	A-/ Negative	Aa3/ Negative	A-/ Negative	A3/ Negative	04/02/2024 Ref: 2024-15-010582	04/02/2024 Ref: 2024-01-012789

	Issue date	S&P Maalot's rating close to issue date	Midroog's rating close to issue date	S&P Maalot's rating at the periodic report approval date (*)	Midroog's rating at the period report approval date (*)	Date and reference of the immediate report about the latest S&P Maalot rating (**)	Date and reference of the immediate report about the latest Midroog rating (**)
Debentures (Series R)[6]	February 2024	A-/Watch Negative	Aa3/ Negative	A-/ Negative	A3/ Negative	04/02/2024 Ref: 2024-15-010582	04/02/2024 Ref: 2024-01-012789

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

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

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

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

(5) The debentures (Series Q) can be converted to the Company's shares.

(6) The debentures (Series R) are secured by lien to G Alpah's shares, a wholly-owned corporation of Gazit Horizons which holds six properties in the U.S.

D. Details concerning the credit rating history:

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

E. On December 31, 2023 and during 2023, the Company complied with all of the terms and commitments under the deeds of trust for each of the above debenture series of the Company. No conditions existed that required the Company to immediately redeem the above debenture series under the foregoing deeds of trust, and no notices were received from any of the trustees in this regard.

F. The Company’s commitments pursuant to the debentures (Series O) are secured by a first fixed charge on the rights relating to properties, as set out in section 4.6 of the Company’s shelf prospectus published on October 22, 2020 (reference no. 2020-01-106162) with the information contained therein being hereby presented by means of this reference. The value of the foregoing pledged property as of December 31, 2023 is NIS 596 million.

The valuation of the pledged properties as of December 31, 2023 is attached to the Periodic Report.

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

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

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

G. The Company’s commitments pursuant to the debentures (Series P) are secured by a first-degree fixed lien over two accounts holding the pledged shares (G Europe shares) and all the rights of the lien company in those accounts, 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 December 31, 2023 published in the Immediate report of the company on March 3, 2024 (Reference No. 2024-01-021375) in which the information contained herein is hereby incorporated by reference. The EPRA NRV per G Europe’s share as of December 31, 2023 is in the amount of EUR 3.53 per share.

H. As of December 31, 2023, the total commitments of the Company, pursuant to each series: debentures (Series L) (as presented in the separate financial statements of the Company), accounts for more than 5% of the Company’s total liabilities, and may thus be considered material.

I. For details regarding the issuance of convertible debentures (Series Q) into the Company's shares in an amount of NIS 531 million, refer to Note 19c20 to the financial statements.

J. For details regarding the debt raising by the Company by way of expansion of debentures (Series R) in an amount of NIS 74 million, refer to Note 19b13 to the financial statements.

K. For details regarding the issuance of debentures (Series S) after the reporting date, secured by properties in the United States in an amount of 410 million NIS, refer to Note 19c20 to the financial statements.

L. On June 29 2023, 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 pledge, 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.

M. On December 7 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, at 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 negative outlook.

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

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

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

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

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

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

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

Financial ratio	Covenants	As of December 31, 2023
Minimum shareholders' equity (less non-controlling interests) (dollars in millions)	Series L-Higher than 650, during 3 consecutive quarters Series M, R-Higher than 800, during 3 consecutive quarters Series N, O, P and Q -Higher than 850, during 3 consecutive quarters	1,334
Minimum shareholders' equity (less non-controlling interests) during one quarter (dollars in millions)	Series M,N,O - Higher than 400 Series P, Q and R – Higher than 450	1,334
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]62.3%
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, Q and R -lower than 75%	62.0%
Minimum rating of the debentures	Series N,O and Q -'ilBaa3'/'ilBBB-'	'ilA3'/ 'ilA-'

As of December 31, 2023, and as of the approval of the financial statements, the Company complied with the covenants in respect of all debentures.

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

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

Appendix A to the Directors' Report
Additional Information regarding Currency Exposure
as of December 31, 2023

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

Data presented in millions	NIS	U.S.$	EUR[(3)]	C$	BRL	Total in NIS
Assets in original currency	4,940	944	3,936	144	3,296	-
Assets in NIS	4,940	3,425	15,790	395	2,470	27,020
% of total assets	**18**	**13**	**58**	**2**	**9**	**100**
Liabilities in original currency	10,186	284	2,017	110	746	-
Cross-currency swap transactions in original currency	(141)	(17)	(2)	-	-	-
Liabilities in original currency	10,045	267	2,015	110	746	-
Liabilities in NIS adjusted for swaps	10,045	968	8,083	301	559	19,956
% of total liabilities	**50**	**5**	**40**	**2**	**3**	**100**
Total equity in original currency	(5,105)	677	1,921	34	2,550	-
Total economic equity in NIS[(4)]	(5,105)	2,457	7,707	94	1,911	7,064
% of total equity	**(72)**	**35**	**109**	**1**	**27**	**100**

(1) According to currency exchange rates as of December 31, 2023.
(2) The Company's statement of financial position presented on a proportionately consolidated basis was not prepared according to generally accepted accounting principles, but according to the Company's interest in each of the subsidiaries at the stated date.
(3) The exposure to the euro currency also includes the exposure the group has for the activity in Sweden whose currency is the Swedish krona (SEK), the activity in Norway whose currency is the Norwegian crown (NOK) and for the activity of the rental residences in Poland whose currency is the zloty. Additionally, the data regarding CTY is based on CTY's EPRA NRV per share.
(4) Represents the equity attributable to the shareholders of the Company, excluding deferred taxes as it was known on December 31, 2023.

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

G Savyon

A. Presentation of the property

Information on 100% level (Company's share of property – 100%)	As of December 31, 2023
Name of property	G Savyon
Location of property	Real estate known as block 6691 parts 55 and 63 and block 6722 part 147 located at 1, Hashikma Street, Savyon.
Area of property – split by use (sq. m)	A land area of 30,079 sq.m. and also a land area of 409.9 sq.m., including several buildings serving as a commercial center, offices and clinics, with a total marketable area of 8,085 sq.m.
Holding structure of property	100% owned by the Company [1]
Company's effective share in property	100%
Names of partners in property	-
Date of acquisition of the property	Acquisition contract dated August 21, 2018 between Gazit Israel and Savyon Offices and Super Gadol Savyon
Details of legal title to the property	As detailed below relating to recording of legal title
Material unused building rights	A land area of 13,000 sq.m. without building rights, on which a zoning plan can be promoted to change the designation to residential.
Financial statement presentation method	Fair value

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

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

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

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

B. Principal data

	Year 2023	Year 2022	Year 2021	At property acquisition date	
Fair value at end of period (NIS thousands) Income-producing portion	218,218	81,148	77,340		
Fair value of land at end of period	15,700	118,306	67,340		
Total fair value (NIS thousands)	233,918	199,454	144,680	**Acquisition cost (NIS thousands) (including adjacent area and building rights)**	117,150
Revaluation profit (loss) – excluding amortization of paid acquisition tax (in NIS thousands)	18,719	34,307	(313)	**Acquisition date**	August 21, 2018
Average occupancy rates (%)*	92.4%	99.3%	94.3%		
Actual areas leased (sq. meters)	7,442	3,227	3,071		
Total revenues (NIS thousands)	6,843	5,597	6,239		
Average annual rental per sq. meter (per month) (NIS)	154.5	145.8	129		
Average monthly rental per sq. meter for leases signed in the period (NIS)	151	114	-		
NOI (NIS thousands)	5,202	4,306	4,468		
Adjusted NOI [1](NIS thousands)	5,280	4,582	4,497		
Actual rate of return – yielding section (%)[2]	5.8%	5.3%	5.8%		
Adjusted rate of return – yielding section (%)	5.9%	5.7%	5.8%		
No. of tenants as of end of reporting year	49	30	28		
Average turnover (per month) per sq. meter**	3,438	3,607	-		

*For retail and office spaces only.
**The information about tenant revenue in the property is partial information relating to certain tenants who reported their monthly revenue to the company and represent approximately 21% of the retail spaces.

1 Includes, among other things, neutralization of cost of revenue expenses related to tenant debts from 2020 and 2021.

2 During the period, the construction of the property's expansion was completed. The yield was calculated based on the NOI and the property's value before the expansion

C. Analysis of revenues and cost structure

Data at 100% level	Year 2023	Year 2022	Year 2021
	NIS thousands		
Revenues:			
From rentals – Fixed	5,824	4,878	4,739
From management fees	900	674	608
From rentals - Variable	120	45	892
Total revenues	6,843	**5,597**	**6,239**
Costs:			
Management, maintenance and operation before head office allocation [1]	1,641	1,290	1,771
Total costs	1,641	1,290	**1,771**
NOI	5,202	**4,306**	**4,468**

D. Principal tenants in the property

	% of property area leased to tenant (%)	Does tenant constitute an anchor tenant?	Does tenant account for 20% or more of property's revenues?	Sector to which tenant belongs	Original lease period and period left (years)	Extension options (years)	Linkage of rentals	Details of collateral (if applicable)	Special dependency
Tenant A	9%	yes	No	Supermarkets	5/5	20	Linked to CPI	-	-

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

	Year 2024	Year 2025	Year 2026	Year 2027	Year 2028 and after
	NIS thousands				
Fixed components	10,879	10,445	7,634	4,570	2,198
Variable components (estimate)	-	-	-	-	-
Total	10,879	10,445	7,634	4,570	2,198

F. Improvements and changes planned in the property

Essence of improvement		an area of about 13 hectare for future planning will remain.
Added area (in meter)		About 4,000 m main and 1,600 m service.
Statutory status		A full building permit was received for the project. Phase A, which included the construction of a retail and office wing, was completed and a Form 4 (confirmation of construction completion) was received. Phase B, which includes the renovation and reconstruction of an existing retail wing, is upcoming for execution.
Building budget	**Total (excluding cost of land)**	71
Share of added area for which rental agreements have been signed		92%
Anticipated increase in NOI (annualized) (in NIS millions)		9
Execution status		in process
Expected completion date		4th quarter 2024

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

G. Pledges and material legal restrictions on property

Type	Detail	Amount pledged by pledge as of December 31, 2023 (in NIS millions)
Limit on transfer and transfer through inheritance	Limit on transfer and transfer through inheritance of Savyon Offices' leasing rights to the real estate	
Limit on transfer	Limit on transfer of leasing rights of Super Gadol in the real estate	
Unlimited first degree mortgage	Limit on transfer of leasing rights of Savyon Offices' real estate and no limit in the amount in favor of Reznik Paz Nevo Trusts Ltd.	Unlimited
Unlimited first degree mortgage	Limit on transfer of leasing rights of Super Gadol real estate and no limit in the amount in favor of Reznik Paz Nevo Trusts Ltd.	Unlimited
Unlimited first degree mortgage	Unlimited first degree mortgage on Savyon Offices' rights in the real estate in favour of Gazit Israel.	Unlimited
Unlimited first degree mortgage	Unlimited first degree mortgage on Super Gadol's rights in the real estate in favour of Gazit Israel in accordance with note no. 60251/2020/2 dated December 24, 2020 .	Unlimited
First degree pledge	On April 20, 2021 pledge no. 95 was registered in the Companies' Register with November 19, 2020 as registration date in favour of Reznik Paz Nevo Nominees Ltd. (as detailed in pledge 95).	Unlimited
Caveat notices	On leasing rights of Savyon Offices in the real estate in favour of Gazit Israel	
Caveat notice	On leasing rights of Super Gadol in the real estate in favour of Gazit Israel	

H. Details regarding the valuation

		31/12/2023	31/12/2022	31/12/2021
The determined value as of the end of the period (NIS thousands)		233,918	199,454	**144,680**
Identity of appraiser		Sefi Raviv	Sefi Raviv	Sefi Raviv
Is the appraiser independent		Yes	Yes	Yes
Is there an indemnification agreement[1]		Yes	Yes	Yes
Effective date of valuation		30/9/2023	31/12/2022	31/12/2021
Valuation model		Income (DCF)	Income (DCF)	Income (DCF)
Main parameters taken into account for the valuation:				
Valuation according to the DCF (income approach)	Area available for renting (sq. meters) – all types of units excluding external ownership	8,583	7,876	3,258
	Occupancy rate in year +1 (%)	73%	66.8%	93%
	Occupancy rate in year + 2 (%)	100%	100%	100%
	Representative occupancy rate of area available for renting for valuation (%)	100%	100%	100%
	Basic average monthly rentals per sq. m leased (NIS) in year + 1 for valuation purposes – excluding units without metreage	155.6	143.4	130.8
	Basic average monthly rentals per sq. m leased (NIS) in year + 2 for valuation purposes – excluding units without metreage	157.2	143.6	129.0
	Basic average monthly rentals per sq. m leased (NIS) for valuation purposes – excluding units without metreage	157.2	143.6	129.0
	Weighted rate of return for valuation purposes (%)	6.3%	6.4%	6.3%
	Representative NOI	15,005	13,470	4,939

Sensitivity analyses of the value		Change in value in (NIS thousands)		
Occupancy rates		The property at 100%	The property at 100%	The property at 100%
	Fall of 5%	(11,700)	(10,468)	(4,762)
Cap rates	Rise of 0.25%	(9,081)	(7,831)	(2,992)
	Fall of 0.25%	9,832	8,464	(3,240)
Average rental per Sq. m	Rise of 5%	11,700	10,548	4,003
	Fall of 5%	(11,700)	(10,548)	(4,003)

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

G Rothschild

A. Presentation of the property

Information on 100% level (Company's share of property – 51%)	As of December 31, 2023
Name of property	G Rothschild
Location of property	Real estate known as block 3934 part 243 and parts 242 and 244 located at 45, Rothschild Street, Rishon LeTsiyon.
Area of property – split by use (sq. m)	Built area of 32,100 meter including four shopping floors, six levels of parking above and four floors allocated for offices.
Holding structure of property	51% owned by the Company[1]
Company's effective share in property	51%
Names of partners in property	Reit 1 Ltd. (I.D. 513821488)
Date of acquisition of the property	Gazit Israel acquired the rights in G Rothschild through its share issue agreement dated June 1, 2005 and were transferred to the company as part of the statutory merger dated 20.4.2021
Details of legal title to the property	51/100 non-identified share in the undivided property – part 243 in block 3934. 51% (non-identified) in accordance with G Rothschild lease agreement for parts 242 and 244 in block 3934.
Material unused building rights	Unused building rights of main 560 m for shopping and office use.
Financial statement presentation method	Fair value
Status of registration of legal rights	The ownership rights in part 243 of block 3934 are registered undivided in the name of Gazit Israel (51/100 non-identified parts) and Reit 1 Ltd. – (49/100 in unidentified parts). The ownership rights in the real estate, parts 242 and 244 of block 3934, are fully registered in the name of the City of Rishon LeTsiyon. On December 1, 2020, an unlimited first-degree mortgage was registered in the amount of the ownership rights of G Israel in plot 243 in favor of Reznik Paz Nevo Trusts Ltd. according to Bill No. 50868/2020/1. The company is entitled to be registered as having 51% of the lease rights in parts 242 and 244 of block 3934. As of the current date, Gazit Israel is registered as owner of a 124/226 share in the leasing rights to part 242 of block 3934 (62 m of level -1 and 62 m of level -2) and a 120/127 share in the leasing rights to part 244 of block 3934 (120 m of level -1). There is a limitation in the transfer and transfer through inheritance on Gazit Israel's leasing rights to parts 242 and 244 of block 3934. There is a section 27 notice on the usage of the real estate in favor of the Rishon LeTsiyon planning and building committee, as detailed in note 11179/2020/2 dated March 5, 2020 following the request dated March 14, 2018 for additional underground parking for the shopping center in parts 242 and 244 of block 3934 in line with item 36/7/1/RS to the lease agreement with the City of Rishon LeTsiyon dated January 25, 1998. On March 7, 211, an unlimited first-degree mortgage was registered in the amount on the lease rights of G Israel in plots 242 and 244 according to Bill No. 11931/2021/1. Item (e) below details the mortgages and pledges registered on the Company's rights in the property.

[1] It will be clarified that on April 20, 2021 G Israel was merged with and into the company in a statutory merger. As of this date, the transfer of rights to the company's name at the Land Registry Office has not yet been completed.

B. Principal data

Data at 100% level (Company's share in property – 51%)	Year 2023	Year 2022	Year 2021	At property acquisition date	
Fair value at end of period (NIS thousands)	229,014	228,057	228,652		
Fair value of building rights (NIS thousands)	9,346	9,112	6,497		
Total fair value (NIS thousands)	238,360	237,169	235,149	117,150	
Revaluation profit (loss) (in NIS thousands) – Company's share	(1,266)	(2,224)	933	**Acquisition date**	June 1, 2005
Average occupancy rates (%)*	96.4%	94.6%	96.4%		
Actual areas leased (sq. meters)	12,398	12,416	12,722		
Total revenues (NIS thousands)	22,606	20,738	18,900		
Average annual rental per sq. meter (per month) (NIS)	101.5	98.6	89		
Average monthly rental per sq. meter for leases signed in the period (NIS) [1]	86	53	89		
NOI (NIS thousands)	13,493	11,552	8,410		
Adjusted NOI (NIS thousands)	13,903	11,967	10,018		
Actual rate of return (%)	5.9%	5.07%	3.7%		
Adjusted rate of return (%) [2]	6.1%	5.25%	4.4%		
No. of tenants as of end of reporting year	86	85	87		
Average turnover (per month) per sq. meter [3]	1,386	1,286	1,414		

* For retail and office spaces only.

[1] During the period, new agreements were signed for offices only.

[2] In 2023, it includes neutralization of credits given following the "Guardians of the Walls" operation, and in 2021 and 2022 it includes neutralization of cost of revenue expenses related to tenant debts

[3] The data for turnover of the tenants in the property is partial data for certain tenants for 92% of the property's area.

C. Analysis of revenues and cost structure

Data at 100% level	Year 2023	Year 2022	Year 2021
	NIS thousands		
Revenues:			
From rentals – Fixed	15,124	14,161	12,050
From management fees	6,444	5,993	5,368
From rentals - Variable	1,038	584	1,482
Total revenues	**22,606**	**20,738**	**18,900**
Costs:			
Management, maintenance and operation before head office allocation [1]	9,114	9,187	10,490
Total costs	**9,114**	**9,187**	**10,490**
NOI	**13,493**	**11,552**	**8,410**

D. Principal tenants in the property

Data at 100% level (Company's share of property – 51%)	% of property area leased to tenant (%)	Does tenant constitute an anchor tenant?	Does tenant account for 20% or more of property's revenues?	Sector to which tenant belongs	Original lease period and period left	Extension options (years)	Linkage of rentals	Details of collateral (if applicable)	Special dependency
Tenant A	4%	Yes	No	Supermarkets	2.5 / 5	15	Linked to CPI	Bank guarantee	-
7	11%	Yes	No	Sport and gym	6.8 /12	5	Linked to CPI	Bank guarantee	-
Tenant C	5%	Yes	No	Pharma	6 / 12.4	10	Linked to CPI	-	-

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

	Year 2024	Year 2025	Year 2026	Year 2027	Year 2028 and after
	NIS thousands				
Fixed components	13,504	10,218	4,872	3,263	4,093
Variable components (estimate)	257	251	100	60	79
Total	13,761	10,469	4,972	3,323	4,172

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

F. Improvements and changes planned in the property

Type	Detail	Amount pledged by pledge as of December 31, 2023 (in NIS millions)
Unlimited first degree pledge	On April 20, 2121, a permanent pledge number 70 was registered with the Registrar of Companies according to the creation date of January 4, 2010 in favor of Rit1 Ltd. ("Rit1") in connection with the acquisition of Rit1's rights in G Rothschild (all as specified in Pledge 70)	Unlimited
Mortgage unlimited first degree pledge	Unlimited first degree mortgage of the Gazit Israel's rights on part 243 of block 3934 in favor of Reznik Paz Nevo Nominees Ltd. through note 50868/2020/1 dated December 1, 2020.	Unlimited
Mortgage unlimited first degree pledge	In plots 242 and 244 in block 3934, a first-degree mortgage is registered without an amount in the amount on the rights of G-Israel in favor of Reznik Paz Nevo Trusts Ltd. according to bill number 11931/2021/1 dated 7.3.2021	Unlimited
Unlimited first degree pledge	On April 20, 211, a permanent pledge number 96 was registered with the Registrar of Companies according to the creation date from December 1, 2020, in favor of Reznik Paz Nevo Trusts Ltd. (all as specified in lien number 96)	Unlimited
Unlimited first degree pledge	On April 20, 211, permanent lien number 102 was registered with the Registrar of Companies according to the creation date of March 7, 211 in favor of Reznik Paz Nevo Trusts Ltd. (all as specified in lien number 102)	Unlimited
Limit on transfer and transfer through inheritance	There exists a limit on transfer and transfer through inheritance on Gazit Israel’s leasing rights in parts 242 and 244.	
Conditions of leasing contract	The leasing contract prevents Gazit Israel to transfer its rights to a third party. As a result, the recording of a pledge on the Company’s rights to parts 242 and 244 and the assessment that a pledge is not considered a transfer of the rights both require agreement by the City (as registered owners of the real estate). On February 28, 2121, the municipality's consent was obtained to register the liens in favor of Reznik Paz Nevo Trusts Ltd.	
Post Office agreement	In accordance with the Post Office service agreement between Israel Post and Gazit Israel of May 18, 2017, the Post Office needs to give its prior written agreement to any pledge. Such agreement to pledge was received on November 15, 2020.	

Type	Detail	Amount pledged by pledge as of December 31, 2023 (in NIS millions)
Limitations due to partner agreement with Reit 1	Any pledge of the rights due to the partner agreement between Gazit Israel and Reit 1 of December 4, 2009 requires a letter of agreement from the mortgage holder appointed for Reit 1 accepting that the pledge is subject to the partner agreement. Such written agreement to pledge was received from Reit on October 25, 2020.	
First right of refusal	The transfer of rights by either side in the partner agreement is subject to first refusal right of the other side to acquire the rights.	
Joining right	Reit 1 received the right to join Gazit Israel in case it wants to sell its rights in G Rothschild (if the first right of refusal is not used).	
Forced sale	Gazit Israel can force Reit 1 to join its sale of rights (if the first right of refusal is not used).	
Separation mechanism	Either side that wishes to separate will notify its intention to sell or acquire its rights to the other side and will include a price in its offer. If the other side does not accept a pricing process will start (45 days after receipt of the offer). In this process the other side can agree or can give a counteroffer – to acquire the first' rights for a price increased by multiples of NIS 400,000 (as adjusted for the sold side's share in the real estate – 49% or 51%) above the price in the offer. The first side can give a counteroffer and this will repeat until the other side accepts the offer.	

G. Details regarding the valuation

Data at 100% level (Company's share in property 51%)		**31/12/2023**	**31/12/2022**	**31/12/2021**
The determined value as of the end of the period (NIS thousands)		238,360	237,169	235,149
Identity of appraiser		Yehuda Zisser	Yehuda Zisser	Yehuda Zisser
Is the appraiser independent		Yes	Yes	Yes
Is there an indemnification agreement[1]		Yes	Yes	Yes
Effective date of valuation		30/9/2023	31/12/2022	31/12/2021
Valuation model		Income (DCF)	Income (DCF)	Income (DCF)
Main parameters taken into account for the valuation:				
Valuation according to the DCF (income approach)	Area available for renting (sq. meters) – all types of units excluding external ownership	13,120	13,121	13,193
	Occupancy rate in year +1 (%)	96%	94%	94%
	Occupancy rate in year + 2 (%)	98%	100%	100%
	Representative occupancy rate of area available for renting for valuation (%)	100%	100%	100%
	Basic average monthly rentals per sq. m leased (NIS) in year + 1 for valuation purposes – excluding units without metreage	101.7	88.0	87.0
	Basic average monthly rentals per sq. m leased (NIS) in year + 2 for valuation purposes – excluding units without metreage	101.7	90.8	88.7
	Basic average monthly rentals per sq. m leased (NIS) for valuation purposes – excluding units without metreage	102.2	95.2	93.5
	Weighted rate of return for valuation purposes (%)	7.25%	7.15%	7.05%
	Representative NOI	16,842	16,548	16,551

Sensitivity analyses of the value			**Change in value in (NIS thousands)**	
Occupancy rates		The property at 100%	The property at 100%	The property at 100%
	Fall of 5%	(11,444)	(11,400)	(11,348)
Cap rates	Rise of 0.25%	(7,732)	(7,819)	(8,040)
	Fall of 0.25%	8,285	8,385	8,631
Average rental per Sq. m	Rise of 5%	11,444	10,488	10,495
	Fall of 5%	(11,444)	(10,488)	(10,495)

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

G Kokhav HaTzafon

A. Presentation of the property

Information on 100% level (Company's share of property – 100%)	**As of December 31, 2023**
Name of property	G Kokhav HaTzafon
Location of property	Real estate known as part 28 of block 7186 located at 19-21, Yairi Meir Street, in the Kokhav HaTzafon neighborhood, Tel Aviv-Yafo.
Area of property – split by use (sq. m)	G Kokhav HaTzafon is a build up area of about 2,100 m at ground level and a build up area of 3,615 m (of which 114 m storage) in the basement floor, and includes a one-story building above the basement composed of three sections linked by a surrounding pergola
Holding structure of property	Fully owned by the Company [1]
Company's effective share in property	100%
Names of partners in property	-
Date of acquisition of the property	Gazit Israel acquired the rights from Thermosintex Ltd. (the "seller"), through a purchase agreement dated July 18, 2017. The rights of the seller in the property derive from a development contract between the City and the seller dated January 15, 2013. The company's rights in the said complex were transferred to it as part of the statutory merger dated April 20, 2021. On December 12, 2023, the leasehold rights were registered under the name of G City Ltd.
Details of legal title to the property	The Company is registered as the leaseholder of part 28 in block 7186, except in the area of the electricity room and the areas of 50 parking spaces which were allocated to the rights holders in plot 26, as defined below.
Material unused building rights	The Tel Aviv blueprint plan, TA / 5000 allows the addition of rights subject to the preparation of a detailed plan to the local council.
Financial statement presentation method	Fair value
Status of registration of legal rights	The ownership rights to the property in part 28 of block 7186 are registered in the Land Registry Office in the name of the City of Tel Aviv-Yafo. On December 2, 2020 Gazit Israel was registered in the Land Registry Office as leaseholder of the property due to a lease contract with the City dated May 20, 2020. At the same time an unlimited first degree mortgage on Gazit Israel's rights in favor of the nominee and a caveat notice in favor of the Israel Electric Company for a lease contract between Gazit Israel and the electric company dated March 11, 2019 according to which Gazit Israel leases the transformator room ("the electricity room") to the electric company, was registered. On December 12, 2023, the company was registered with the Land Registry Office as the leaseholder of the property following the statutory merger dated April 4, 2021. On June 12, 2014 the seller and Yasda Ltd. entered into a sub-lease ("the sub-lease" and "the sub-lessee", respectively). A blueprint was oftached to this sub-lease showing the above parking places ("the part 26 parking places") according to which the seller leases the part 26 parking places to the sub-lessee for the sub-lease period. The seller committed to register the leasing rights of the sub-lessee in the Land Registry Office. The real estate rights include a public-usage note in favor of the public. Item (f) below details the mortgages and pledges registered on the Company's rights in the property.

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

B. Principal data

Data at 100% level	Year 2023	Year 2022	Year 2021	At property acquisition date	
Fair value at end of period (NIS thousands)	108,411	105,090	104,000		
Revaluation profit (loss) (in NIS thousands) – excluding amortization of paid acquisition tax	3,217	(922)	664		
Average occupancy rates (%)	90.2%	90.2%	90.9%	**Acquisition costs (NIS thousands) (including adjacent lot and building rights)**	105,000
Actual areas leased (sq. meters)	2,098	2,097	2,113	**Acquisition date**	July 18, 2017
Total revenues (NIS thousands)	6,806	5,942	6,504		
Average annual rental per sq. meter (per month) (NIS)	277.5	267.7	222		
Average monthly rental per sq. meter for leases signed in the period (NIS)	324	318	-		
NOI (NIS thousands)	5,474	4,537	4,781		
Adjusted NOI[1] (NIS thousands)	5,630	5,158	4,645		
Actual rate of return – yielding section (%)	5.0%	4.3%	4.6%		
Adjusted rate of return yielding section (%)	5.2%	4.9%	4.5%		
No. of tenants as of end of reporting year	25	25	25		
Average turnover (per month) per sq. meter [2]	3,728	3,510	3,309		

[1] In 2023, includes neutralization of credits given following the "Guardian of the Walls" operation, and in 2021 and 2022, includes neutralization of cost of revenue expenses related to tenant debts.

[2] The information about tenant revenue in the property is partial information relating to certain tenants who reported their monthly revenue to the company and represent approximately 44% of the retail spaces.

C. Analysis of revenues and cost structure

Data at 100% level	Year 2023	Year 2022	Year 2021
	NIS thousands		
Revenues:			
From rentals – Fixed	5,784	4,962	5,406
From management fees	1,022	977	882
From rentals - Variable	-	4	216
Total revenues	**6,806**	**5,942**	**6,504**
Costs:			
Management, maintenance and operation before head office allocation	1,332	1,406	1,723
Total costs	**1,332**	1,406	**1,723**
NOI	**5,474**	**4,537**	**4,781**

D. Principal tenants in the property

	% of property area leased to tenant (%)	Does tenant constitute an anchor tenant?	Does tenant account for 20% or more of property's revenues	Sector to which tenant belongs	Original lease period and period left (years)	Extension options (years)	Linkage of rentals	Details of collateral (if applicable)	Special dependency
Tenant A	14%	Yes	No	Supermarket	0.6/5	19.9	Linked to CPI	-	-
Tenant B	12%	Yes	No	Catering	0.8/5	10	Linked to CPI	Bank guarantee	-

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

	Year 2024	Year 2025	Year 2026	Year 2027	Year 2028 and after
	NIS thousands				
Fixed components	4,994	1,467	652	-	-
Variable components (estimate)	-	-	-	-	-
Total	4,994	1,467	652	-	**-**

F. Improvements and changes planned in the property

Type	Detail	Amount pledged by pledge as of December 31, 2023 (in NIS millions)
Unlimited first degree mortgage	An unlimited first degree mortgage in favor of Reznik Paz Nevo Nominees Ltd. according to note no. 67073/2023/1 dated December 12, 2023 on G City's rights in part 28, block 7186.	Unlimited
Unlimited first degree pledge	On April 20, 211, lien number 97 was registered with the Registrar of Companies according to the creation date of December 2, 2020, in favor of Resnik Paz Nevo Trusts Ltd. (all as specified in lien number 97)	Unlimited
Caveat notice in favor of Israel Electric Company	A caveat notice on G City's rights in the property in favor of Israel Electric Company from December17 12, 2023, original deed no. 55286/2020/4 relating to the electricity room that Gazit Israel leases to Israel Electric Company. The electric room is also known as room TT in Biluah Maoz 1-3, which is used as transformation station for two transformers.	
Rights of Yasda Ltd. in group of 50 underground car parking spaces	Yasda Ltd. has the right to register its ownership as a sub-lessee of a group of 50 underground car parking spaces. In addition, a non-exclusive right of way should be registered in its favor for the parking spaces that it has been allocated, in an access way that will be marked by the parties on a blueprint.	

H. Details regarding the valuation

Data at 100% level		31/12/2023	31/12/2022	31/12/2021
The determined value as of the end of the period (NIS thousands)		108,411	105,900	104,000
Identity of appraiser		Sefi Raviv	Sefi Raviv	Sefi Raviv
Is the appraiser independent[1]		Yes	Yes	Yes
Is there an indemnification agreement		Yes	Yes	Yes
Effective date of valuation		30/9/2023	31/12/2022	31/12/2021
Valuation model		Income (DCF)	Income (DCF)	Income (DCF)
Main parameters taken into account for the valuation:				
Valuation according to the DCF (income approach)	Area available for renting (sq. meters) – all types of units excluding external ownership	2,307	2,325	2,325
	Occupancy rate in year +1 (%)	91%	90%	90%
	Occupancy rate in year + 2 (%)	100%	100%	100%
	Representative occupancy rate of area available for renting for valuation (%)	100%	100%	100%
	Basic average monthly rentals per sq. m leased (NIS) in year + 1 for valuation purposes – excluding units without metreage	271.4	254.3	235.4
	Basic average monthly rentals per sq. m leased (NIS) in year + 2 for valuation purposes – excluding units without metreage	274.4	253.8	241.8
	Basic average monthly rentals per sq. m leased (NIS) for valuation purposes – excluding units without metreage	274.4	253.8	241.8
	Weighted rate of return for valuation purposes (%)	6.0%	6.0%	6.0%
	Representative NOI	6,787	6,575	6,521

Sensitivity analyses of the value			Change in value in (NIS thousands)	
Occupancy rates		The property at 100%	The property at 100%	The property at 100%
	Fall of 5%	(4,640)	(5,900)	(5,000)
Cap rates	Rise of 0.25%	(4,523)	(4,384)	(4,348)
	Fall of 0.25%	4,917	4,765	4,726
Average rental per Sq. m	Rise of 5%	4,640	5,900	5,622
	Fall of 5%	(4,640)	(5,900)	(5,622)

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

G Horev Center

A. Presentation of the property

Information on 100% level (Company's share of property – 50%)	As of December 31, 2023
Name of property	Horev Center
Location of property	Real estate known as block 10782 parts 134 (part), 140 (part), 67, 71, 74, 77, 83 (part)
Area of property – split by use (sq. m)	Block 10782 part 134 – registered area of 4,235 m in built up area of 28,870 m including seven floors above four basement floors for parking and storage, three floors for shopping (including a floor which has a gallery), one technical floor and three floors of offices / health center. Block 10782 part 140 – registered area of 534 m on which four basement floors are built below ground floor level which are used for 49.5 parking spaces on a total area of 1,898 m and an office with an area of 18 m on the first floor which is used as a taxi station. Block 10782 part 67 – registered area of 383 m. Not built on. Block 10782 part 71 – registered area of 881 m. Not built on. Block 10782 part 74 – registered area of 877 m. The part is used as a fixed building from concrete blocks partly covered by tiled roof. The building includes 4 levels (two of which are below Pika Street level) on a total area of 550 m. Block 10782 part 77 - registered area of 865 m. Not built on. Block 10782 part 83 - registered area of 96 m. Not built on.
Holding structure of property	50% owned by the Company[1].
Company's effective share in property	50%
Names of partners in property	N.T.M. Transport and Commercial Assets Ltd. – I.D.520036625.
Details of legal title to the property	As detailed below regarding registration of legal rights.
Material unused building rights	About 2,500 m main areas in additional parts. In addition, Haifa master plan HA/2000 allows for additional building rights subject to the preparation of a detailed plan to the local council.
Financial statement presentation method	Fair value

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

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

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

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

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

B. Principal data

Data at 100% level (Company's share of property – 50%)	Year 2023	Year 2022	Year 2021	At property acquisition date	
Fair value at end of period (NIS thousands)	236,2810	236	216,836		
Fair value of adjacent parts at end of period (NIS thousands)	25,500	25,500	25,500		
Total fair value (NIS thousands)	261,781	261,932	242,336		
Revaluation profit (loss) (in NIS thousands) – Company share	(138)	9,714	23,098	**Acquisition date**	July 26, 2006
Average occupancy rates (%)*	92.6%	94.7%	94.6%		
Actual areas leased (sq. meters)[1]	12,005	12,103	11,905		
Total revenues (NIS thousands)	21,051	17,184	19,214		
Average annual rental per sq. meter (per month) (NIS)	122.2	116.7	104		
Average monthly rental per sq. meter for leases signed in the period (NIS)[2]	82	127	75		
NOI (NIS thousands)	14,168	13,984	9,240		
Adjusted NOI[3] (NIS thousands)	16,806	16,778	12,572		
Actual rate of return (%)	6.0%	5.9%	4.7%		
Adjusted rate of return (%)	7.1%	7.1%	5.8%		
No. of tenants as of end of reporting year	53	53	51		
Average turnover (per month) per sq. meter [4]	2,121	2,044	2,000		

* For retail and office spaces only.

1 Including areas of 2,550 owned by third parties.

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

3 In 2021 and 2022, it includes cost of revenue expenses related to tenant debts from 2020, and in 2023 it includes a provision for prior years' expenses.

4 The information about tenant revenue in the property is partial information relating to certain tenants who reported their monthly revenue to the company and represent 62% of the retail spaces.

D. Analysis of revenues and cost structure

Data at 100% level (Company's share in the property - 50%)	Year 2023	Year 2022	Year 2021
	NIS thousands		
Revenues:			
From rentals – Fixed	15,949	12,738	12,034
From management fees	5,103	4,446	7,180
From rentals - Variable	-	-	-
Total revenues	**21,051**	**17,184**	**19,214**
Costs:			
Management, maintenance and operation before head office allocation[1]	6,884	3,200	9,974
Total costs	**6,884**	**3,200**	**9,974**
NOI	**14,168**	**13,984**	**9,240**

E. Principal tenants in the property

Data at 100% level (Company's share of property – 51%)	% of property area leased to tenant (%)	Does tenant constitute an anchor tenant?	Does tenant account for 20% or more of property's revenues?	Sector to which tenant belongs	Original lease period and period left (years)	Extension options (years)	Linkage of rentals	Details of collateral (if applicable)	Special dependency
Tenant A	18%	Yes	No	Health	2.7/5	9.9	Linked to CPI	-	-
Tenant B	5%	Yes	No	Health	2.7/5	9.9	Linked to CPI	-	-
Tenant C	5%	Yes	Yes	Pharma	1.8/5	14.9	Linked to CPI	-	-

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

	Year 2024	Year 2025	Year 2026	Year 2027	Year 2028 and after
	NIS thousands				
Fixed components	12,078	10,256	5,339	2,368	2,890
Variable components (estimate)	482	62	18	-	-
Total	**12,560**	**10,318**	**5,357**	**2,368**	**2,890**

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

G. Pledges and legal restrictions on the property

Type	Detail	Amount pledged by pledge as of December 31, 2023 (in NIS millions)
Lease	In part 71, Note 15/1962 of January 1, 1962 registered the leasing rights in favor of the City of Haifa, all owners, for a period of 999 years with a restriction on transfer and a restriction on inheritance	
Lease	In part 71, Note 47801/2015/1 dated October 13, 2015 registered a limitation on the transfer and transfer through inheritance in favor of the City of Haifa for an area of 40 m for a period of 999 years.	
Lease	In part 74, Note 6973/1976/1 registered a lease of the part in favor of the City of Haifa	
Lease	In part 77, Note 15/1962 of January 1, 1962 registered the leasing rights in favor of the City of Haifa, all owners, for a period of 999 years with a restriction on transfer and a restriction on inheritance	
Mortgage unlimited first degree pledge	In part 71 block 10782, Note 58760/2020/1 dated November 9, 2020, registered an unlimited first degree mortgage on the Company's rights in favor of Reznik Paz Nevo Nominees Ltd.	unlimited
Mortgage unlimited first degree pledge	In sub-part 1 of part 74 block 10782, Note 58760/2020/1 dated November 9, 2020, registered an unlimited first degree mortgage on the Company's rights in favor of Reznik Paz Nevo Nominees Ltd.	unlimited
Mortgage unlimited first degree pledge	In sub-part 2 of part 74 block 10782, Note 58760/2020/1 dated November 9, 2020, registered an unlimited first degree mortgage on the Company's rights in favor of Reznik Paz Nevo Nominees Ltd.	unlimited
Mortgage unlimited first degree pledge	In part 77 block 10782, Note 58760/2020/1 dated November 9, 2020, registered an unlimited first degree mortgage on the Company's rights in favor of Reznik Paz Nevo Nominees Ltd.	unlimited
Mortgage unlimited first degree pledge	In sub-parts 1-5, 7-8, 10-20, 22-97 and 99-101 of part 134 block 10782, Note 58760/2020/1 dated November 9, 2020, registered an unlimited first degree mortgage on the Company's rights in favor of Reznik Paz Nevo Nominees Ltd.	unlimited
Mortgage unlimited first degree pledge	In part 67 block 10782, Note 58760/2020/1 dated November 9, 2020, registered an unlimited first degree mortgage on the Company's rights in favor of Reznik Paz Nevo Nominees Ltd.	unlimited
Mortgage unlimited first degree pledge	In part 83 block 10782, Note 58760/2020/1 dated November 9, 2020, registered an unlimited first degree mortgage on the Company's rights in favor of Reznik Paz Nevo Nominees Ltd.	unlimited
Mortgage unlimited first degree pledge	In part 140 block 10782, Note 58760/2020/1 dated November 9, 2020, registered an unlimited first degree mortgage on the Company's rights in favor of Reznik Paz Nevo Nominees Ltd.	unlimited
Unlimited first degree pledge	On April 20, 211, pledge number 93 was registered with the Registrar of Companies according to the creation date from November 9, 2020, in favor of Reznik Paz Nevo Trust Ltd. (all as specified in lien number 93)	unlimited

Type	Detail	Amount pledged by pledge as of December 31, 2023 (in NIS millions)
Unlimited first degree pledge	On April 20, 211, pledge number 94 was registered with the Registrar of Companies according to the creation date from November 9, 2020, in favor of Resnik Paz Nevo Trusts Ltd. (all as specified in lien number 94)	unlimited
Limit from association agreement	As condition for the registration of the pledge, the mortgagor needs to grant its letter of agreement to N.T.M. Transport and Commercial Assets Ltd. that the pledge is in accordance with the association agreement. N.T.M. provided such a letter of agreement on October 19, 2020.	
First refusal right	The transfer of rights of either side in the association agreement is subject to a first refusal right to the other side to purchase the rights.	
Limit on transfer and transfer through inheritance	Gazit Israel's rights in part 140 are subject to a limit on the transfer and transfer through inheritance.	

H. Details regarding the valuation

Data at 100% level		31/12/2023	31/12/2022	31/12/2021
The determined value as of the end of the period (NIS thousands)		261,781	261,887	242,336
Identity of appraiser		Yehuda Zisser	Yehuda Zisser	Yehuda Zisser
Is the appraiser independent		Yes	Yes	Yes
Is there an indemnification agreement[1]		Yes	Yes	Yes
Effective date of valuation		30/09/2023	31/12/2022	31/12/2021
Valuation model		Income (DCF)	Income (DCF)	Income (DCF)
Main parameters taken into account for the valuation:				
Valuation according to the DCF (income approach)	Area available for renting (sq. meters) – all types of units excluding external ownership	10,171	10,234	10,234
	Occupancy rate in year +1 (%)	93%	93%	93%
	Occupancy rate in year + 2 (%)	100%	100%	100%
	Representative occupancy rate of area available for renting for valuation (%)	100%	100%	100%
	Basic average monthly rentals per sq. m leased (NIS) in year + 1 for valuation purposes – excluding units without metreage	122.7	100.1	100.1
	Basic average monthly rentals per sq. m leased (NIS) in year + 2 for valuation purposes – excluding units without metreage	122.8	102.0	100.1
	Basic average monthly rentals per sq. m leased (NIS) for valuation	123.3	103.2	103.2

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

Data at 100% level		31/12/2023	31/12/2022	31/12/2021
	purposes – excluding units without metreage			
	Weighted rate of return for valuation purposes (%)	7.4%	7.25%	7.25%
	Representative NOI	17,586	17,219	17,219

Sensitivity analyses of the value		Change in value in (NIS thousands)		
Occupancy rates		The property at 100%	The property at 100%	The property at 100%
	Fall of 5%	(11,664)	(8,745)	(9,859)
Cap rates	Rise of 0.25%	(7,659)	(7,916)	(7,358)
	Fall of 0.25%	8,195	8,482	7,895
Average rental per Sq. m	Rise of 5%	11,664	8,688	8,688
	Fall of 5%	(11,664)	(8,745)	(8,688)

CHAPTER C

G CITY LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2023

INDEX

Building a better working world

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AUDITORS' REPORT

To the Shareholders of G CITY LTD.

We have audited the accompanying consolidated statements of financial position of G City, Ltd. (the "Company") and subsidiaries as of December 31, 2023 and 2022 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2023. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Israel, including standards prescribed by the Auditor's Regulations (Auditor's Mode of Performance), 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the board of directors and management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and subsidiaries as of December 31, 2023 and 2022 and the consolidated results of their operations, changes in equity and their cash flows for each of the three years in the period ended December 31, 2023 in conformity with International Financial Reporting Standards ("IFRS") and with the provisions of the Israeli Securities Regulations (Annual Financial Statements), 2010.

Key Audit Matters

The key audit matters described below are those matters that were communicated, or should have been communicated, to the Company's board of directors and that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters include, among others, any matter: (1) which relates, or may relate, to significant accounts or disclosures in the financial statements and (2) that involved our professional judgment that was challenging, subjective or especially complex. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon. The communication of these matters below does not change our opinion on the consolidated financial statements as a whole nor do we provide through such communication a separate opinion on these matters or on the accounts or disclosures to which they relate.

Fair value of investment property

As described in Notes 2k, 11 and 12 to the consolidated financial statements, the Company's investment properties are measured at fair value and revaluation gains and losses are recognized in profit or loss. As of December 31, 2023, the Company's investment properties total approximately NIS 31,842 million, accounting for 82% of the Company's assets. The loss from the revaluation of investment property in the year ended December 31, 2023 amounted to NIS 767 million.

The fair value of investment property was measured as follows:

The fair value of commercial and industrial properties and land held for capital appreciation is determined using the DCF method and CUP method based on the expected future cash flows from the properties and comparable transactions in similar properties in the market with adjustment to the specific property features and use of discount rates that take into consideration the inherent risk of the properties.

The valuation of investment property requires those charged with governance and management to use judgment in making estimates and evaluations while maximizing the reliance on relevant observable parameters and minimizing the use of unobservable parameters. In measuring the fair value, the Company relies on significant estimates that involve uncertainty and subjective assumptions that cannot be observed in the market (Level 3).

Changes in these estimates and assumptions are likely to have a material impact on the estimated fair value of investment property disclosed in the Company's financial statements. We identified this matter as a key audit matter due to the extensive use of judgments and estimates by management and those charged with governance.

How we addressed the matter in our audit

In response to the process of determining the fair value of investment property, we mainly performed the followings procedures:

- Understanding the internal control environment for determining the fair value of investment property and auditing the effectiveness of the relevant internal controls for fair value measurement.
- Evaluating the competence and independence of the valuation experts hired by the Company.
- Examining the adequacy of the fair value measurement methodology and verifying its correspondence to the property being measured.
- Analyzing the key assumptions and matters that involve extensive judgment and understanding the methods used by the Company's valuation experts for fair value measurement.
- Examining on a test basis the accuracy and completeness of the information delivered by the Company to the valuation experts.
- Assessing the reasonableness of the basic assumptions applied in the valuations on a test basis which included variable rental income, capitalization rates and previous year's results.
- Maintaining direct communication with the Company's management and its hired valuation experts.
- Examining the proper application of assumptions in fair value measurement and testing the calculations in a sample of valuations.
- Assessment of the adequacy of the disclosures relating to the valuation methods and assumptions used by the valuation experts.

We have also audited, in accordance with Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel, "Audit of Components of Internal Control over Financial Reporting", the Company's components of internal control over financial reporting as of December 31, 2023, and our report dated March 28, 2024 expressed an unqualified opinion thereon.

Tel-Aviv, Israel	KOST FORER GABBAY & KASIERER
March 28, 2024	A Member of Ernst & Young Global

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Building a better working world

AUDITORS' REPORT

To the Shareholders of G City LTD.

Regarding the Audit of Components of Internal Control over Financial Reporting

Pursuant to Section 9b(c) to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970

We have audited the components of internal control over financial reporting of G City Ltd. And its subsidiaries (collectively, "the Company") as of December 31, 2023. Control components were determined as explained in the following paragraph. The Company's board of directors and management are responsible for maintaining effective internal control over financial reporting, and for their assessment of the effectiveness of the components of internal control over financial reporting included in the accompanying periodic report for said date. Our responsibility is to express an opinion on the Company and subsidiaries' components of internal control over financial reporting based on our audit.

The components of internal control over financial reporting audited by us were determined in conformity with Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel, "Audit of Components of Internal Control over Financial Reporting" ("Auditing Standard 911"). These components consist of: (1) entity level controls, including financial reporting preparation and close process controls and information technology general controls ("ITGCs"); (2) controls over the Treasury process; (3) controls over the valuation of investment properties process.

We conducted our audit in accordance with Auditing Standard 911. That Standard requires that we plan and perform the audit to identify the audited control components and obtain reasonable assurance about whether these control components have been effectively maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, identifying the audited control components, assessing the risk that a material weakness exists regarding the audited control components and testing and evaluating the design and operating effectiveness of the audited control components based on the assessed risk. Our audit of these control components also included performing such other procedures as we considered necessary in the circumstances. Our audit only addressed the audited control components, as opposed to internal control over all the material processes in connection with financial reporting and therefore, our opinion addresses solely the audited control components. Moreover, our audit did not address any reciprocal effects between the audited control components and unaudited ones and accordingly, our opinion does not take into account any such possible effects. We believe that our audit provides a reasonable basis for our opinion within the context described above.

Because of its inherent limitations, internal control over financial reporting as a whole, and specifically the components therein, may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company effectively maintained, in all material respects, the audited control components as of December 31, 2023.

We have also audited, in accordance with generally accepted auditing standards in Israel, the consolidated financial statements of the Company as of December 31, 2022, and 2021 and for each of the three years in the period ended December 31, 2023 and our report dated March 28, 2024 expressed an unqualified opinion thereon.

Tel-Aviv, Israel
March 28, 2024

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31, 2023	December 31, 2022
		NIS in millions	
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	638	1,374
Short-term investments and loans	4	31	128
Financial assets	10	26	172
Financial derivatives	34c	34	52
Trade receivables	5	143	122
Other accounts receivable	6	423	418
Income taxes receivable		4	52
		1,299	2,318
Assets classified as held for sale	7	2,977	1,341
		4,276	3,659
NON-CURRENT ASSETS			
Equity-accounted investees	8	1,131	1,667
Other investments, loans and receivables	9	592	590
Financial assets	10	96	194
Financial derivatives	34c	290	186
Investment property	11	29,083	28,236
Investment property under development	12	2,759	4,208
Fixed assets, net	13	133	161
Intangible assets, net	14	447	433
Deferred taxes	23f	66	61
		34,597	35,736
		38,873	39,395

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

	Note	December 31, 2023	December 31, 2022
		NIS in millions	
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Credit from banks and others	15	185	952
Current maturities of non-current liabilities	16	4,053	2,055
Financial derivatives	34c	184	2
Trade payables	17	138	168
Other accounts payable	18	539	655
Income taxes payable		105	44
		5,204	3,876
Liabilities attributed to assets held for sale	7	1,652	482
		6,856	4,358
NON-CURRENT LIABILITIES			
Debentures	19	13,150	15,865
Interest-bearing loans from banks and others	20	5,559	4,941
Financial derivatives	34c	319	198
Other liabilities	21	339	458
Deferred taxes	23f	1,320	1,530
		20,687	22,992
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	25		
Share capital		239	219
Share premium		4,754	4,529
Retained earnings		2,430	3,674
Foreign currency translation reserve		(3,998)	(4,702)
Other reserves		1,413	1,297
Treasury shares		(1)	(1)
		4,837	5,016
Non-controlling interests	25e	6,493	7,029
Total equity		11,330	12,045
		38,873	39,395

March 28, 2024			
Date of approval of the financial statements	Ehud Arnon Chairman of the Board	Chaim Katzman CEO And Vice Chairman of the Board	Gil Kotler CFO

	Note	2023	2022	2021
		Year ended December 31,		
		NIS in millions (except for per share data)		
Rental and other income	28	2,438	2,303	2,296
Property operating and other expenses	29	771	720	714
Total gross profit		1,667	1,583	1,582
Fair value gain (loss) from investment property and	11,12	(767)	(450)	621
General and administrative expenses	30	(349)	(374)	(342)
Other income	31a	5	14	16
Other expenses	31b	(686)	(130)	(58)
Company's share in earnings (losses) of equity-	8b	(2)	(51)	41
Operating income (loss)		(132)	592	1,860
Finance expenses	32a	(1,340)	(2,263)	(1,017)
Finance income	32b	272	117	886
Income (loss) before taxes on income		(1,200)	(1,554)	1,729
Taxes on income (tax benefit)	23g	120	(318)	690
Net income (loss)		(1,320)	(1,236)	1,039
Attributable to:				
Equity holders of the Company		(1,203)	(1,340)	646
Non-controlling interests		(117)	104	393
		(1,320)	(1,236)	1,039
Net earnings (loss) per share attributable to equity	33			
Total basic net earnings (loss)		(6.79)	(8.15)	4.26
Total diluted net earnings (loss)		(6.79)	(8.15)	4.25

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31,		
	2023	2022	2021
	NIS in millions		
Net income (loss)	(1,320)	(1,236)	1,039
Other comprehensive income (loss) (net of tax effect) *):			
<u>Amounts that will not be reclassified subsequently to profit or loss:</u>			
Net losses on financial assets at fair value through other comprehensive	(51)	2	27
<u>Amounts that will be or that have been reclassified subsequently</u>			
Exchange differences on translation of foreign operations	1,048	1,008	(1,862)
Net losses on cash flow hedges	(81)	146	57
Total other comprehensive income (loss)	916	1,156	(1,778)
Comprehensive income (loss)	(404)	(80)	(739)
Attributable to:			
Equity holders of the Company (1)	(665)	(553)	(222)
Non-controlling interests	261	473	(517)
	(404)	(80)	(739)
(1) Breakdown of total comprehensive income (loss)			
Net income (loss)	(1,203)	(1,340)	646
Exchange differences on translation of foreign	667	651	(940)
Net losses on cash flow hedges	(78)	135	46
Net gains (losses) on financial assets at fair value	(51)	1	26
	(665)	(553)	(222)

*) For further details regarding other comprehensive income (loss) and related tax impact, refer to Note 25d.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Company								
	Share capital	Share premium	Retained earnings	Foreign currency translation reserve	Other reserves	Treasury shares	Total	Non-controlling interests	Total equity
	NIS in millions								
Balance as of January 1, 2023	219	4,529	3,674	(4,702)	1,297	(1)	5,016	7,029	12,045
Loss	-	-	(1,203)	-	-	-	(1,203)	(117)	(1,320)
Other comprehensive income	-	-	-	667	(129)	-	538	378	916
Total comprehensive loss	-	-	(1,203)	667	(129)	-	(665)	261	(404)
Issuance of shares net of issuance expenses	20	221	-	-	-	-	241	-	241
Exercise and expiration of Company's share options into	(* -	4	-	-	(4)	-	(* -	-	(* -
Cost of share-based payment	-	-	-	-	-	-	-	5	5
Issuance of convertible debentures	-	-	-	-	64	-	64	-	64
BuyBack of hybrid debentures from non-controlling interests	-	-	-	-	199	-	199	(577)	(378)
Interest on hybrid debentures paid to non-controlling interests	-	-	-	-	-	-	-	(166)	(166)
Reclassification of realized financial assets at fair value through other comprehensive income reserves to retained earning	-	-	(41)	-	41	-	-	-	-
Share issuance in subsidiary	-	-	-	37	(55)	-	(18)	105	87
Dividend to non-controlling interests	-	-	-	-	-	-	-	(164)	(164)
Balance as of December 31, 2023	239	4,754	2,430	(3,998)	1,413	(1)	4,837	6,493	11,330

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

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Company								
	Share capital	Share premium	Retained earnings	Foreign currency translation reserve	Other reserves	Treasury shares	Total	Non-controlling interests	Total equity
	NIS in millions								
Balance as of January 1, 2022	204	4,078	5,226	(5,352)	1,152	(1)	5,307	8,248	13,555
Loss	-	-	(1,340)	-	-	-	(1,340)	104	(1,236)
Other comprehensive income	-	-	-	651	136	-	787	369	1,156
Total comprehensive loss	-	-	(1,340)	651	136	-	(553)	473	(80)
Issuance of shares and warrants net of issuance expenses	15	431	-	-	22	-	468	-	468
Exercise and expiration of Company's share options into	*) -	20	-	-	(20)	-	*) -	-	*) -
Cost of share-based payment	-	-	-	-	7	-	7	9	16
BuyBack of hybrid debentures from non-controlling interests	-	-	-	-	4	-	4	(28)	(24)
Interest on hybrid debentures paid to non-controlling interests	-	-	-	-	-	-	-	(145)	(145)
Dividend declared	-	-	(212)	-	-	-	(212)	-	(212)
Acquisition of non-controlling interests	-	-	-	(1)	(4)	-	(5)	(1,149)	(1,154)
Dividend to non-controlling interests	-	-	-	-	-	-	-	(379)	(379)
Balance as of December 31, 2022	219	4,529	3,674	(4,702)	1,297	(1)	5,016	7,029	12,045

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

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

	Equity attributable to equity holders of the Company								
	Share capital	Share premium	Retained earnings	Foreign currency translation reserve	Other reserves	Treasury shares	Total	Non-controlling interests	Total equity
	NIS in millions								
Balance as of January 1, 2021	204	4,063	4,761	(4,307)	842	(1)	5,562	7,017	12,579
Net income	-	-	646	-	-	-	646	393	1,039
Other comprehensive loss	-	-	-	(940)	72	-	(868)	(910)	(1,778)
Total comprehensive loss	-	-	646	(940)	72	-	(222)	(517)	(739)
Exercise and expiration of Company's share options into	*) -	15	-	-	(15)	-	*) -	-	*) -
Cost of share-based payment	-	-	-	-	9	-	9	10	19
Reclassification of share based payment to a cash settlement	-	-	-	-	-	-	-	(9)	(9)
Interest on hybrid debentures paid to non-controlling interests	-	-	-	-	-	-	-	(100)	(100)
Issuance of hybrid debentures to non-controlling interests	-	-	-	-	-	-	-	2,682	2,682
Dividend declared	-	-	(181)	-	-	-	(181)	-	(181)
Acquisition of non-controlling interests and equity	-	-	-	(105)	244	-	139	(582)	(443)
Dividend to non-controlling interests	-	-	-	-	-	-	-	(253)	(253)
Balance as of December 31, 2021	204	4,078	5,226	(5,352)	1,152	(1)	5,307	8,248	13,555

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

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

CONSOLIDATED STATEMENTS OF CASH FLOW

	Year ended December 31,		
	2023	**2022**	**2021**
	NIS in millions		
Cash flows from operating activities:			
Net income (loss)	(1,320)	(1,236)	1,039
Adjustments required to present net cash provided by operating activities:			
Adjustments to the profit or loss items:			
Finance expenses, net	1,068	2,146	131
Company's share in earnings (losses) of equity-accounted investees, net	2	51	(41)
Fair value gain (losses) from investment property and investment	767	450	(621)
Depreciation and amortization	29	24	27
Taxes on income (tax benefit)	120	(318)	690
Capital (gain) loss, net	682	106	32
Change in provision for legal claims, net	-	-	(5)
Cost of share-based payments	5	16	19
	2,673	2,475	232
Changes in assets and liabilities items:			
Increase in trade receivables and other accounts receivable	(45)	61	(115)
Increase in trade and other accounts payable	32	(139)	56
	(13)	(78)	(59)
Net cash provided by operating activities before interest,	1,340	1,161	1,212
Cash received and paid during the year for:			
Interest paid	(767)	(687)	(742)
Interest received	83	118	20
Dividend received	33	83	59
Taxes paid	(64)	(73)	(101)
Taxes received	25	46	13
	(690)	(513)	(751)
Net cash provided by operating activities	650	648	461

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

	Year ended December 31,		
	2023	2022	2021
	NIS in million		
Cash flows from investing activities:			
Investment and loans to investees	(39)	(215)	(88)
Acquisition, construction and development of investment property	(1,491)	(1,359)	(1,972)
Investments in fixed assets and other assets	(29)	(23)	(20)
Proceeds from sale of investment property, net of tax paid	1,386	1,918	1,492
Proceeds from sale of fixed assets	27	-	-
Grant of long-term loans	(123)	(123)	-
Collection of long-term loans	116	13	33
Investment in financial assets	-	(852)	(3,025)
Proceeds from sale of financial assets and deposits withdrawal net of tax paid	215	1,230	2,900
Net cash provided by (used in) investing activities	62	589	(680)
Cash flows from financing activities:			
Issuance of shares and warrants net of issuance expenses	150	468	-
Exercise of share options into Company's shares	(* -	*) -	*) -
Acquisition of non-controlling interests and equity issuance in a subsidiary	-	(1,100)	(443)
Dividend paid to equity holders of the Company	(53)	(204)	(182)
Dividend paid to non-controlling interests	(164)	(379)	(243)
Receipt of long-term loans	1,812	157	1,556
Repayment of long-term loans	(211)	(195)	(143)
Receipt (Repayment) of long-term credit facilities from banks and others, net	469	(617)	(577)
Receipt (Repayment) of short-term credit from banks and others, net	(848)	702	(1,184)
Repayment and early redemption of debentures and convertible	(2,767)	(2,082)	(1,767)
Issuance of debentures	611	174	3,523
Issuance of hybrid bonds to non-controlling interests	-	-	2,682
BuyBack of hybrid debentures from non-controlling interests	(200)	(24)	-
Interest on hybrid debentures paid to non-controlling interests	(166)	(145)	(100)
Net cash used in financing activities	(1,367)	(3,245)	3,122
Exchange differences on balances of cash and cash equivalents	(81)	9	(272)
Increase (decrease) in cash and cash equivalents	(736)	(1,999)	2,631
Cash and cash equivalents at the beginning of the year	1,374	3,373	742
Cash and cash equivalents at the end of the year	638	1,374	3,373

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

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

		Year ended December 31,		
		2023	2022	2021
		NIS in million		
(a)	Significant non-cash transactions:			
	Sale of investment property against receivables	245	94	75
	Dividend payable to equity holders of the Company	-	53	46
	Purchases of hybrid debentures against issuance of shares	91	-	-
	Purchases of hybrid debentures against issuance of shares in a subsidiary	87	-	-
	Purchase of financial assets against payables	-	-	43
	Dividend payable to non-controlling interests	-	-	10
(b)	Additional information:			
	Tax paid included under investing and financing activities	-	98	30

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

NOTE 1: - GENERAL

a. The Company and its business activities

The Company, directly and through its private investees and its public investee (collectively: the "Group"), operates in managing, improvement, development and purchasing of income-producing properties for mixed-use, including retail, residential and office properties that supply the needs of the population, in North America, Israel, Brazil, Northern, Central and Eastern Europe with the focus on densely populated urban cities.

The Company's securities are listed for trading on the Tel-Aviv Stock Exchange (TASE) under the ticker symbol "GCT".

b. As of December 31, 2023, the group has a working capital deficit of NIS 2.6 billion. The group has approved unused lines of credit of NIS 2.3 billion that can be utilized immediately. The Company's management is of the opinion that those sources, plus the positive cash flow from current operations, will allow each of the group's companies to meet their short-term obligations.

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. (Subject to the distribution tests as set in the relevant laws and obligations to third parties).

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, and Subject to compliance with the covenants set in these agreements.

As of December 31, 2023, the Company and its wholly 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. Immediately prior to the publication date of this report, the balance of credit facilities was NIS 1.4 billion, NIS 0.7 billion was used, NIS 0.3 billion of the credit facilities as of December 31,2023 were converted to long term loans.

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 2024-2027, after that most of them were extended after the reporting date. In light of past experience, 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, as of December 31,2023, and immediately prior to the publication date of this report, the Company and its subsidiaries are in compliance with all the financial covenants.

In October 2022 the Company published a plan for the disposal of Group non-core assets, at a total value of NIS 7.0 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 7.0 billion in Europe, Brazil, USA and Israel. Up until date of publication of this report, Group companies completed the sale of properties to the total value of NIS 4.0 billion at a similar value to their book value (excluding Russia). In addition, as of the reporting date, properties in total value of NIS 1.5 billion are in advanced negotiations additional and assets with a total value of NIS 1.5 billion are up for sale.

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

NOTE 1: - GENERAL (Cont.)

In addition, a wholly owned subsidiary of the company completed an agreement to obtain financing secured by an asset in Europe in the amount of EUR 237 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 more than EUR 235 million.
Furthermore, after the reporting date, an initial public offering (IPO) of Gazit Malls, a subsidiary in Brazil, was completed, in the amount of BRL 301 million (NIS 226 million), by way of a tender offer.
In addition, after the reporting date, the company issue NIS 410 million per value debentures (series R) secured by shares of a wholly owned subsidiary that owns investment properties in the United States.
In addition, after the reporting date, CTY carried out several actions to strengthen its balance sheet which include issuance of shares in a total consideration of EUR 48 million (the company participated in the issuance in the amount of EUR 15 million), issuance of EUR 300 million per value debentures and announced a plan to sell properties in amount of EUR 950 million over the next two years.

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. Swords of Iron war

in October 2023, the Hamas terror organization launched a murderous terrorist attack on the State of Israel, which led to the start of the Swords of Iron War. Following the terror attack, the villages in the Gaza border area were evacuated, following which, due to the escalation along the Lebanon border, villages close to the northern border were also evacuated. At the same time, due to the rocket attacks on the State of Israel, restrictions were imposed on gatherings, workplaces and the education system, based on their prevailing security conditions and proximity to the combat zones. As of reporting date, this war is still ongoing.
Upon the outbreak of the war there was a significant decrease in economic activity in Israel, including with regard to the company’s properties in Israel, however it is evident that as time goes by there has been an increase in the number of visitors and in the revenues of the company’s properties, although these have not yet regained the usual pre-war scope.
Consequently, the company informed most of its tenants in Israel that it was granting them a partial exemption of rental payments for October, thus the rent to be collected will be a proportionate rate of their sales turnover only. The scope of the foregoing concessions amounted to a decrease in NOI of NIS13.5 million.
As the value of the company’s properties in Israel constitute only 15% of the value of the Group’s properties, where most of the operations are mainly in Europe, North America and Brazil, the company estimates that the changes in the scope of operations in the company's properties in Israel and the foregoing relief that was granted are not expected to have a material effect on the company's business and its financial results.

NOTE 1: - GENERAL (Cont.)

e. Definitions in these financial statements

The Company	-	G City Ltd.
The parent company	-	Norstar Holdings Inc. ("Norstar") through its wholly-owned subsidiary (collectively, "Norstar Group").
Subsidiaries	-	Companies that are controlled (including de facto control) by the Company (as defined in IFRS 10) and whose accounts are consolidated with those of the Company.
Joint ventures	-	Companies owned by a number of entities that have a contractual arrangement for joint control, and whose accounts are accounted for using the equity method.
Joint operations	-	Companies owned by a number of entities that have a contractual arrangement for the rights to the assets and obligations for the liabilities relating to the arrangement and are presented in the Company's financial reports according its share in the arrangement's assets and liabilities, income and expenses.
Jointly controlledentities	-	Joint ventures and joint operation.
Associates	-	Companies over which the Company has significant influence (as defined in IAS 28) and that are not subsidiaries or joint ventures or joint operations in which the Company's account for the investment in the financial statements using the equity method.
Investees	-	Subsidiaries, jointly controlled entities and associates
The Group	-	The Company, its subsidiaries and jointly-controlled entities listed in the appendix to the financial statements
Interested parties and Controlling Shareholders	-	As defined in the Israeli Securities Regulations (Annual Financial Statements), 2010.
Related parties	-	As defined in IAS 24 (Revised).
G Europe	-	G City Europe Limited, consolidated entity (previously: Atrium European Real Estate) (Note 8c)
CTY	-	Citycon Oyj, consolidated entity. (Note 8d)
The reporting date	-	December 31, 2023.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES

a. Basis of presentation of the financial statements

The consolidated financial statements of the Group have been prepared on a cost basis, except for investment property, investment property under development, and certain financial instruments including derivative instruments that are measured at fair value.

The Company presents profit or loss items using the "function of expense" method.

The basis of preparation of the financial statements

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Furthermore, the financial statements are prepared in accordance with provisions of the Israeli Securities Regulations (Annual Financial Statement), 2010.

Consistent accounting policy

The accounting policy in the financial statements is consistent in all periods presented, unless otherwise stated.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

b. Significant accounting judgments, estimates and assumptions used in the preparation of the financial statements

Judgments

In the process of applying the significant accounting policies, the Group has applied its judgment and has considered the following issues which have the most significant effect on the amounts recognized in the financial statements:

Topic	Main Considerations	Reference/Possible Effect
Existence of effective control	- Materiality of percentage of voting rights relative to the holdings of the other holders of voting rights while considering vote agreements - Degree to which the other holdings are diversified - Voting patterns at prior meetings of shareholders	Consolidation of financial statements or application of the equity method and relevant measurement impact– refer to Notes 2c and Note 8d
Classification of Non-current assets held for sale	The company considers if non-current assets meet the conditions for classification as assets held for sale: • The company's commitment to a plan to sell the asste. • Active plan to locate a buyer • The sale is highly probable, and expected to be completed within a year from date of classification.	Classification of an asset as asset held for sale, refer to notes 2r
Classification of Leasing of investment property	Classification as a finance lease or as an operating lease in accordance with the transfer of risks and rewards criteria with respect to the leased property: • The existence of an option to purchase the underlying asset at a price sufficiently lower than the fair value. • Lease term compared to the economic life of the underlying asset • The present value of the lease payment amounts compared to the fair value of the underlying asset	Recording the investment as property and the income as rental income or recording it as a financial investment and interest income – refer to Note 2p
Acquisitions of subsidiaries that are not business combinations	Analysis of the transaction in light of the definition of a "business" in IFRS 3, in order to decide whether the transaction constitutes a business combination or assets acquisition	Recording the acquisition consideration as an investment in an asset, or recording an investment in net identifiable assets, including goodwill and deferred taxes – refer to Note 2l
Reliable measurement of the fair value of investment property under development	o Location of the property under development in a developed and liquid market o Existence of a reliable estimate of the construction costs o Availability of relevant regulatory consent for the utilization of the land rights, and applicable zoning, city plan and building permits exist o The lease up of a major percentage of the leasable areas	Measurement of investment property under construction at cost or at fair value – refer to Note 12

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Key estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to exercise judgments and make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, in the reporting period. in order to make these estimates, Company's management is using past experience, different facts, external factors and reasonable assumptions, according to the relevant circumstances. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

The key assumptions made in the financial statements concerning uncertainties at the balance sheet date and the critical estimates calculated by the Group that may cause a material adjustment to the carrying amounts of assets and liabilities in the next financial year are discussed below:

Topic	Estimates and Main Assumptions	Reference/Possible Effect
Valuation of investment property and investment property under development	The required yields on the Group's properties, future rental rates, occupancy rates, lease renewal rates, the probability of leasing out vacant plots and the date thereof, property operating expenses, the financial strength of the tenants and required capital expenditure	Determination of the fair value of investment property vis-à-vis the fair value gains (losses) in the statement of income - refer to Notes 2m, 11 and 12
Impairment of goodwill	The anticipated cash flows and the appropriate capitalization rate for measuring the recoverable amount with the addition of certain adjustments of group of cash-generation units to which the goodwill is allocated	Determination whether to record an impairment against profit or loss- refer to Note 2q and Note 14
Recording of deferred tax assets and provision for income taxes.	Expectation of future taxable income considering the timing, the amount of the expected taxable income and the tax planning strategy	Note 2s and Note 23f
Determination of fair value of nonmarketable financial derivatives (swap contracts)	Discounting future cash flows by interbank yield curve, with adjustments for the inter-currency liquidity spreads, inflation expectations and the credit risk of the parties	Revaluation of financial derivatives in profit or loss or in other comprehensive income – refer to Note 34b
Provision for legal claims	In estimating the likelihood of outcome of legal claims filed against the Company and its investees, the companies rely on the opinion of their legal counsel. These estimates are based on the legal counsel's best professional judgment, taking into account the stage of the legal proceedings and legal precedents in respect of the different issues. Since the outcome of the claims will be determined in the courts, the results could differ from these estimates.	Recognition of provision for legal claims based on the estimation of chances to be accepted, refer to note 24d

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

c. Consolidated financial statements

The consolidated financial statements include the financial statements of the Company as well as the entities that are controlled by the Company (subsidiaries). Control exists when the Company has power over the investee, exposure, or rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns. In assessing control, potential voting rights are only considered if they are substantive. Financial statements are consolidated from the date control is obtained until the date that control ceases.

Consolidation due to effective control

The Group consolidates a subsidiary on the basis of effective control in accordance with IFRS 10.

Below is part of the aspects considered by the Group, which, when evaluating the overall circumstances, may evidence the existence of effective control:

1. Holding a significant voting interest (even if less than half of the voting rights).
2. Wide diversity of public holdings of the remaining shares conferring voting rights and the absence of an entity other than the Group that holds a significant portion of the investee's shares.
3. The Group has a significantly large percentage of the active voting power (quorum) at the general meetings of the shareholders and voting agreements with other shareholders that, in practice, facilitate the appointment of the majority of the members of the Board of Directors.
4. The non-controlling interests have no participating rights or other preferential rights, excluding standard protective rights.

The Company carries out ongoing evaluation to the existence of effective control over the investee according to the three components of control as defined on section 7 to IFRS10.

Based on the above criteria and the following circumstances, the Group has consolidated in its financial statements due to effective control of the accounts of CTY, inter alia, due to its holding of a significant voting interest of 49.2% in CTY during the reporting year, the wide diversity of the public holdings of the remaining shares, restriction on other shareholders to hold above 30% of CTY's shares without issuing a tender offer, the Group has ownership of a majority of the voting power that participates in the general meetings, enabling inter alia its ability to appoint the majority of the directors, and indirectly the senior management of CTY.

In the end of 2021, following a share buyback performed by CTY (refer to note 8d), the Company's holdings in CTY has increased, and as of 31 December 2022 and 31 December 2023 the Group was holding up to 50% of CTY share capital and voting rights.

Non-controlling interests represent the equity in subsidiaries that are not attributable, directly or indirectly, to the parent company. Profit or loss and each component of other comprehensive income are attributed to the Company and non-controlling interests.

When the Group acquires non-controlling interests, the difference between the consideration and the carrying amount of the acquired interest is recorded as a reduction or increase in equity under transactions with non-controlling interests. Upon disposal of rights in a subsidiary that does not result in a loss of control, an increase or decrease in equity is recognized as the difference between the consideration received by the Group and the carrying amount of the non-controlling interests in the subsidiary adjusted for the disposal of goodwill in the subsidiary, if any, and amounts recognized in other comprehensive income, if any. Transaction costs in respect of transactions with non-controlling interests are also recorded in equity.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Significant intragroup balances and transactions and gains or losses resulting from intragroup transactions are eliminated in full in the consolidated financial statements.

The financial statements of the Company and of the consolidated investees are prepared as of the same dates and periods. The accounting policies in the financial statements of those investees are applied consistently and uniformly with the policy applied in the financial statements of the Company.

d. Functional and foreign currencies

1. Functional and presentation currency

The presentation currency of the financial statements is the Israeli shekel (NIS).

The functional currency, which is the currency that best reflects the economic environment in which the Company operates and conducts its transactions, is determined separately for each Group entity, including entities accounted for using the equity method, and is used to measure its financial position and operating results. The functional currency of the Company is the NIS.

Intra-group loans for which settlement is neither planned nor likely to occur in the foreseeable future are, in substance, a part of the investment in that foreign operation and are accounted for as part of the investment and the exchange differences arising from these loans are recognized in other comprehensive income (loss).

2. Index-linked monetary items

Monetary assets and liabilities linked to the changes in the Israeli Consumer Price Index ("Israeli CPI") are adjusted to the relevant index at each reporting date according to the terms of the agreement. Linkage differences arising from the adjustment, as above, other than those capitalized as qualifying assets, are recognized in profit or loss.

e. The operating cycle

The Group's operating cycle is one year. Accordingly, the assets and liabilities directly attributable to these activities are classified in the statement of financial position as current assets and liabilities based on the operating cycle.

f. Financial instruments

1. Financial assets:

Financial assets are measured upon initial recognition at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets, except for financial assets measured at fair value through profit or loss in respect of which transaction costs are recorded in profit or loss.

The Group classifies and measures debt instruments in the financial statements based on the following criteria:

(a) The Company's business model for managing financial assets; and

(b) The contractual cash flow terms of the financial asset.

1a) Debt instruments are measured at amortized cost when:

The Group's business model is to hold the financial assets in order to collect their contractual cash flows, and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

1b) Equity instruments and other financial assets held for trading:

Investments in equity instruments do not meet the above criteria and accordingly are measured at fair value through profit or loss.

Other financial assets held for trading such as derivatives, including embedded derivatives separated from the host contract, are measured at fair value through profit or loss unless they are designated as hedging instruments and the hedge is effective in accordance with IFRS 9.

In respect of certain equity instruments that are not held for trading, on the date of initial recognition the Group made an irrevocable election to present subsequent changes in fair value in other comprehensive income which changes would have otherwise been recorded in profit or loss. These changes will not be reclassified to profit or loss in the future, even when the investment is disposed of.

Dividends from investments in equity instruments are recognized in profit or loss when the right to receive the dividends is established.

2. Impairment of financial assets:

The group evaluates at the end of each reporting period the loss allowance for financial debt instruments which are not measured at fair value through profit or loss.
The Company distinguishes between two types of loss allowances:

a) Debt instruments whose credit risk has not increased significantly since initial recognition, or whose credit risk is low - the loss allowance recognized in respect of this debt instrument is measured at an amount equal to the expected credit losses within 12 months from the reporting date (12-month ECLs); or

b) Debt instruments whose credit risk has increased significantly since initial recognition, and whose credit risk is not low - the loss allowance recognized is measured at an amount equal to the expected credit losses over the instrument's remaining term (lifetime ECLs).

For low credit risk financial instruments, the Group assumes the debt instrument's credit risk has not increased significantly since initial recognition.

The Group always measures the loss allowance at an amount equal to the expected credit losses over the instrument's remaining term for account receivables or assets from contracts with customers resulting from transitions under the scope of IFRS 15, and for lease receivables resulting from transactions under the scope of IFRS 16.

An impairment loss on debt instruments measured at amortized cost is recognized in profit or loss with a corresponding loss allowance.

3. Financial liabilities:

Financial liabilities are initially recognized at fair value less transaction costs that are directly attributable to the issue of the financial liability.

After initial recognition, the Company measures all financial liabilities at amortized cost using the effective interest rate method. Short term credit is presented according to its terms, usually at nominal value.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

4. Derecognition of financial liabilities:

A financial liability is derecognized only when it is extinguished, that is when the obligation specified in the contract is discharged or cancelled or expires.
When there is a modification in the terms of an existing financial liability, the Company evaluates whether the modification is substantial, taking into account qualitative and quantitative information.
If the terms of an existing financial liability are substantially modified or a liability is exchanged for another liability from the same lender with substantially different terms, the modification or exchange is accounted for as an extinguishment of the original liability and the recognition of a new liability. The difference between the carrying amounts of the above liabilities is recognized in profit or loss.
If the modification in the terms of an existing liability is not substantial or if a liability is exchanged for another liability from the same lender whose terms are not substantially different, the Company recalculates the carrying amount of the liability by discounting the revised cash flows at the original effective interest rate and any resulting difference is recognized in profit or loss.

5. Offsetting financial instruments:

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position if there is a legally immediate enforceable right to set off the recognized amounts and there is an intention either to settle on a net basis or to realize the asset and settle the liability simultaneously. The right of set-off must be legally enforceable not only during the ordinary course of business of the parties to the contract but also in the event of bankruptcy or insolvency of one of the parties. In order for the right of set-off to be currently available, it must not be contingent on a future event, there may not be periods during which the right is not available, or there may not be any events that will cause the right to expire.

g. Financial derivatives and hedge accounting

In line with its risk management policy, from time to time the Group enters into derivative contract to hedge its financial liabilities denominated in foreign currency or carrying variable interest. The hedging financial derivatives includes, among other things, cross-currency swaps of principal and interest ("Swap"), currency forward contracts, Interest Rate Swaps ("IRS") and options to hedge its risks associated with changes in interest rates and currency exchange fluctuations. Such financial derivatives are presented as current or non-current based on their maturity dates.

After initial recognition, derivatives are measured at fair value. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are carried to profit or loss.
Subsequent to initial recognition, the financial derivatives are measured at fair value when losses or gains in respect of derivatives in respect of which the Company does not apply hedge accounting are charged as losses or gains in the statement of income.

Hedges qualify for hedge accounting, among others, when at inception of the hedging relationship there is a formal designation and documentation of the hedging relationship and of the Group's risk management objective and strategy for undertaking the hedge. Hedges are assessed on an ongoing basis to determine whether they are highly effective during the reporting period for which the hedge is designated. Hedges are accounted for as follows:

Cash flow hedges

The effective portion of the change in the fair value of the hedging instrument is recognized in other comprehensive income (loss) while any ineffective portion is recognized immediately in profit or loss. Amounts recognized as other comprehensive income (loss) are reclassified to profit or loss when the hedged transaction affects profit or loss, such as when interest income or expense is recognized or when a forecasted transaction occurs.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

On unwinding hedging transactions, whether or not they are designated as an accounting hedge, when the transaction includes a hedge of cash flows with respect to principal and interest, the cash flows received or paid are classified in the statement of cash flow under financing activity, in respect of the cash flows representing the hedge of the principal component, and under operating activity, in respect of the cash flows representing the hedge of the interest component. With regard to unwinding of interest rate swap (IRS) the cash flows received or paid are classified in the statement of cash flow under operating activity

Hedge of a net investment in foreign operation

A hedge of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, is accounted for similar to cash flow hedges. On disposal of the foreign operation, the cumulative amount of any such gains or losses recognized directly in other comprehensive income (loss) is reclassified to profit or loss.

h. Fair value measurement

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices at each reporting date. For invstments where there is no active market, fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models. Further details are provided in Note 34b.

Fair value measurement of a non-financial asset, such as investment property, takes into account the ability of a market participant to generate economic benefits through making the highest and best use of the asset or by selling it to another market participant who will make the highest and best use of it.

The Group uses valuation techniques appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. For further details refer to Notes 11 and 12.

All assets and liabilities that are measured at fair value or whose fair value is disclosed are divided into categories within a fair value hierarchy, based on the lowest level input that is significant to the entire fair value measurement:

- Level 1: Prices quoted (unadjusted) on active markets of similar assets and liabilities.
- Level 2: Data other than quoted prices included in level 1, which may be directly or indirectly observed.
- Level 3: Data not based on observable market information (valuation techniques not involving use of observable market data).

For additional information regarding the fair value of assets and liabilities measured at fair value or that their fair value is disclosed, refer to Note 34b and 34c.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

i. Acquisitions of a single asset company

Upon the acquisition of a single asset company, the Group evaluates whether it is the acquisition of a business or of an asset. To be considered a business, the acquisition must include, at a minimum, an input and a substantive process that together can significantly contribute to the creation of outputs. The acquisition is accounted for as a business combination if the single asset company is a business. If it is not a business, the acquisition is accounted for as the acquisition of assets and liabilities. In such an acquisition, the cost of the acquisition includes transaction costs which are allocated to the identifiable acquired assets and liabilities proportionally based on their fair value on the acquisition date. In such case, goodwill and deferred taxes in respect of the temporary differences existing as of the acquisition date are not recognized.

j. Investments in associates and joint ventures

The investment in associates or joint ventures is accounted for using the equity method. Under the equity method, the investment in associates or joint ventures is accounted for in the financial statements at cost (including transaction expenses) plus changes in the Group's share of net assets, including other comprehensive income (loss), of the associates or joint ventures. The equity method is applied until the loss of significant influence or joint control or classification of the investment as non-current asset held-for-sale.

The Group continues to apply the equity method in cases which the associate become a joint venture and vice versa.
The Group applies the provision of IFRS 5 with regards to the investment or part of the investment in an associate or joint venture that is classified as held for sale. The remainder of the investment not classified as held for sale is still measured according to the equity method.

On the date of loss of significant influence or joint control, the Group measures any remaining investment in the associate or the joint venture at fair value and recognizes in profit or loss the difference between the fair value of any remaining investment plus any proceeds from the sale of the investment in the associate or the joint venture and the carrying amount of the investment on that date.

Goodwill relating to the acquisition of associates or joint ventures and to the increase in holding interest is initially measured as the difference between the acquisition cost and the Group's share in the net fair value of the associates’ or joint ventures' net identifiable assets. After initial recognition, goodwill is measured at cost less, if applicable, any accumulated impairment loss and is not systematically amortized. Goodwill is examined for impairment as part of the investment in the associate or joint ventures as a whole. In case the acquisition cost is lower than the net fair value of the associated net identified assets, the difference is recognized as a gain from a bargain purchase in profit or loss.

The financial statements of the Company and of the associates or joint ventures are prepared as of the same dates and periods. The accounting policy in the financial statements of the associates and joint ventures has been applied consistently and uniformly with the policy applied in the financial statements of the Group.

k. Investment property

Investment property is measured at fair value which reflects market conditions at the reporting date.

Investment property under development, designated for future use as investment property, is also measured at fair value, because that fair value can be reliably measured. Investment property under development includes borrowing costs used to finance construction.
In order to determine the fair value of investment property, the Group uses valuations performed mainly by accredited independent appraisers who hold a recognized and relevant professional qualification and by the Group's managements that have extensive professional knowledge and are deeply familiar with the type of assets and markets in which the Group operates. For further details refer to Notes 11 and 12.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

l. Leases

The Group as lessor

The Company leases its investment property in an operating lease.
An operating lease is a lease agreement where the Group does not transfer substantially all the risks and rewards incidental to ownership of the leased asset. The company classifies its leases as operating lease mainly due to the length of the lease which is significantly shorter than the life of the real estate.

m. Testing the impairment of goodwill in respect of subsidiaries

For the purpose of impairment testing, goodwill acquired in a business combination is allocated, at acquisition date, to each of the cash generating units that are expected to benefit from the synergies of the combination.

The Group reviews goodwill for impairment once a year on December 31, or more frequently, if events or changes in circumstances indicate that impairment has occurred.

An impairment test for goodwill is carried out by determining the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill belongs. Each cash-generating unit to which goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes and which cannot be larger than an operating segment. In certain circumstances of impairment test of goodwill, the recoverable amount is adjusted for the difference between the carrying amount of a recognized deferred tax liability and its fair value. If the recoverable amount of the cash-generating unit (or group of cash generating units), to which goodwill has been allocated, is lower than its carrying amount, an impairment loss is recognized and attributed first to reduce the carrying amount of goodwill. Impairment losses recognized for goodwill cannot be reversed in subsequent periods. For additional information, refer to Note 14.

Investments in associates and joint ventures

After application of the equity method of accounting, the Group examines whether it is necessary to recognize any additional impairment loss with respect to investments in the associates or joint ventures. The recoverable amount is the higher of fair value and value in use which is determined based on the estimated net cash flows to be generated by the associate or joint venture. Impairment loss, as above, is not attributed specifically to goodwill. Therefore, it may be reversed in full in subsequent periods, up to the recognized impairment loss, if the recoverable amount of the investment increases.

n. Non-current assets classified as held for sale

A non-current asset or a group of assets (disposal group) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the assets must be available for immediate sale in their present condition, the Group must be committed to sell, there is a plan to locate a buyer and it is highly probable that a sale will be completed within one year from the date of classification.

Investment property measured at fair value and classified as held for sale, as above, continues to be measured at fair value and presented separately in the statement of financial position as assets classified as held for sale.

When the parent company decides to realize part of its holdings in a subsidiary so that after the disposal the company is left with non-controlling interest, assets and liabilities attributed to the subsidiary are classified as held for sale by applying the provisions of IFRS 5, including classification as for discontinued operations.
A discontinued operation is an activity disposed or classified as held for sale as mentioned above, and it represents a significant and separate business sector or geographical location of operations which is considered separate and major.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

o. Taxes on income

The tax results in respect of current or deferred taxes are recognized as profit or loss except to the extent that the tax arises from items which are recognized in other comprehensive income or directly in equity.

1. Current taxes

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted as of the reporting date as well as adjustments required in connection with the tax liability in respect of previous years.

2. Deferred taxes

Deferred taxes are computed in respect of temporary differences between the carrying amounts in the financial statements and the amounts attributed for tax purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized, or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted as of the reporting date.

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is not probable that the related tax benefit will be utilized. Deductible carry forward losses and temporary differences for which deferred tax assets had not been recognized are reviewed at each reporting date and a respective deferred tax asset is recognized to the extent that their utilization is probable. Any resulting reduction or reversal is recognized in profit or loss.

Deferred taxes in respect of investment property held for the recovery of substantially all of the economic benefits that are embedded therein by way of sale rather than use are measured according to the anticipated settlement of the base asset, on the basis of sale rather than use.

In situations where the Group holds single asset entities and where the manner in which the Group expects to realize the investment is by selling the shares of the single asset entity rather than by disposing of the asset itself, the Group recognizes deferred taxes both in relation to the temporary inside differences arising from the gap between the tax basis of the asset and its book value and, if relevant, also in relation to the outside temporary differences arising from the gap between the tax basis of the shares of the single asset entity and the share of the Group that holds the net assets of the single asset entity in the consolidated financial statements.

Taxes that would apply in the event of the sale of investments in subsidiaries have not been taken into account in recognizing deferred taxes, as long as the realization of the investments is not expected in the foreseeable future. Moreover, deferred taxes with respect to distribution of earnings by investee companies as dividend are not taken into account in recognizing deferred taxes, since dividend distribution does not involve additional tax liability and, since it is the Group's policy not to initiate dividend distributions that trigger additional tax liability.

Deferred taxes are offset if there is a legally enforceable right to set off a current tax asset against a current tax liability and the deferred taxes relate to the same taxpayer and the same taxation authority.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

p. Revenue recognition

Revenues are recognized when the service is provided to the customer. The transaction price is the amount of the consideration that is expected to be received based on the contract terms, excluding amounts collected on behalf of third parties (such as taxes)

Rental income

Rental income under an operating lease is recognized on a straight-line basis over the lease term. Rental income, where there is a fixed and known increase in rental fees over the term of the contract, is recognized as revenue on a straight-line basis as an integral part of total rental income over the lease period. Similarly, lease incentives granted to tenants, in cases where the tenants are the primary beneficiary of such incentives, are considered as an integral part of total rental income and recognized on a straight-line basis over the lease term as a reduction of revenues.

q. Earnings per share

Earnings per share are calculated by dividing the net income attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period. Basic earnings per share only include shares that were actually outstanding during the period. Potential ordinary shares are only included in the computation of diluted earnings per share when their conversion decreases earnings per share, or increases loss per share, from continuing operations. Furthermore, potential ordinary shares that are converted during the period are included in diluted earnings per share only until the conversion date and from that date in basic earnings per share. The Company's share of earnings of investees is included based on the basic and diluted earnings per share of the investees multiplied by the number of shares held by the Company, as applicable.

r. Provisions

A provision in accordance with IAS 37 is recognized when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.
Levies imposed on the Company by government entities through legislation, are accounted for pursuant to IFRIC 21 according to which the liability for the levy is recognized only when the activity that triggers payment occurs.

The amount recognized as a provision should be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The best estimate of the expenditure required to settle the present obligation is the amount that the Company would rationally pay to settle the obligation at the end of the reporting period or to transfer it to a third party at that time. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities. Where a single obligation is being measured, the individual most likely outcome may be the best estimate of the provision.

s. Borrowing costs in respect of qualifying assets

A qualifying asset is an asset that necessarily takes a substantial period of time to be prepared for its intended use or sale, including investment property under development or redevelopment and inventories of buildings and apartments for sale that require a substantial period of time to bring them to a saleable condition. The Group capitalizes borrowing costs that are attributable to the acquisition and development of qualifying assets.

The amount of borrowing costs capitalized in the reporting period includes specific borrowing costs, and nonspecific borrowing costs based on a weighted average capitalization rate. Other borrowing costs are charged to finance expenses in profit or loss as incurred.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

In respect of investment property under development, measurement of these assets is at fair value. The Group presents financing costs in profit or loss net of borrowing costs that had been capitalized on such assets before measuring them at fair value.

Borrowing costs are interest and other costs that the Company incurs in connection with the borrowing of funds.

The capitalization of borrowing costs commences when expenditures in respect of the asset are being incurred, borrowing costs are being incurred and the activities to prepare the asset are in progress and ceases when substantially all the activities to prepare the qualifying asset for its intended use or sale are complete. The amount of borrowing costs capitalized in the reporting period includes specific borrowing costs and general borrowing costs based on a weighted capitalization rate.

Capitalization of borrowing costs is suspended during extended periods in which active development of the qualifying asset is suspended. Capitalization of borrowing costs ceases when substantially all of the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

t. Disclosure of new IFRS's, interpretations and amendments

Initial adoption of new financial reporting and accounting standards and amendments to existing financial reporting and accounting standards:

1. 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 applied prospectively for annual reporting periods beginning on 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.

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

2. Amendment to IAS 1, "Disclosure of Accounting Policies":

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

   The Amendment is applicable for annual periods beginning on January 1, 2023.

   The application of the above Amendment had an effect on the disclosures of the Company's accounting policies, but did not affect the measurement, recognition or presentation of any items in the Company's consolidated financial statements.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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 January 1, 2023. In relation to leases and decommissioning obligations, the Amendment is 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 is recognized as an adjustment to the opening balance of retained earnings (or another component of equity, as appropriate) at that date.

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

Disclosure of new IFRSs, interpretations and amendments in the period prior to their adoption

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

In January 2020, the IASB issued an amendment to IAS 1, "Presentation of Financial Statements" regarding the criteria for determining the classification of liabilities as current or non-current ("the Original Amendment"). In October 2022, the IASB issued a subsequent amendment ("the Subsequent Amendment").

According to the Subsequent Amendment:

- Only financial covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current.

- In respect of a liability for which compliance with financial covenants is to be evaluated within twelve months from the reporting date, disclosure is required to enable users of the financial statements to assess the risks related to that liability. The Subsequent Amendment requires disclosure of the carrying amount of the liability, information about the financial covenants, and the facts and circumstances at the end of the reporting period that could result in the conclusion that the entity may have difficulty in complying with the financial covenants.

According to the Original Amendment, the conversion option of a liability affects the classification of the entire liability as current or non-current unless the conversion component is an equity instrument.

The Original Amendment and Subsequent Amendment are both effective for annual periods beginning on or after January 1, 2024 and must be applied retrospectively. Early adoption is permitted.

The above Amendments are not expected to have a material impact on the Company's consolidated financial statements.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

2. Amendments to IAS 7, "Statement of Cash Flows", and IFRS 7, "Financial Instruments: Disclosures":

In May 2023, the IASB issued amendments to IAS 7, "Statement of Cash Flows", and IFRS 7, "Financial Instruments: Disclosures" ("the Amendments") to address the presentation of liabilities and the associated cash flows arising out of supplier finance arrangements, as well as disclosures required for such arrangements.

The disclosure requirements in the Amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The Amendments are effective for annual reporting periods beginning on or after January 1, 2024. Early adoption is permitted but will need to be disclosed.

The Company believes that the Amendments are not expected to have a material impact on its consolidated financial statements.

3. Amendments to IAS 21, "The Effects of Changes in Foreign Exchange Rates":

In August 2023, the IASB issued "Amendments to IAS 21: Lack of Exchangeability (Amendments to IAS 21, "The Effects of Changes in Foreign Exchange Rates")" ("the Amendments") to clarify how an entity should assess whether a currency is exchangeable and how it should measure and determine a spot exchange rate when exchangeability is lacking.

The Amendments set out the requirements for determining the spot exchange rate when a currency lacks exchangeability. The Amendments require disclosure of information that will enable users of financial statements to understand how a currency not being exchangeable affects or is expected to affect the entity's financial performance, financial position and cash flows.

The Amendments apply for annual reporting periods beginning on or after January 1, 2025. Earlier adoption is permitted, in which case, an entity is required to disclose that fact. When applying the Amendments, an entity should not restate comparative information. Instead, if the foreign currency is not exchangeable at the beginning of the annual reporting period in which the Amendments are first applied (the initial application date), the entity should translate affected assets, liabilities and equity as required by the Amendments and recognize the differences as of the initial application date as an adjustment to the opening balance of retained earnings and/or to the foreign currency translation reserve, as required by the Amendments .

The Company believes that the Amendments are not expected to have a material impact on its consolidated financial statements.

NOTE 3: - CASH AND CASH EQUIVALENTS

Composition

	December 31	
	2023	2022
	NIS in millions	
Cash in banks and on hand (1) (2)	586	1,276
Cash equivalents - short-term deposits (3)	52	98
	638	1,374

(1) Cash in banks carry variable interest rate of 4.45%.

(2) Of the total cash and cash equivalents, a total of NIS 111 million is denominated in BRL, NIS 104 million is denominated in SEK, NIS 78 million is denominated in CAD, NIS 69 million is denominated in PLN and NIS 66 million is denominated in USD.

(3) Main deposits of NIS 41 million denominated in NIS, carry a negligible interest rate.

NOTE 4: - SHORT-TERM INVESTMENTS AND LOANS

Composition

	December 31	
	2023	2022
	NIS in millions	
Current maturities of long-term loans	7	104
Restricted cash in banks	24	24
	31	128

NOTE 5: - TRADE RECEIVABLES

a. Composition

	December 31	
	2023	2022
	NIS in millions	
Open accounts, net (see b and c below)	143	122

b. There are no significant past due and impaired receivables except those that have been included in the allowance for doubtful accounts.

c. Movement in allowance for doubtful accounts

	December 31	
	2023	2022
	NIS in millions	
At the beginning of the year	92	123
Provision during the year	22	9
Repayment during the year	(25)	(14)
Write-down of accounts	(23)	(30)
Translation differences	9	4
At the end of the year	75	92

NOTE 6: - OTHER ACCOUNTS RECEIVABLE

a. Composition

	December 31	
	2023	2022
	NIS in millions	
Government institutions	252	190
Prepaid expenses	99	120
Receivables from sale of real estate	26	1
Interest receivable from joint ventures	26	26
Loans to associates	4	9
Others	16	72
	423	418

NOTE 7: - ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

a. Composition of assets held for sale

	December 31	
	2023	2022
	NIS in millions	
Investment property *)	2,328	784
Land and investment property under development *)	574	542
Other assets	75	15
	2,977	1,341

*) The balance of assets held for sale is mainly comprised of non-core income producing properties, lands and investment property under development in Czech Republic and United States.

b. As of December 31, 2023, liabilities attributed to assets held for sale include mainly loans of assets held for sale in Europe at the amount of NIS 945 million, deferred tax liabilities on these assets at amount of NIS 190 and mortgage loan of asset held for sale in United States at amount of NIS 460 million (NIS 446 million as of 2022).

NOTE 8: - INVESTMENT IN INVESTEES

a. Composition of the investment in entities accounted for by the equity method (including purchase accounting adjustments):

	December 31	
	2023	2022
	NIS in millions	
Joint ventures (1)	515	1,178
Associates	(*)-	-*)
	515	1,178
Loans (2)	616	489
	1,131	1,667

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

(1) Includes, inter alia, joint ventures that manage, operate and develop income producing properties, and as of the reporting date includes NIS 626 million in in United States (2022- NIS 492 million).
In 2022, included a balance of NIS 703 million which represented the holding of 75% investment in a joint venture in Czech Republic. In April 2023, G Europe completed the purchase of the remaining 25% of this joint venture in a consideration of EUR 60.5 million (NIS 230 million). As of the reporting date, the transaction is consolidated in the company's books and presented as assets held for sale and liabilities attributed to assets held for sale on the balance sheet. These assets and liabilities were sold after the reporting date.

(2) Includes mainly a loan of EUR 89.7 million (NIS 360 million) which bears a fixed annual interest rate of 6% and matures on January 2024, loan of EUR 21.6 million (NIS 87 million) which bears a fixed annual interest rate of 4% and matures in January 2031 that granted to joint venture in Sweden. In addition, includes a loan of CAD 18.5 million (NIS 51 million) which bears a fixed annual interest rate of 5% and matures in November 2028 and two loans were granted to a partnership in Poland at amount of EUR 29.7 million (NIS 118 million) with a fixed interest rate of 5% and matures in November 2028.

(3) After the reporting date, CTY completed the purchase of the remaining 50% in a joint venture in Sweden Consequently, CTY now owns 100% of the joint venture, which will be consolidated in the company's reports. The consideration for the purchase is EUR 2.5 million in cash. The joint venture has a debt to third party in amount of SEK 2.4 billion which CTY will assume. Including the partner’s share in amount of SEK 1.2 billion (NIS 423 million). The balance of the investment in this transaction as of December 31,2023 is NIS 276 million (including loans granted)

b. Group's share in the results of equity-accounted investees including amortization of fair value adjustment (based on the interest therein during the period):

Joint ventures

	Year ended December 31		
	2023	2022	2021
	NIS in millions		
Net income (loss)	(2)	(51)	41
Other comprehensive loss	(1)	8	5
Comprehensive income (loss)	(3)	(43)	46

Associates

In 2021-2023, the other comprehensive income in an equity-accounted investees was less than a million.

NOTE 8: - INVESTMENT IN INVESTEES (Cont.)

Additional information regarding investees:

c. Investment in G Europe (previously: Atrium European Real Estate Limited, a subsidiary)

1. As of December 31, 2023, the Company owned 100% interest in G Europe's share capital and voting rights.
   In February 18, 2022, the merger transaction of the Company's wholly-owned subsidiary with G Europe was completed. In accordance with the merger agreement the subsidiary will acquire all of G Europe's shares it does not currently own, which represent approximately 25% of G Europe's share capital, at a price of EUR 3.63 per share which equates to total consideration of EUR 376 million (approximately NIS 1.4 billion), to be paid in cash. The suggested price reflected a premium of 23.9% over G Europe's closing price in August 2021. In accordance with the merger agreement, the price was adjusted for a special dividend of EUR 0.6 per share that G Europe declared on February 4, 2022, and was paid on February 8, 2023. The total consideration of the merger transaction, including transaction costs and after a special dividend, amounted to approximately EUR 324 million (NIS 1.2 billion).
   Following the transaction the Company recognized a decrease in the capital attributed to the shareholders of NIS 18 million.

2. In May, 2021, G Europe issued EUR 350 million hybrid bond. The hybrid bond is treated as shareholder's equity in G Europe’s consolidated financial statements prepared in accordance with IFRS and as non-controlling interests in the Company's financial statements.
   The hybrid bond does not confer on their holders the rights of a shareholder nor they dilute the holdings of the current shareholders.
   The hybrid bond carry a fixed interest rate of 3.625% per year until the date of the first interest reset date, and the issuance price was 98.197%. G Europe can redeem the hybrid bond for the first time on August 4, 2026, representing five years from the issuance date and in any other interest payment date afterwards.
   The hybrid bonds are unsecured and are inferior to other liabilities other than share capital. In addition, the Hybrid bonds do not give their shareholders the rights of a shareholder or dilute the existing shareholders.
   During 2023 interest paid to the hybrid bond holders NIS 52 million (in 2022 NIS 45 million).

3. During the year, the group purchased EUR 72 million G Europe’s hybrid bond, of which EUR 45.9 million were as part of an exchange transaction, in exchange for the issuance of 7.6 million shares of the company and the remaining balance in exchange for EUR 10 million (NIS 40 million). As a result of the exchange transaction and cash purchases the company recognized a profit the redemption of the hybrid bonds, recorded as an increase in equity attributable to equity holders of the company of NIS 150 million.

4. After the reporting date, the group purchased EUR 7.6 million per value G Europe’s hybrid bond in a consideration of EUR 3.7 million (NIS 15 million). As s result from the purchase the company will recognize a profit from the redemption of the debentures in amount of EUR 3.8 million (NIS 15 million) as an increase in equity attributable to equity holders of the Company that will be recorded to the capital reserves.

5. In respect of lawsuits involving G Europe, refer to Note 24d2.

NOTE 8: - INVESTMENT IN INVESTEES (Cont.)

d. Investment in CTY (a subsidiary)

1. As of December 31, 2023, the Company owns 50.9% interest in CTY's share capital and voting rights (50.1% on a fully diluted basis). CTY's shares are listed for trading on the Helsinki Stock Exchange, Finland (OMX). As of December 31, 2023 the market price of CTY share was EUR 5.20.

	December 31, 2023		December 31, 2022	
	Carrying amount	Market value	Carrying amount	Market value
	NIS in millions			
Shares	2,765	1,827	3,113	2,055

2. Summarized IFRS financial information of CTY

Summarized statements of financial position -

	December 31	
	2023	2022
	NIS in millions	
Current assets	330	510
Non-current assets	16,553	16,231
Current liabilities	(1,795)	(779)
Non-current liabilities	(7,116)	(7,291)
Net assets	7,972	8,671
Allocated to:		
Equity holders of the company	2,765	3,113
Non-controlling interests	5,207	5,558
	7,972	8,671

NOTE 8: - INVESTMENT IN INVESTEES (Cont.)

Summarized statements of comprehensive income -

	Year ended December 31		
	2023	2022	2021
		NIS in millions	
Revenues	1,156	1,066	1,118
Net income (loss)	(490)	15	459
Other comprehensive income (loss)	(219)	(258)	143
Total comprehensive income	(709)	(243)	602
Allocated to:			
Equity holders of the Company	(429)	(183)	251
Non- controlling interests	(280)	(60)	351
	(709)	(243)	602
Dividends to Non- controlling	164	146	172
Interest paid on hybrid debentures to non-controlling interests *)	114	100	77

*) See section 4 below.

Summarized cash flow statements -

	Year ended December 31		
	2023	2022	2021
		NIS in millions	
Net cash provided by operating activities	506	353	484
Net cash provided used in investing	(387)	388	(39)
Net cash provided by (used in) financing	(287)	(608)	(412)
Exchange differences on balances of cash	(6)	(11)	1
Increase in cash and cash equivalents	(174)	122	34

3. CTY have several share compensation plans based on restricted share units (RSUs) for managers and key employees of up to 697 thousands shares which will be paid primarily in shares, but also partly in cash upon meeting certain conditions.
   In addition, during 2022, CTY granted its CEO options to be exercised for up to 2,111 thousands of the Company's shares in four equal installments. The exercise price of every option is EUR 7.38 and they will expire at the end of year 2025. During 2023 there was no exercises of these options.

4. On November 22, 2019, CTY issued EUR 350 million hybrid bond. The hybrid bond coupon is fixed at 4.5% per year up until 22 February 2025, and thereafter it is updated every five years. In June, 2021, CTY issued more EUR 350 million hybrid bond which carries a fixed interest rate of 3.625% per year until the date of the first interest reset date. CTY has the right to postpone interest payment if it does not distribute dividend or any other equity to its shareholders. The hybrid bond has no set maturity date, but CTY has the right to redeem it after five years from the issue date and thereafter on every yearly interest payment date.

NOTE 8: - INVESTMENT IN INVESTEES (Cont.)

The hybrid bonds are treated as an equity in CTY's consolidated financial statements which prepared in accordance with International Financial Reporting Standards (IFRS). These bonds are unsecured and are inferior to other liabilities other than share capital. In addition, the
Hybrid bonds do not give their shareholders the rights of a shareholder or dilute the existing shareholders.
During the year, CTY purchased EUR 87 million per value hybrid bond, of which EUR 25.1 million were as part of an exchange transaction, in exchange for an issuance of 20.9 million CTY's shares and the remaining balance in exchange for EUR 39.2 million (NIS 160 million). As a result of the exchange transaction and the hybrid bond purchases mentioned above, the company's holding rate in CTY decreased from 52.1% to 50.9% and the company recognized an increase in capital attributable to equity holders of the Company in amount of NIS 31 million that will be recorded to the capital reserves.

5. After the reporting date, CTY issued 11.9 million ordinary shares for a total consideration of EUR 48.2 million (EUR 4.05 per share). As part of the offering, the company purchased 3.7 million shares for a total consideration of EUR 15 million. As a result of the offering, the company's holding rate in CTY decreased from 50.9% to 49.6% and the company will recognize a decrease in the equity attributed to equity holders of NIS 34 million which will be recorded to the capital reserves.

e. Investment in G Alpha

After the reporting date, in February 2024, the company issued to the public NIS 410 million per value debentures (series R) secured by a first-class permanent lien on the company's holdings in GHI Alpha Portfolio LLC ("G Alpha"), which is held by the company through Gazit Horizons Inc, a wholly (indirectly) owned subsidiary of the company and with the associated rights, as well a single lien on the bank account established and held by G Alpha. For details regarding the terms of the debentures (Series R), including limitations imposed on G Alpha, see note 19c.20

Below is a summary of G Alpha's Proforma financial information and main notes:

NOTE 8- INVESTMENTS IN INVESTEES (Cont.)

Summarized proforma statements of financial position:

	December 31, 2023	December 31, 2022
	NIS in millions	
ASSETES		
Current Assets		
Cash and cash equivalents	1,682	1,564
Trade receivables	258	222
Other accounts receivable	333	300
	2,273	2,086
Non-Current Assets		
Deposits	899	917
Investment property	282,939	282,019
Fixed assets, net	272	6
	284,110	282,942
	286,383	285,028
LIABILITIES AND EQUITY		
Current Liabilities		
Trade payables	564	396
Other accounts payable	373	223
	937	619
Non-Current Liabilities		
Interest-bearing loans from banks and others	89,359	89,252
Other Liabilities	1,132	1,018
	90,491	90,270
Equity Attributable to Equity Holders of The Company	194,955	194,139
	286,383	285,028

NOTE 8- INVESTMENTS IN INVESTEES (Cont.)

Summarized proforma statements of profit or loss -

	Year ended December 31		
	2023	2022	2021
	NIS in millions		
Rental Revenues- commercial	6,296	5,778	4,232
Operating expenses for rental properties - commercial	1,162	1,001	621
Net operating income - commercial	5,134	4,777	3,611
Rental Revenues- residential	9,654	8,627	4,141
Operating expenses for rental properties - residential	4,097	3,138	1,733
Net operating income - residential	5,557	5,445	2,408
Net operating income interests	10,691	10,222	6,019
General and administrative expenses	(10)	-	(19)
Fair value gain (loss) from investment property	(713)	26,655	37,042
Operating profit (loss)	9,968	36,877	43,042
Financing expenses, net	(2,783)	(2,785)	(2,059)
net profit (loss)	7,185	34,092	40,983

NOTE 8- INVESTMENTS IN INVESTEES (Cont.)

Summarized proforma statements of cash flow -

	Year ended December 31,		
	2023	**2022**	**2021**
		NIS in millions	
Cash flows from operating activities:			
Net income (loss)	7,185	34,092	40,983
Adjustments required to present net cash provided by operating activities:			
Adjustments to the profit or loss items:			
Finance expenses, net	2,783	2,785	2,059
Fair value gain (losses) from investment property	713	(26.655)	(37,042)
Depreciation and amortization	10	-	-
	3,506	(23,870)	(34,983)
Changes in assets and liabilities items:			
Increase in trade receivables and other accounts receivable	(450)	(718)	(863)
Increase in trade and other accounts payable	468	175	896
	18	(453)	33
Net cash provided by operating activities before interest,	10,709	9,679	6,033
Cash received and paid during the year for:			
Interest paid	(2,714)	(2,701)	(1,859)
Net cash provided by operating activities	7,995	6,978	4,147
Cash flows from investing activities:			
Acquisition, construction, and development of investment property	(1,234)	(20,781)	(103,281)
Investments in fixed assets and other assets	(275)	(6)	-
Net cash provided by (used in) investing activities	(1,509)	(20,787)	(103,281)
Cash flows from financing activities:			
Owner's investment	2,072	20,421	40,291
Dividend paid to equity holders of the Company	(8,440)	(6,985)	(2,514)
Receipt of long-term loans	-	-	63,089
Net cash used in financing activities	(6,368)	13,436	100,866
Increase (decrease) in cash and cash equivalents	118	(373)	1,759
Cash and cash equivalents at the beginning of the year	1,564	1,937	178
Cash and cash equivalents at the end of the year	1,682	1,564	1,937

NOTE 8: - INVESTMENT IN INVESTEES (Cont.)

1. General

a. G Alpha is a limited liability company established In the State of Delaware, USA, on October 23, 2023.

b. G Alpha engages, through the companies under its control, in the management of income-generating mixed-use real estate properties, including for commercial and residential rental uses, in densely populated urban areas in large cities in the US, mainly in New York, Boston, and Miami, and as of reporting date, it owns 6 income-generating properties

c. Gazit Horizons, which owns all of G Alpha's capital, transferred to G Alpha all its entire holdings in 6 private companies wholly owned by it, each of which holds an income-generating property.

d. In view of the incorporation of G Alpha on October 23, 2023 and the transfer of private companies, as aforesaid, G Alpha has prepared pro forma financial statements, pursuant to the provisions of Regulation 9A and 38B of the Securities Regulations (Periodic and Immediate Reports), 1970, which reflect the results of G Alpha's consolidated operations, as if its consolidated companies at that date were consolidated in its financial statements throughout the foregoing periods. All the comparable data and financial data therein above, constitute pro forma data.

2. Significant Accounting Policies

The accounting policies applied in the proforma financial data attributed to G Alpha are consistent with those applied in the preparation of these consolidated financial statements.

3. Proforma assumption

a. The proforma financial data have been presented to reflect the financial position, profit or loss and cash flow attributable to G Alpha if it existed, and if its consolidated companies were consolidated in its reports during the periods shown.

b. The financial data in these reports were consolidated in the consolidated financial statements of G City Ltd. for the relevant periods.

c. The acquisitions of the properties and/or the consolidated companies are reflected in these proforma reports as if they had been acquired by G Alpha at the time of the original acquisition of the companies and/or properties by Gazit Horizons Inc. when the financing of the acquisitions was carried out by capital investments of Gazit Horizons Inc. in G Alpha.

d. G Alpha and Gazit Horizons Inc. consolidated for US income tax with their parent company MGN USA Inc. ("MGN"), the tax liability applies on MGN, therefore there are no income tax effects in the company's books.

f. The applicable laws in some of the investee's jurisdictions contain customary terms regarding payments of dividends, interest, and other distributions to equity holders by an investee. These conditions include, inter alia, a requirement that the investee have sufficient accumulated earnings or that certain solvency requirements are met before a distribution can be made.

dividend distribution from G Europe is subject to the limitations outlined in the terms of its debentures, which include a distribution limitation if G Europe's leverage ratio exceed 60%. (As of December 31, 2023, G Europe's leverage ratio was 49.8%).

As of December 31, 2023, the Group does not consider any of these customary conditions to be a significant restriction.

g. For pledging of part of the shares of investees to secure Group liabilities, refer to Note 27.

NOTE 9: - OTHER INVESTMNETS, LOANS AND RECEIVABLES

	December 31 2023	December 31 2022
	NIS in millions	
Loans to co-owners in development projects and to others (1)	481	221
Other non-current deposits	29	202
Tenants and Others	89	271
	599	694
Less - current maturities	7	104
	592	590

(1) The loans are denominated in euros and carries a variable annual interest rate of about 4.6% to 6.5%.

NOTE 10: - FINANCIAL ASSETS

	December 31 2023	December 31 2022
	NIS in millions	
Financial assets at fair value through other comprehensive income		
Marketable shares (1)	-	42
Participating units in private equity funds (2)	43	93
	43	135
Classified within current assets	-	42
Classified within non-current assets	43	93
	43	135
Financial assets at fair value through profit and loss		
Marketable shares (1)	31	130
Participating units in private equity funds (2)	48	101
	79	231
Classified within current assets	26	130
Classified within non-current assets	53	101
	79	231
Total financial assets	122	366

(1) Measured at fair value based on quoted prices in active markets (level 1 in the fair value hierarchy).

(2) Real estate investment funds, mainly in India and Brazil, the fair value of the investments is derived from the fund's Net Asset Value (NAV) (level 3 in the fair value hierarchy).

NOTE 11: - INVESTMENT PROPERTY

a. Movement

	December 31	
	2023	2022
	NIS in millions	
Balance as of January 1	29,020	29,434
Acquisitions and capital expenditures	1,452	554
Transfer from investment property under development, net	2,250	(145)
Dispositions	(2,263)	(1,967)
Valuation gains (loss), net	(656)	(296)
Foreign exchange differences	1,608	1,440
Balance as of December 31	31,411	29,020
Composition:		
Investment property	29,083	28,236
Assets classified as held for sale (Note 7)	2,328	784
	31,411	29,020

b. Investment properties primarily consist of shopping centers and other retail sites, including properties under redevelopment and extension. Investment properties are stated at fair value, which has been determined based on valuations performed by external independent appraisers with recognized professional expertise and vast experience concerning the location and category of the property being valued (94.52% as of December 31, 2023 and 99.97% during 2023 - in fair value terms) as well as by the Group companies managements. As of the reporting date fair value has been determined based on market conditions, with reference to recent observable real estate transactions involving properties in similar condition and location, as well as using valuations techniques such as the Direct Income Capitalization Method and the Discounted Cash Flow Method ("DCF"), in accordance with International Valuation Standards (IVS), as set out by the International Valuation Standards Committee (IVSC) or in accordance with the Royal Institution of Charted Surveyors (the "Red Book"), in addition to the local rules of valuation in the territories in which the Group operates.

The valuations of properties that were appraised by income method or discounted cash flows are based on the estimated future cash flows generated by the properties from current lease contracts, taking into account the inherent risk of the cash flow as well as by using estimations for potential rent contracts and renewal for rent contracts. In determining the properties' fair values the appraisers used discount rates based on the nature and designation of each property, its location and the quality of the occupying tenants.

The investment properties are measured at level 3 according to the fair value hierarchy. In 2023, there were no transfers of investment property from level 3 and to level 3.

NOTE 11: - INVESTMENT PROPERTY (cont.)

c. Following are the average capitalization rates (Cap Rates) and the average monthly market rent per square meter implied in the valuations of the Group's properties in its principal areas of operations:

	Northern Europe	**Central and Eastern Europe*)**	**Israel**	**Brazil**	**USA**
Average cap rates					
December 31, 2023	6.0	6.2	6.6	7.6	4.9
December 31, 2022	5.5	7.0	6.4	7.7	5.0

*) The average discount rate in 2022 excluding the activity in Russia that was sold in 2023 is 6.0%.

Monthly average market rent per square meters	**EUR**	**EUR**	**NIS**	**BRL**	**U.S.$**
December 31, 2023	24.2	21.0	152.9	74.7	50.1
December 31, 2022	26.0	15.0	143.0	73.0	48.7

*) Market rent, as customary in these markets, excludes management fees.

**) The average monthly market rent in 2022 excluding the activity in Russia that was sold in 2023 is 18.4 EUR per square meter.

Following is the sensitivity analysis of the fair value of investment properties (effect on pre-tax income (loss)) for the main parameters that were used in the investment properties valuations in its principal areas of operations:

	Northern Europe	**Central and Eastern Europe**	**Israel**	**Brazil**	**USA**
December 31, 2023			**NIS in millions**		
Increase of 25 basis	(622)	(235)	(132)	(54)	(96)
Decrease of 25 basis	676	256	143	54	109
Increase of 5% in net	773	(*)303	180	124	79
Increase of 5% in average market	1,024	(*)303	181	69	116

*) Immaterial difference between the impact of an increase of 5% in average market rent to an increase of 5% in net operating income

d. In respect of charges, refer to Note 27.

NOTE 12: - INVESTMENT PROPERTY UNDER DEVELOPMENT

a. Movement and composition

	December 31	
	2023	2022
	NIS in millions	
Balance as of January 1	4,750	3,786
Acquisitions and development costs (see par. c below)	862	816
Transfers to investment property, net	(2,250)	145
Dispositions	(74)	(154)
Valuation losses, net	(111)	(154)
Foreign exchange differences	156	311
Balance as of December 31	3,333	4,750
Composition:		
Investment property under development	1,094	2,944
Land for future development	1,665	1,264
Lands held for sale (note 7)	574	542
	3,333	4,750

b. The fair value of investment property under development that includes shopping centers and other retail sites is determined based on market conditions, using the Residual Method based upon DCF. The fair value is determined by the Group companies' managements and the external independent appraisers with recognized professional expertise and vast experience as to the location and category of the property being valued. The estimated fair value is based on the expected future cash flows from the completed project using yields adjusted to reflect the relevant development risks, including construction risk and lease-up risk, that are higher than the current yields of similar completed property. The remaining estimated costs for completion are deducted from the estimated value of the completed project, as above.

Lands for future development are measured at fair value, using among other the Comparative Method (62.1% in fair value terms). In the implementation of the Comparative Method, the external appraisers and Group companies' managements rely on market prices of similar properties, applying necessary adjustments (for location, size, etc.), and in cases where comparison transactions are not available, using the Residual Method as above, based on market yields adjusted as applicable.

The investment property under development and lands are measured at level 3 according to the fair value hierarchy. In 2023 there were no transfers of investment property under development and lands from level 3 and to level 3.

As of December 31, 2023, the fair value of approximately 66.3% of the investment property under development and lands has been assessed by external appraisers (approximately 72.2% during 2023), and the remainder was performed internally using standard valuation techniques, inter alia, based on market inputs received from the external appraisers.

c. During 2023, the Group capitalized to property under development borrowing costs amounting to NIS 56 million (in 2022 - NIS 33 million).

NOTE 12: - INVESTMENT PROPERTY UNDER DEVELOPMENT (cont.)

d. Following are the average capitalization rates (Cap Rates) implied in the valuations of the Group's property under development in its principal areas of operations:

	Northern Europe	Central and Eastern Europe	Israel	Brazil	USA
Average cap rates					
December 31, 2023	-	8.4	5.3	-	4.8
December 31, 2022	-	5.7	5.3	-	4.5

e. Below is a sensitivity analysis of the fair value of investment property under development, excluding projects and land that are immaterial to the financial statements (impact on pre-tax income (loss)):

	Northern Europe	Central and Eastern Europe	Israel	United States
December 31, 2023				
Increase of 5% in expected project cost	-	(51)	(36)	(60)
Increase of 5% in expected NOI	-	19	50	(23)
Increase of 25 basis points in	-	(10)	(32)	(65)
Decrease of 25 basis points in	-	12	32	(49)
Increase of 5% in the selling price per	-	2	38	-

f. In respect of charges, refer to Note 27.

NOTE 13: - FIXED ASSETS, NET

Fixed assets include mainly office buildings partly in use by the Group companies, which are not defined as investment property, construction equipment and others.

a. Composition

	December 31	
	2023	2022
	NIS in millions	
Buildings	36	37
Software, computers and office equipment	51	55
Right of use assets	22	19
Other (mainly leasehold improvements)	24	50
	133	161

b. Regarding depreciation expenses recognized in profit and loss, refer to note 30.

c. As for charges, refer to Note 27.

NOTE 14: - INTANGIBLE ASSETS, NET

Composition

	December 31	
	2023	**2022**
	NIS in millions	
Goodwill (1) (2)	447	433

(1) The carrying amount of goodwill as of December 31, 2023 and 2022 attributed to assets in Norway

Movement in goodwill for the year ended December 31, 2023

	NIS in millions
Balance as of January 1	433
Foreign exchange differences	14
Balance as of December 31	447

(2) Goodwill has been predominantly recognized due to the acquisition of assets by CTY in 2015. The goodwill was allocated to the cash generating units and for each, the recoverable amount was determined as of the reporting date.

(3) Impairment of goodwill is examined at least once a year, the company didn't recognize an impairment during the period.

NOTE 15: - CREDIT FROM BANKS AND OTHERS

a. Composition:

		Weighted average interest rate		
		December 31	**December 31**	
		2023*)	**2023**	**2022**
	Denomination	**%**	**NIS in millions**	
Credit from banks:	EUR	4.3%-4.9%	185	952
Total short-term credit			185	952

*) Variable interest

b. As for charges, see 27

NOTE 16: - CURRENT MATURITIES OF NON-CURRENT LIABILITIES

Composition:

	Refer to Note	December 31 2023	December 31 2022
		NIS in millions	
Current maturities of debentures	19	2,435	1,283
Current maturities of interest bearing non-current liabilities	20	1,618	772
		4,053	2,055

NOTE 17: - TRADE PAYABLES

Composition

	December 31 2023	December 31 2022
	NIS in millions	
Open accounts and accrued expenses	129	157
Checks payable	9	11
	138	168

NOTE 18: - OTHER ACCOUNTS PAYABLE

a. Composition

	December 31 2023	December 31 2022
	NIS in millions	
Interest payable	132	132
Government institutions	69	71
Deferred income and deposits from tenants	89	76
Employees	44	75
Other provisions (including for legal proceedings)	18	18
Accrued expenses	141	181
Dividend payable to shareholders of the Company	-	53
Other payables	46	49
	539	655

b. Out of the total balance of other accounts payable, an amount of NIS 264 million is denominated in Euro, NIS 84 million is denominated in non-linked NIS and NIS 64 million is denominated in PLN.

NOTE 19: - DEBENTURES

a. Composition

	item	Denomination	Outstanding par value amount	Nominal Interest rate	Effective interest rate	Carrying amount December 31 2023	2022
			NIS in millions	%	%	NIS in millions	
The Company:							
Debentures (series K)	c7	Israeli CPI	331	5.35	4.28	383	767
Debentures (Series L)	c6	Israeli CPI	2,513	4.00	3.67	2,815	3,187
Debentures (Series M)	c5	Israeli CPI	1,396	3.28	2.90	1,596	1,679
Debentures (Series N)	c4	Israeli CPI	769	1.79	2.27	834	1,084
Debentures (Series O)	c3	Israeli CPI	402	1.33	1.98	440	354
Debentures (Series P)	c2	Israeli CPI	906	1.75	1.41	1,004	1,028
Convertible debentures (Series Q)	c1	Non-Linked	574	5.50	10.29	470	-
Total of the Company **)						7,542	8,099
Consolidated companies:							
CTY debentures	d	EUR	5,002	1.88	2.16	4,968	5,335
CTY debentures	d	Norwegian Krone	821	3.40	3.41	819	819
CTY debentures	d	Norwegian Krone *)	-	-	-	-	285
G Europe debentures (Series 2025)	e	EUR	1,323	4.25	4.80	1,310	1,502
G Europe debentures (Series 2027)	e	EUR	960	2.63	3.00	946	1,108
						15,585	17,148
Less - current maturities of debentures						2,435	1,283
						13,150	15,865

*) Variable interest

**) As for cross-currency swap transactions entered in respect of part of the debentures, see Note 34c.

b. Maturity dates

	December 31, 2023						
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 and thereafter	Total
Denomination	NIS in millions						
NIS	-	47	-	-	-	423	470
NIS linked to Israeli CPI	1,199	1,134	1,137	1,321	1,206	1,075	7,072
EUR	1,236	1,310	1,393	1,912	1,373	-	7,224
Norwegian Krone	-	819	-	-	-	-	819
	2,435	3,310	2,530	3,233	2,579	1,498	15,585

NOTE 19: - DEBENTURES (Cont.)

c. Additional information on the Company's debentures:

1. In July 2023, the Company issued to the public NIS 444 million par value Debentures (Series Q) convertible into Company shares. The Debentures are convertible such that for every NIS 17.5 par value Debentures (Series Q), one ordinary share of NIS 1 par value of the Company is convertible starting from their listing date and up to 10 days prior to the final redemption date. The conversion ratio is subject to adjustments, including in the event of distribution of bonus shares, issuance of rights, distribution of a dividend. The proceeds of the issuance (net) amounted to NIS 402 million, of which an amount of NIS 54 million was oftributable to the capital component of the conversion option and was recognized in the Company's capital reserve in compliance with accounting principles. The consideration attributable to the liability component amounts to NIS 356 million, including effective interest at a rate of 10.5%. In November 2023, the Company expanded the debenture series in the amount of NIS 130 million par value under a private issuance, for a total gross consideration in the amount of NIS 121.55 million, of which an amount of NIS 9.9 million was oftributable to the capital component of the conversion option and was recognized in the Company's capital reserve in compliance with accounting principles. The consideration attributable to the liability component amounts to NIS 111.65 million, including effective interest at a rate of 9.59%.

   The Company entered into a market making agreement for Debentures (Series Q) in accordance with the law.

   The Debentures (Series Q) are unlinked to any linkage base and bear annual interest at a fixed rate of 5.5% paid annually. In addition, the principal will be repaid in two payments: the first payment for 10% of the principal on June 30, 2025 and the second payment for 90% of the principal on June 30, 2029.

   A downgrade in S&P Maalot’s credit rating below A-, or Midroog’s credit rating below A3 or a corresponding rating of another rating company will result in an increase in the interest rate of up to 1% (a downgrade of the rating equal to or lower than BB- of S&P Maalot, or a corresponding rating, will result in an increase in the interest rate to 3%), in accordance with the terms and grades set out in the debenture. However, in no event (other than the addition of arrears interest and the addition of interest in the event of a downgrade) will the interest exceed the base interest plus 1%.

   In the issuance of the Debentures (Series Q), the Company has undertaken to comply, among other things, with the following main covenants, the breach of which will entitle the debenture holders to call for immediate repayment of the debentures: a) the consolidated equity (excluding non-controlling interests) is to be maintained at a minimum amount of USD 850 million for three consecutive quarters; (b) the consolidated equity (excluding non-controlling interests) is to be maintained at a minimum amount of USD 450 million for one quarter; (c) the ratio of interest-bearing liabilities, net to total assets will not exceed 75% for three consecutive quarters; (d) the debenture rating will not be lower than BBB- by S&P Maalot and Baa3 by Midroog.

   In the event of non-compliance with the covenants set out in sections a or c above, and before the remedy period expires, the Company may remedy the breach by pledging assets, under the terms set out in section 4.3 of the deed of trust.

   The Company has also undertaken not to make a distribution if, among others, the Company’s equity falls below the NIS equivalent of USD 1 billion based on its audited or reviewed consolidated financial statements.

NOTE 19: - DEBENTURES (Cont.)

In addition, the provisions of the deed of trust for Debentures (Series Q) include additional grounds which, if fulfilled, will give the debenture holders the right to call for immediate repayment of the debentures, including: change of control in the Company, call for immediate repayment of another series of marketable debentures of the Company or call for the immediate repayment of non-marketable debentures or a loan or loans from a financial institution (for certain grounds only) of 10% or more of the total gross financial liabilities of the Company as per its reviewed consolidated financial statements (at the end of the remedy period), grounds related to insolvency of the Company, change of activity, and sale of the majority of the Company's assets, and a going concern notice in the Company's financial statements for two consecutive quarters.

In addition, the Company has undertaken not to create a negative pledge on all of its property and all of its existing and future rights in favor of any third party as security for a debt, unless it grants the holders of the debentures a pari passu ranking floating charge.

2. The Company's Debentures (Series P) are secured by a fixed lien on G Europe shares held by wholly-owned subsidiaries of the Company, and, as of the reporting date, 146 million G Europe shares are pledged in favor of the holders of Debentures (Series P), which at this date constitute 48.7% of the issued and paid-up capital of G Europe, on two accounts in which the shares are deposited and on all the related rights of the pledged companies in the pledged shares, and on all deposits in the pledged accounts, except exceptions (the “Pledge"), all as set out in section 5 of the deed of trust for the debentures.

The scope of the Pledge is determined according to the loan-to-value (LTV) ratio of 65%, which is calculated in accordance with the net realizable value (EPRA NRV) of G Europe, as set out in the deed of trust for the Debentures. The Company is required to comply with the LTV at specific inspection dates set out in the deed, including on the occurrence of 'disturbing event', at the time of deletion of the pledged shares from trading, expansion of a series, sale of pledged shares, exchange of pledges, when using trust account funds for early redemption (in full or in part), and distribution of a special dividend in G Europe (higher than the monetary threshold set in the deed) only.

Alongside entering into the deed of trust, and to create a valid pledge under Swiss law, the Company entered into a parallel debt agreement with the trustee, according to which the Company undertook to the trustee, in a separate and independent obligation as a direct creditor of the Company, to pay amounts equal to the amounts to be paid to the debenture holders and on the date of their repayment, as set out in the deed of trust. Additionally, the Company and its subsidiary entered into a control agreement with the trustee and the custodian in connection with the account of the pledged shares and everything in it, according to which the custodian will act solely in accordance with the trustee's instructions regarding the assets deposited in this account.

As of the reporting date and after the shares of G Europe were delisted following the completion of the G Europe merger, the Company and the trustee acted to create and register (if registration is required by the relevant law) a new pledge on the pledged shares as certificate shares, as set out in section 5 of the deed of trust.

NOTE 19: - DEBENTURES (Cont.)

Debentures (Series P) are repayable in four unequal annual installments that will be paid from 2024 to 2029 (inclusive) as follows: the first installment will be paid on March 31, 2024 at a rate of 12.5% of the principal, the second installment on March 31, 2027 at a rate of 25% of the principal, the third installment on March 31, 2028 at a rate of 20% of the principal, and the fourth and final installment will be paid on March 31, 2029 at a rate of 42.5% of the principal. Additionally, the Debentures (Series P) are linked to the CPI and bear annual interest at the rate of 1.25%.

As part of the issuance of the Debentures (Series P), the Company has undertaken to comply, among other things, with the following main covenants, the breach of which will entitle the debenture holders to call for immediate repayment of the debentures: a) the consolidated equity (excluding non-controlling interests) is to be maintained at a minimum amount of USD 850 million for three consecutive quarters; (b) the consolidated equity (excluding non-controlling interests) is to be maintained at a minimum amount of USD 450 million for one quarter; (c) the ratio of interest-bearing liabilities, net to total assets will not exceed 75% for three consecutive quarters; (d) the debenture rating will not be lower than BBB- by S&P Maalot and Baa3 by Midroog.

In addition, the Company has undertaken not to create a negative pledge on all of its property and all of its existing and future rights in favor of any third party as security for a debt, unless it grants the holders of the debentures a pari passu ranking floating charge.

The provisions of the deed of trust for Debentures (Series P) include additional grounds which, if fulfilled, will give the debenture holders the right to call for immediate repayment of the debentures, including: change of control in the Company, call for immediate repayment of another series of marketable debentures of the Company or call for the immediate repayment of non-marketable debentures or a loan or loans from a financial institution (for certain grounds only) of 10% or more of the total gross financial liabilities of the Company as per its reviewed consolidated financial statements (at the end of the remedy period), an increase in the debt to collateral value exceeding 65% specific review dates set out in the deed (without additional collateral placed by the Company) grounds related to insolvency of the Company and G Europe, change of activity, and sale of the majority of the Company's assets, a going concern notice in the Company's financial statements for two consecutive quarters, grounds related to events in a subsidiary holding the rights of G Europe, and exercise of pledges for most of the Company’s assets other than for a non-recourse debt. In addition, the Company has undertaken not to make a distribution if, among others, the Company’s equity falls below the NIS equivalent of USD 1 billion based on its audited or reviewed consolidated financial statements.

When G Europe became a private company and its shares were delisted, the Company also undertook not to distribute a dividend in G Europe, if the leverage ratio of G Europe shortly after the distribution date exceeds 0.6 and the leverage ratio of G Europe at each review date (as set out above) will not exceed 0.6, subject to a remedy period of two consecutive quarters after the relevant review date.

In addition, a downgrade in S&P Maalot’s credit rating below A-, or Midroog’s credit rating below A1 or a corresponding rating of another rating company will result in an increase in the interest rate of up to 1% (a downgrade of the rating equal to or lower than BBB- of S&P Maalot, or a corresponding rating, will result in an increase in the interest rate to 3%), in accordance with the terms and grades set out in the debenture.

NOTE 19: - DEBENTURES (Cont.)

However, in no event (other than the addition of arrears interest and the addition of interest in the event of a downgrade) will the interest exceed the base interest plus 1%.

3. The Company has outstanding Debentures (Series O) secured by a fixed lien on four real estate assets owned by the Company, with an aggregate value of NIS 597 million (the Company's share) as of the reporting date.

Debentures (Series O) are repayable in four unequal annual installments that will be paid from 2024 to 2028 (inclusive) as follows: the first installment will be paid on March 31, 2024 at a rate of 8% of the principal, the second installment on March 31, 2025 at a rate of 15% of the principal, the third installment on March 31, 2027 at a rate of 30% of the principal, and the fourth and final installment will be paid on March 31, 2028 at a rate of 47% of the principal. Additionally, the Debentures (Series O) are linked to the CPI and bear annual interest at the rate of 1.08%.

The scope of the series is determined according to the loan-to-value (LTV) ratio of 75%, which is calculated in accordance with the collateral value of the pledged assets, according to valuations, as set out in the deed of trust for the debentures. The Company is required to comply with the LTV at specific inspection dates set out in the deed, including when expanding a series, replacing and/or adding pledged assets, releasing assets from a pledge, selling a pledged asset, and at any other date set out in the deed of trust when the Company is required to comply with the weighted ratio.

In the issuance of the Debentures (Series O), the Company has undertaken to comply, among other things, with the following main covenants, the breach of which will entitle the debenture holders to call for immediate repayment of the debentures: a) the consolidated equity (excluding non-controlling interests) is to be maintained at a minimum amount of USD 850 million for three consecutive quarters; (b) the consolidated equity (excluding non-controlling interests) is to be maintained at a minimum amount of USD 400 million for one quarter; (c) the ratio of interest-bearing liabilities, net to total assets will not exceed 75% for three consecutive quarters; (d) the debentures rating will be higher than BBB- by S&P Maalot and Baa3 by Midroog.

In addition, the provisions of the deed of trust for Debentures (Series O) include additional grounds which, if fulfilled, will give the debenture holders the right to call for immediate repayment of the debentures, including: change of control in the Company, call for immediate repayment of another series of marketable debentures of the Company or call for the immediate repayment of non-marketable debentures or a loan or loans from a financial institution (for certain grounds only) of 10% or more of the total gross financial liabilities of the Company as per its reviewed consolidated financial statements (at the end of the remedy period), grounds related to insolvency of the Company, change of activity, and sale of the majority of the Company's assets, a going concern notice in the Company's financial statements for two consecutive quarters, grounds related to events for assets used as collateral for the debentures, and the subsidiary holding them. In addition, the Company has undertaken not to make a distribution if, among others, the Company's equity falls below the NIS equivalent of USD 1 billion based on its audited or reviewed consolidated financial statements.

NOTE 19: - DEBENTURES (Cont.)

In addition, it was determined that a downgrade in S&P Maalot's credit rating below AA-, or Midroog's credit rating below Aa3 or a corresponding rating of another rating company will result in an increase in the interest rate of up to 1% (a downgrade of the rating equal to or lower than BBB- of S&P Maalot, or a corresponding rating, will result in an increase in the interest rate to 3%), in accordance with the terms and grades set out in the debenture. However, in no event (other than the addition of arrears interest and the addition of interest in the event of a downgrade) will the interest exceed the base interest plus 1%.

4. The Company has outstanding Debentures (Series N), which are repayable in five unequal annual installments that will be paid from 2022 to 2031 (inclusive) as follows: the first installment was paid on September 30, 2022 at a rate of 17.5% of the principal, the second installment on September 30, 2023 at a rate of 15% of the principal, the third installment will be paid on September 30, 2024 at a rate of 15% of the principal, the fourth installment on September 30, 2029, at a rate of 27.5% of the principal, and the fifth and final installment on March 30, 2031 at a rate of 25% of the principal. Additionally, the Debentures (Series N) are linked to the CPI and bear annual interest at the rate of 1.29%.

   The Company has undertaken to comply with the following main covenants, the breach of which will entitle the debenture holders to call for immediate repayment of the debentures: a) the consolidated equity (excluding non-controlling interests) is to be maintained at a minimum amount of USD 850 million for three consecutive quarters; (b) the consolidated equity (excluding non-controlling interests) is to be maintained at a minimum amount of USD 400 million for one quarter; (c) the ratio of interest-bearing liabilities, net to total assets will not exceed 75% for three consecutive quarters; (d) the debentures rating will be higher than ilBBB- by S&P Maalot and Baa3il by Midroog.

   Nevertheless, in the event of non-compliance with the covenants set out in this section (a) or (c) In this section above, the Company may provide collateral in favor of the holders of Debentures (Series N) instead of the above covenants. In addition, the provisions of the deed of trust for Debentures (Series N) include additional grounds which, if fulfilled, will give the debenture holders the right to call for immediate repayment of the debentures, including: change of control in the Company, call for immediate repayment of another series of marketable debentures of the Company or call for the immediate repayment of non-marketable debentures or a loan or loans from a financial institution (for certain grounds only) of 10% or more of the total gross financial liabilities of the Company as per its reviewed consolidated financial statements (at the end of the remedy period), grounds related to insolvency of the Company, change of activity, and sale of the majority of the Company's assets, and a going concern notice in the Company's financial statements for two consecutive quarters. In addition, the Company has undertaken not to create a negative pledge on all of its property and all of its existing and future rights in favor of any third party as security for a debt, unless it grants the holders of the debentures a pari passu ranking floating charge. In addition, the Company has undertaken not to make a distribution if, among others, the Company's equity falls below the NIS equivalent of USD 1 billion based on its consolidated financial statements.

   In addition, it was determined that a downgrade in S&P Maalot's credit rating below ilA+, or Midroog's credit rating below A1 or a corresponding rating of another rating company will result in an increase in the interest rate of up to 1% (a downgrade of the rating equal to or lower than BBB- of S&P Maalot, or a corresponding rating, will result in an increase in the interest rate to 3%), in accordance with the terms and grades set out in the debenture. However, in no event (other than the addition of arrears interest and the addition of interest in the event of a downgrade) will the interest exceed the base interest plus 1%.

NOTE 19: - DEBENTURES (Cont.)

5. The Company has outstanding Debentures (Series M), which are repayable in six unequal annual installments that will be paid from 2021 to 2028 (inclusive) as follows: the first installment was paid on September 30, 2021 at a rate of 5% of the principal, the second installment on September 30, 2022 at a rate of 10% of the principal, the third installment on September 30, 2023 at a rate of 5% of the principal, the fourth installment will be paid on September 30, 2025, at a rate of 30% of the principal, the fifth installment on June 30, 2026, at a rate 10% of the principle, and the sixth and last installment on June 30, 2028 at a rate of 40% of the principal. Additionally, Debentures (Series M) are linked to the CPI and bear annual interest at the rate of 2.78%.

   The Company has undertaken to comply with the following main covenants, the breach of which will entitle the debenture holders to call for immediate repayment of the debentures: a) the consolidated equity (excluding non-controlling interests) is to be maintained at a minimum amount of USD 800 million for three consecutive quarters; (b) the consolidated equity (excluding non-controlling interests) is to be maintained at a minimum amount of USD 400 million for one quarter; (c) the ratio of interest-bearing liabilities, net to total assets will not exceed 75% for three consecutive quarters. and the debenture rating in the last of these quarters will not be lower than ilBBB- by S&P Maalot and Baa3il by Midroog. The provisions of the deed of trust for Debentures (Series M) include additional grounds which, if fulfilled, will give the debenture holders the right to call for immediate repayment of the debentures, including: change of control in the Company, call for immediate repayment of another series of marketable debentures of the Company or call for the immediate repayment of non-marketable debentures or a loan from a financial institution of 10% (on certain grounds only) or more of the total gross financial liabilities of the Company as per its reviewed consolidated financial statements (at the end of the remedy period), grounds related to insolvency of the Company, change of activity and sale of the majority of the Company's assets, and a going concern notice in the Company's financial statements for two consecutive quarters.

   In addition, the Company has undertaken not to create a negative pledge on all of its property and all of its existing and future rights in favor of any third party as security for a debt, unless it grants the holders of the debentures a pari passu ranking floating charge. In addition, the Company has undertaken not to make a distribution if, among others, the Company’s equity falls below the NIS equivalent of USD 850 million based on its consolidated financial statements.

   In addition, a downgrade in S&P Maalot’s credit rating below A-, or Midroog’s credit rating below A1 or a corresponding rating of another rating company will result in an increase in the interest rate of up to 1% (a downgrade of the rating equal to or lower than BBB- of S&P Maalot, or a corresponding rating, will result in an increase in the interest rate to 3%), in accordance with the terms and grades set out in the debenture. However, in no event (other than the addition of arrears interest and the addition of interest in the event of a downgrade) will the interest exceed the base interest plus 1%.

6. The Company has outstanding Debentures (Series M), redeemable in six unequal installments that were paid and will be paid between 2021 and 2028 (inclusive) as follows: The first installment was paid on June 30, 2021 at a rate of 5% of the principal, the second installment on June 30, 2022 at a rate of 10% of the principal, the third installment on June 30, 2023 at a rate of 5% of the principal, the fourth installment will be paid on June 30, 2025 at a rate of 30% of the principal, the fifth installment on June 30, 2026 at a rate of 30% of the principal, and the sixth and final installment on June 30, 2028 at a rate of 40% of the principal. Furthermore, Debentures (Series M) are CPI-linked and bear an annual interest rate of 2.78%.

NOTE 19: - DEBENTURES (Cont.)

The Company undertook to comply with the following primary covenants, and breach thereof grants the debenture holders the right to call for immediate repayment of the debentures: (a) Consolidated equity (less non-controlling interests) will not fall below USD 800 million for three consecutive quarters; (b) consolidated equity (less non-controlling interests) will not fall below USD 400 million for one quarter; (c) net interest-bearing debt to the Company's consolidated balance sheet ratio will not exceed 75% for three consecutive quarters, and the rating of the debentures in the last of the above quarters will not fall below ilBBB- of S&P Maalot and below Baa3il of Midroog. The provisions of the deed of trust of Debentures (Series M) contain other causes which, if realized, grants the debenture holders the right to call for immediate repayment of the debentures, including: A change of control of the Company, a call for immediate repayment of another series of marketable debentures of the Company or a call for immediate repayment of non-marketable debentures or a loan from a financial institution in the amount of 10% (for specific causes only) or more of the Company's total gross financial liabilities based on its reviewed consolidated financial statements (following elapse of a remedy period), causes related to insolvency of the Company, a change of operations and the sale of most of the Company's assets, recording of a "going concern" caveat in the Company's financial statements for two consecutive quarters, and others.

Furthermore, the Company undertook to refrain from creating a floating lien (negative pledge) on all of its assets and all of its rights, existing and future, in favor of any third party to secure any debt, unless the debenture holders are granted a floating lien of the same degree pari passu. The Company also undertook to refrain from a distribution if, among other things, its equity falls below the shekel equivalent of USD 850 million under its consolidated financial statements.

In addition it was determined that a downgrade of the credit rating below 'il.A+' of S&P Maalot or below 'A1' on the Midroog scale will cause a rise in total interest rate of up to 1% (and if the rating falls to a rating equivalent to or lower than BBB- of S&P Maalot or a parallel rating, the interest rate will increase by 3%), according to the terms and levels set in the debentures. However, under no circumstances (except due to addition of default interest and interest in the event of a downgrade as specified above) will the interest rate increase exceed the base interest plus 1%.

7. The Company has outstanding Debentures (Series L), redeemable in five unequal installments that were paid and will be paid between 2023 and 2027 (inclusive) as follows: The first installment was paid on June 30, 2023 at a rate of 10% of the principal, the second installment will be paid on June 30, 2024 at a rate of 15% of the principal, the third installment on June 30, 2025 at a rate of 15% of the principal, the fourth installment on June 30, 2026 at a rate of 30% of the principal, and the fifth and final installment on June 30, 2027 at a rate of 30% of the principal. Furthermore, Debentures (Series L) are CPI-linked and bear an annual interest rate of 4%.

NOTE 19 - DEBENTURES (Cont.)

The Company undertook to comply with the following main covenants: (a) consolidated equity (excluding non-controlling interests) will not fall below a minimum of USD 650 million for four consecutive quarters; (b) net interest-bearing debt to total balance sheet ratio will not exceed 80% for four consecutive quarters, and the rating of the debentures in the last of the above quarters will be higher than BBB- by S&P Maalot and Baa3 by Midroog. Furthermore, the provisions of the deed of trust of Debentures (Series L) contain other causes which, if realized, grants the debenture holders the right to call for immediate repayment of the debentures, including: causes related to insolvency of the Company, change of operations and sale of most of the Company's assets, change of control of the Company, a call for immediate repayment of marketable debentures in an amount of no less than (i) NIS 200 million or (ii) 10% of the Company's consolidated equity (less non-controlling interests), whichever is higher. In addition, it was determined that a downgrade of the credit rating below 'il.A+' of S&P Maalot or below 'A3' on the Midroog rating scale, will cause a rise in total interest rate of up to 1%, according to the terms and levels set in the debentures. However, under no circumstances (except due to addition of default interest and interest in the event of a downgrade as specified above) will the interest rate increase exceed 1%.

The Company has outstanding Debentures (Series K), redeemable in five unequal installments that were paid and will be paid between 2018 and 2024 (inclusive) as follows: The first installment was paid in September 2018 at a rate of 10% of the principal, the second in September 2020 at a rate of 15% of the principal, the third and fourth installments were paid in September 2022 and 2023 at a rate of 25% of the principal, and the fifth and final installment will be paid in September 2024 at a rate of 25% of the principal. Furthermore, Debentures (Series L) are CPI-linked and bear an annual interest rate of 5.35%.

The Company undertook to comply with the following main covenants: (a) consolidated equity (excluding non-controlling interests) will not fall below a minimum of USD 500 million for four consecutive quarters; (b) net interest-bearing debt to total balance sheet ratio will not exceed 80% for four consecutive quarters, and the rating of the debentures in the last of the above quarters will be higher than BBB- by S&P Maalot and Baa3 by Midroog. Furthermore, the provisions of the deed of trust of Debentures (Series K) contain other causes which, if realized, grants the debenture holders the right to call for immediate repayment of the debentures, including: causes related to insolvency of the Company, change of operations and sale of most of the Company's assets, change of control of the Company, a call for immediate repayment of marketable debentures in an amount of no less than (i) NIS 300 million or (ii) 12.5% of the Company's equity less non-controlling interests, whichever is higher. In addition, it was determined that a downgrade of the credit rating below 'il.A+' of S&P Maalot or below 'A3' on the Midroog rating scale, will cause a rise in total interest rate of up to 1%, according to the terms and levels set in the debentures. However, under no circumstances (except due to addition of default interest and interest in the event of a downgrade as specified above) will the interest rate increase exceed the base interest plus 1%.

8. As of the date of the financial report and the reporting date, the Company complies with the above covenants of the aforesaid debenture series.

NOTE 19 - DEBENTURES (Cont.)

9. In 2023, the Company bought back NIS 319 million par value Debentures (Series K, L, M, N and P) in return for NIS 290 million, in accordance with its buyback plan. Following the buyback, the Company recognized an early redemption gain in the amount of NIS 63 million. The debentures were canceled and delisted.

10. On March 28, 2024, the Company's board of directors resolved to adopt a new plan for the buyback of debentures of the Company (in lieu of the earlier plan) in an amount of up to NIS 300 million par value, which is valid until March 31, 2025. Buybacks are to be made under the plan from time to time, at the discretion of the Company's management. This plan is in lieu of the earlier plan dated March 28, 2023 in the amount of up to NIS 450 million par value, which was valid until March 31, 2024. Until the publication date of the report, the Company bought back debentures in the amount of NIS 278 million par value under the earlier plan.

11. On June 29, 2023, S&P Maalot reaffirmed the credit rating of all unsecured series of debentures of the Company at 'ilA-', and the rating of the Company's Debentures (Series O), which are secured by a lien on property, at a rating level of 'ilA', with a negative outlook.

12. On July 4, 2023, the S&P Maalot rating agency set the credit rating of Debentures (Series Q) of the Company at a rating level of 'ilAA-', with a negative outlook.

13. On July 6, 2023, Midroog rating agency set the credit rating of Debentures (Series Q) of the Company at a rating level of 'A3.il', with a negative outlook.

14. In November 2023, under a private placement to institutional investors, the Company issued, by means of expansion of a marketable series, NIS 73.8 million par value Debentures (Series O), which are secured by a lien on real estate assets, for a gross consideration of NIS 73.6 million and at an effective interest rate of 5.3% (CPI-linked).

15. On November 1, 2023, the S&P Maalot rating agency reaffirmed the credit rating of Debentures (Series O) of the Company, which are secured by a lien on real estate assets, at a rating level of ilA', with a negative outlook.

16. On November 1, 2023, the Midroog agency reaffirmed the credit rating of Debentures (Series O) of the Company, which is secured by a lien on real estate assets, at a rating level of 'A2.il', with a negative outlook.

17. On November 28, 2023, the Midroog agency reaffirmed the credit rating of Debentures (Series Q) of the Company at a rating level of 'A3.il', with a negative outlook.

18. On November 28, 2023, the S&P Maalot reaffirmed the credit rating of Debentures (Series Q) of the Company at a rating level of 'ilA-', with a negative outlook.

19. On December 7, 2023, S&P Maalot reaffirmed the credit rating of all unsecured series of debentures of the Company at A3.il-', and the rating of the Company's Debentures (Series O), which are secured by a lien on property, at a rating level of 'A2.il', with a negative outlook.

20. Subsequent to the reporting date, in February 2024, the Company issued to the public NIS 410 million par value Debentures (Series R), for a net consideration of NIS 404 million at an effective interest rate of 5.18%. Debentures (Series R) are secured by a fixed first degree lien on all of the Company's holdings in GHI Alpha Portfolio LLC ("G Alpha"), which are held by the Company through Gazit Horizons Inc., a wholly-owned subsidiary of the Company (indirect) and related rights, as well as a single lien on the bank account established and held by G Alpha. Furthermore, G Alpha provided a guarantee for the Company's liabilities under the deed of trust of Debentures (Series R). G Alpha is the owner of six income producing properties in the United States, which at the present time are valued at USD 283 million.

NOTE 19 - DEBENTURES (Cont.)

Debentures (series R) are redeemable in four unequal installments that will be paid between 2026 and 2031 (inclusive) as follows: The first installment will be paid on September 30, 2026 at a rate of 15% of the principal, the second installment on September 30, 2028 at a rate of 20% of the principal, the third installment on September 30, 2030 at a rate of 30% of the principal, and the fourth and final installment will be paid on September 30, 2031 at a rate of 35% of the principal. Furthermore, Debentures (Series R) are CPI-linked and bear an annual interest rate of 4.83%.

The scope of the series was set at debt to value of collateral (LTV) ratio of 50% or 55% (the "LTV"), calculated according to the value of G Alpha's pledged capital, as set forth in the deed of trust of the debentures. The Company is required to comply with an LTV ratio or 50% or 55% (based on the type of event) on specific test dates set in the deed, including the date of expansion of the series, removal/addition of liens (including in the event of release of G Alpha properties by G Alpha), upon exchange of pledged assets, upon the sale of pledged assets, on the date of a distribution from G Alpha, upon occurrence of a "disturbing event" (as defined in the deed of trust) in respect of G Alpha, on the date of introduction of a partner to properties owned by G Alpha, and any other date set in the deed of trust in which the Company is required to comply with the LTV.

If the credit rating falls below 'A' of S&P Maalot or below 'A2' on the Midroog scale or an equivalent rating of another rating agency, an interest rate increase of up to 1% will apply (and if the rating falls to a rating equivalent to or lower than BBB- of S&P Maalot or an equivalent rating, the interest rate will increase by 3%), according to the terms and levels set in the debentures. Furthermore, in the event of non-compliance with the financial covenants stipulated in sections A and C below, the annual interest rate will increase by 0.25% (and in case of a breach of two causes together, the interest rate will increase by a total of 0.5%). However, under no circumstances (except due to addition of default interest and interest in the event of a downgrade as specified above) will the interest rate increase exceed 1.25% (or 3.25% if the rating falls to 'BB-" of S&P Maalot or lower).

Under the issue of Debentures (Series R), the Company undertook to comply, among other things, with the following primary covenants, and breach thereof grants the debenture holders the right to call for immediate repayment of the debentures: (a) Consolidated equity (less non-controlling interests) will not fall below USD 800 million for three consecutive quarters; (b) consolidated equity (less non-controlling interests) will not fall below USD 450 million for one quarter; (c) net interest-bearing debt to the Company's consolidated balance sheet ratio will not exceed 75% for three consecutive quarters, (d) the rating of the debentures will not fall below BBB- by S&P Maalot or Baa3 of Midroog; and (e) G Alpha's equity will not fall below USD 125 million under its consolidated financial statements for two consecutive quarters.

Furthermore, the Company undertook to refrain from creating a floating lien (negative pledge) on all of its assets and all of its rights, existing and future, in favor of any third party to secure any debt, unless the debenture holders are granted a floating lien of the same degree pari passu.

NOTE 19 - DEBENTURES (Cont.)

Also, as part of the Company's obligations in favor of the holders of Debentures (Series R), which are secured by a lien on G Alpha shares, G Alpha undertook several restrictions, including: (1) Undertaking to provide guarantees for all secured amounts under the deed of trust; (2) undertaking not to change its area of operations, which as of the date of this report is the income producing real estate sector in the United States, and to manage its business in the ordinary course of business, and subject to the restrictions specified in the deed of trust, G Alpha and/or companies that it controls ("Property Companies") will not pay the Company or companies that it controls any management fees, subject to the right for indemnification if the Company incurs current operating costs; (3) any distribution in respect of G Alpha shares (the "Distribution Proceeds") will be deposited directly into a trust account. The Company may instruct the Trustee to release all or part of the Distribution Proceeds, under several cumulative conditions, including if ratio of the par value of outstanding Debentures (Series R) plus interest, default interest and linkage differences accrued, if any, by that date, in accordance with the terms of the Debentures (Series R), and G Alpha's equity exceeds 55%, including if as a result of the distribution the ratio exceeds the above; (4) G Alpha and/or the Property Companies fail to provide and fail to undertake to provide financing and/or a loan and/or collateral and/or guarantees in any manner, to G-City Group companies, and if G Alpha fails to provide guarantees to any third parties; (5) on the issue date and any test date (as defined in the deed), the LTV (as defined in the deed) will not exceed 55% or 50%, based on the type of test event; (6) G Alpha and/or its subsidiaries will not undertake any debt, financing or loan, other than loans existing at the signature date of the deed of trust and will not enter into an agreement to receive such financing and/or loan, whether directly or indirectly. Notwithstanding the above, G Alpha and limited companies that it controls may undertake debt, financing or a loan (including refinancing) in a total amount not exceeding the amount of the existing debt of G Alpha and the limited companies that it controls as of the signature date of the deed of trust (which was NIS 90 million), and may use the said funds to distribute dividends, subject to compliance with the provisions of the deed of trust; (7) G Alpha and the Property Companies will not create or undertake to create a floating lien on all their assets; (8) G Alpha, on its behalf and on behalf of the Property Companies, undertook that other than the Maison and Edge properties, which as of the date of the deed were pledged in favor of other lenders, the other properties controlled by G Alpha will not be pledged to any third party, and no debt will be undertaken in respect of those properties; (9) there will be no change to the holding structure of the properties held by G Alpha, other than the sale of properties of G Alpha or the Property Companies according to the provisions of the deed of trust; (10) restrictions on restructuring, including the holding structure of properties held by G Alpha and a merger of G Alpha and/or the Property Company with other companies, all subject to the conditions and exceptions specified in the deed of trust.

Furthermore, the provisions of the deed of trust of Debentures (Series R) contain other causes, which if realized, grants the debenture holders the right to call for immediate repayment of the debentures, including a change of control of the Company, a call for immediate repayment of another series marketable debentures of the Company or a call for immediate repayment of non-marketable debentures or a loan/s from a financial institution (for specific causes only) in the amount of 10% or more of the Company's total gross financial liabilities based on its reviewed consolidated financial statements (following elapse of a remedy period), causes related to insolvency of the Company, change of operations and sale of most of the Company's assets, recording of a going concern caveat in the Company's financial statements for two consecutive quarters, causes related to events connected with G Alpha and breach of its obligations under the deed of trust. The Company also undertook to refrain from a distribution if, among other things, its equity falls below the shekel equivalent of USD 1 billion under its audited or reviewed consolidated financial statements.

21. Subsequent to the reporting date, the Company bought back NIS 42.7 million par value Debentures (Series K, L, M, N and P), in return for NIS 42.6 million. Due to the buyback, the Company will recognize an early redemption gain in the amount of NIS 5 million. The bought back debentures were cancelled and delisted.

22. Subsequent to the reporting date, Midroog rating agency set the credit rating of Debentures (Series R) of the Company at a rating level of 'A2.il', with a negative outlook.

NOTE 19 - DEBENTURES (Cont.)

D. CTY debentures

1. CTY committed to the debenture holders to maintain a total debt to total value of assets ratio and a secured debt to total value of assets ratio not exceeding 65% and 25%, respectively. In addition, a change of control of CTY, as defined in the debentures agreement, will entitle the holders the right of early redemption of the debentures. As of the reporting date, CTY complies with these covenants.
2. In the reporting period, CTY bought back EUR 190.7 million par value debentures in return for EUR 183.8 million.
3. In December 2023, Standard & Poor's reaffirmed the rating of CTY's debentures at a 'BBB-' level, with a stable outlook.
4. Subsequent to the reporting date, in March 2024, CTY issued EUR 300 million par value debentures, which bear an annual interest rate of 6.5% and are redeemable in March 2029.
5. Subsequent to the reporting date, in March 2024, CTY bought back EUR 213.2 million par value debentures under a tender offer, for a consideration of EUR 213.7 million.
6. Subsequent to the reporting date, in March 2024, Standard & Poor's reaffirmed the rating of CTY's debentures at a 'BBB-' level, and revised the outlook to negative.

E. Debentures of G Europe

1. G Europe undertook to the debenture holders to maintain a total debt to total value of assets ratio of no more than 60%, a secured debt to total value of assets ratio of no more than 40%, and a consolidated interest coverage ratio (EBITDA adjusted to interest expenses) of no more than 1.5. As of the reporting date, G Europe complies with these financial covenants.
2. In 2023, the Group bought back EUR 139.3 million par value debentures of G Europe for a consideration of EUR 114 million (NIS 455 million). Following the acquisition, the Group recognized an early redemption gain in the amount of EUR 25 million (NIS 100 million).
3. Subsequent to the reporting date, the Group bought back another EUR 50 million (NIS 195 million) par value debentures of G Europe, for a consideration of EUR 46.2 million (NIS 180 million). Due to the buyback, the Group will recognize an early redemption gain in the amount of EUR 3.8 million (NIS 15 million).
4. In March 2023, Moody's rating agency downgraded the debenture series of G Europe from 'Ba2' to 'B1', with a stable outlook.
5. Subsequent to the reporting date, in March 2024, Moody's downgraded the debenture series of G Europe from 'B1' to 'B2', with a negative outlook.

NOTE 20: - INTEREST-BEARING LOANS FROM BANKS AND OTHERS

a. Composition

	In NIS linked to CPI	In NIS non linked	In CAD	In USD	In EUR	In SEK	In BRL	Total
	NIS in millions							
December 31, 2023								
Banks	-	1,142	224	108	2,571	358	-	4,403
Other financial institutions	1,437	-	-	806	-	-	531	2,774
Total	1,437	1,142	224	914	2,571	358	531	7,177
Current maturities	47	925	96	157	360	-	33	1,618
Net of current maturities	1,390	217	128	757	2,211	358	498	5,559
December 31, 2022								
Total	1,235	732	121	1,008	2,100	-	517	5,713
Net of current maturities	1,207	229	121	973	1,914	-	497	4,941

The composition of classification of loans by fixed or variable interest rate:

	In NIS linked to CPI	In NIS non linked	In CAD	In USD	In EUR	In SEK	In BRL	Total
	NIS in millions							
December 31, 2023								
Fixed interest rate	1,437	-	-	794	-	358	531	,2 120
Weighted average effective interest rate (%)	1.7	-	-	4.2	-	5.6	5.9	
Variable interest rate	-	1,142	224	120	2,571	-	-	4,057
Weighted average effective interest rate (%)	-	5.1	5.2	6.6	5.5	-	-	

b. Maturity dates

	In NIS linked to CPI	In NIS non linked	In CAD	In USD	In EUR	In SEK	In BRL	Total
	NIS in millions							
December 31, 2023								
Year 1 - current	47	925	96	157	360	-	33	1,618
Year 2	48	217	2	126	12	-	26	431
Year 3	49	-	2	186	1,718	-	46	2,001
Year 4	49	-	3	223	5	-	57	337
Year 5	378	-	3	222	476	-	61	1,140
Year 6 and thereafter	866	-	118	-	-	358	308	1,650
	1,390	217	128	757	2,211	358	498	5,559
Total	1,437	1,142	224	914	2,571	358	531	7,177

NOTE 20: - INTEREST-BEARING LOANS FROM BANKS AND OTHERS (Cont.)

	In NIS linked to CPI	In NIS non linked	In CAD	In USD	In EUR	In BRL	Total
December 31, 2022							
Year 1 - current	28	503	-	35	186	20	772
Year 2	28	229	-	251	689	22	1,219
Year 3	28	-	2	126	178	22	356
Year 4	28	-	2	162	608	30	830
Year 5	300	-	2	216	439	36	993
Year 6 and thereafter	823	-	115	218	-	387	1,543
	1,207	229	121	973	1,914	497	4,941
Total	1,235	732	121	1,008	2,100	517	5,713

c. As for charges, refer to Note 27.

d. Contracted restricted and financial covenants

Certain loans and credit facilities which the Company and its subsidiaries obtained in the ordinary course of business include customary financial and other covenants that a breach in the covenant will cause immediate redemption, among which are the following:

1. The Company

a) Utilized debt to collateral value ratio in the range of 45%-75% as set in the credit agreements.

b) Minimum shareholders' equity (excluding non-controlling interests) of NIS 4 billion for the Company.

c) Ratio of net interest bearing liabilities to value of total assets, based on consolidated financial statements, shall not exceed 75%.

d) Ratio of net interest bearing liabilities to value of total assets, based on expanded solo financial statements (the Company and other fully owned private entities) of the Company, shall not exceed 77.5%.

e) Ratio of actual debt to value of securities (pledged CTY shares whose fair value is the average of its market value and net asset value) shall not exceed 70%.

f) The Company's average quarterly EPRA Earnings, calculated according to the European Public Real Estate Association, over any two consecutive quarters, shall not be less than NIS 60 million.

g) The ratio of total equity (including equity loans, but excluding minority interests, derivatives at fair value and the tax effect with respect thereto) to the total assets of CTY shall not be less than 30%.

NOTE 20: - INTEREST-BEARING LOANS FROM BANKS AND OTHERS (Cont.)

h) The ratio of shares pledged to the bank shall not be less than 15% of the issued and paid up share capital of CTY and also that, in the event of a financial institution (which is not a financial manager of others or for others) holding CTY shares for itself at a rate in excess of 15%, the Company shall pledge additional CTY shares to the bank so that the pledged shares as a percentage of the total issued and paid up capital of CTY shall be at least 5% higher than the percentage held by the aforementioned financial institution in the issued and paid up capital of CTY, but not more than 30.1% of the issued and paid up capital of CTY.

i) The ratio of CTY shares held directly and indirectly by the Company shall not be less than 30% of the share capital of CTY.

j) Ratio of CTY's EBITDA (with certain adjustments) to CTY’s net financial expenses shall not be less than 1.6.

k) The Company's credit rating shall not be lower than BBB by S&P Maalot rating agency or lower than baa2 by Midroog rating agency.

l) Debt coverage ratios not less than 1.2-1.45.

m) The Company and the investee companies have other acceptable financial criteria, such as interest and / or principal coverage ratios, leverage ratios, net operating income ratio (NOI) to debt and other accepted criteria.

n) Some of the credit documents of the Company and its investees include generally accepted conditions for immediate repayment of the credit, including: non-payment, change of control of the Company or companies whose securities are pledged to secure the credit, restructuring, certain material legal proceedings (including in the context of liquidation and realization proceedings). Assets and execution), cessation of the company's activities, change of the main activity of the company, cessation of trading in the securities secured by the credit or of the company, cross default in certain terms and conditions, holding a minimum amount of shares held by the company, minimum value of unencumbered assets in relation For utilized debt, tenure of certain officers and more.

o) Some of the Company's financing agreements (which do not amount to material credit) include criteria and additional conditions (such as reasons in connection with trading in shares used as collateral and the Company's shares and their price, rating, change of control, etc.). Stipulated in the agreement, and in the event that it does not do so to the financial institution will have the right to make the financing immediately repayable. In some of the aforesaid agreements, in the event that the Company again meets the criteria set forth in the agreement, it will be entitled to re-utilize the credit by virtue of them.

2. <u>CTY</u>

a) Ratio of debt to total assets shall not be above than 55%-60%.

b) Minimum debt coverage ratio (EBITDA to net interest expense) of 1.8.

As of December 31, 2023, and the date of the financial report the Company and its subsidiaries are in compliance with all the aforementioned covenants.

NOTE 21: - OTHER LIABILITIES

Composition

	December 31	
	2023	2022
	NIS in millions	
Tenants' security deposits (1)	24	42
Lease liabilities (2)	308	304
Other liabilities	7	112
	339	458

(1) Tenants' security deposits are received to secure the fulfillment of the terms of the lease agreements. Deposits are refunded to the tenants at the end of the rental period, primarily linked to the EUR

(2) Lease liabilities includes mainly NIS 165 million in Polish Zloty, NIS 94 million in NOK, NIS 41 million in SEK and NIS 4 million in BRL.

NOTE 22: - EMPLOYEE BENEFIT LIABILITIES AND ASSETS

The Group provides post-employment benefit plans. The plans are generally financed by contributions to insurance companies, pension funds and provident funds and are classified both as defined contribution plans and as defined benefit plans, as follows:

a. Under labor laws and severance pay laws in Israel and Brazil, the Group is required to pay benefits to employees upon dismissal or retirement in certain circumstances. The calculation of the Company's employee benefit liability is made based on valid employment contracts and based on the employees' salary which establishes the entitlement to receive post-employment benefits.

   Section 14 of the Severance Pay Law, 1963 in Israel applies to the compensation payments, pursuant to which current contributions paid by the Group into pension funds and/or into types of insurance policies release the Group from any additional liability to employees for whom such contributions were made (defined contribution plan).

b. The liabilities of the Group in other countries in which its operates are normally financed by contributions to pension funds, social security, medical insurance and others and by payments which the employee bears (such as for disability insurance) as required by local law and therefore essentially defined as contribution plans. Additional payments for sick leave, severance termination benefits and others are at Group companies' discretion, unless otherwise provided for in a specific employment contract.

c. Provision for severance benefits recognized in the financial statements on the date the decision was made concerning the dismissal, in countries where the Group has a legal or constructive obligation for their payment.

d. The amounts accrued in pension funds, officers' insurance policies, other insurance policies and in provident funds are on behalf of the employees and the related liabilities are not reflected in the statement of financial position as the funds are not controlled and managed by the Company or its subsidiaries.

All of the Group's post-employment benefit plans do not have a material effect on the financial statements.

NOTE 23: - TAEXS ON INCOME

a. Tax laws applicable to the Group

1. Tax laws in Israel

a) Capital gains/losses

The capital gain tax rate applicable to Israeli resident companies is the corporate tax rate, see section d below.

b) Taxation of dividend income

Pursuant to section 126(b) to the Income Tax Ordinance ("the Ordinance"), income from distribution of profits or from dividends originating from income accrued or derived in Israel which was received, directly or indirectly, from another entity subject to the corporate tax in Israel is not included in the computation of the Company's taxable income.
Pursuant to section 126(b) to the Ordinance, Dividends that the Company receives from a foreign entity are taxed in Israel at the corporate tax rate, as mentioned in section d below, and credit is given for the tax withheld on the dividends overseas (direct credit). Excess direct credit may be carried forward to future years over a period of not more than five years.
Nonetheless, at the Company's request and subject to certain conditions, the Company may elect to implement an alternative under which the corporate tax rate will be imposed, as mentioned in section 4 below, on the gross income from which the dividend was distributed (the dividend distributed plus the tax withheld and the corporate tax paid on the income in the foreign countries) and a credit will be given for the foreign tax paid on the income from which the dividend was distributed in the foreign company (indirect credit) and the tax withheld in the foreign country. It should be noted that indirect credit is eligible down to two tiers only and is subject to certain conditions. Excess indirect credit cannot be carried forward to future years.

c) Capital gain/loss from sale of shares in subsidiaries

A real capital gain by the Company on the sale of its direct holdings in one or more of the Group's foreign companies is taxed in Israel and credit is given for the foreign tax paid overseas on the capital gain from that sale, subject to the provisions of the relevant treaty for avoidance of double taxation.

d) Tax rates applicable to the Group companies in Israel

The Israeli corporate tax rate for 2021-2023 is 23%.

2. Taxation in the U.S.

On December 22, 2017, a comprehensive tax reform was approved in the United States, which includes a reduction in the US corporate tax rate to 21%, with effect from January 1, 2018. In addition, the rules of interest expense allowance in the United States, which is now limited to 30% of the EBITDA in the respective tax year were amended. On March 27 2021, the Coronavirus Aid, Relief and Economic Security act (CARES act) was approved in the US, which provides economic assistance for facing the COVID-19 crisis. The CARES act provides tax benefits for companies with the aim of maintaining liquidity, including: carryback of losses created during 2018-2021 for 5 years and temporary elimination of the 80% limitation for utilizing losses; reducing the tax deduction limitation of interest expenses with accordance to section 163(j); accelerated depreciation benefits and deductibility of additional expenses of improvements in real estates.

Upon distribution of dividends from the United States to the Company, a reduced rate of 12.5% for withholding tax applies, in accordance with the tax treaty between Israel and the United States, provided that the Company holds at least 10% of the shares of the distributing company.

NOTE 23: - TAEXS ON INCOME (Cont.)

3. Taxation in Canada

The taxable income of the Group companies is subject to the effective corporate tax (Federal and Provincial) which ranges between 23% and 31%. A Canadian resident company that realizes a capital gain is taxed in Canada only on half of the capital gain. Subject to certain conditions, a Canadian resident company that receives dividends may not be taxable in Canada or the dividends may have no effect on the taxable income of a Canadian resident company that receives the dividend. According to FAPI (Foreign Accrual Property Income) rules, a Canadian resident company may be taxable in Canada on undistributed passive income of a foreign company and receive a relief for foreign tax imposed on this income. Generally, distribution of dividends from a Canadian resident company to a foreign resident is subject to withholding tax of 25%. Reduced tax rates may be valid based on the relevant tax treaty (if applicable). According to the tax treaty between Israel and Canada, withholding tax on dividends will be reduced to a rate of 5% for recipient companies with holdings in excess of 25% of the distributing company (otherwise the withholding rate is 15%). In addition, according to the tax treaty between Israel and Canada, the rate of tax to be withheld at source on interest is 10% (or 5% for interest payable to financial institutions).

4. Taxation in Finland

Operations in Finland are carried out by CTY. The corporate tax rate in Finland in 2023 is 20%, in general, under the local regulation, withholding tax rate for dividend distribution from Finland is 20% (or 35% in certain situations). The dividend withholding tax rate upon distribution from Finland to Israel is 5% pursuant to the tax treaty between Israel and Finland (only if the share of holding is higher than 10%, otherwise the withholding tax rate is 15%). Due to the change of legislation in Finland, starting from January 1, 2014, the withholding tax will apply also on return of capital of traded companies (this change of legislation will not apply on untraded companies, except in specific instances).
The Company received a pre-ruling from the Tax Authority in Finland that entitles the Company to demand a refund from the aforesaid Tax Authority for tax deducted in Finland that cannot be claimed in Israel.

5. Taxation in Norway

Operations in Norway are carried out through a Norwegian company that is owned by CTY. The corporate tax rate in Norway in 2023 is 22%. Usually, under domestic law, the withholding tax rate on dividend distributions from Norway is 25%. A lower withholding tax rate might be possible under various tax treaties. In the case of a dividend distribution to member states of the European Economic Area (“the EEA”), the rate is 0% (assuming meeting the conditions specified in the law, except in specific instances).

6. Taxation in Sweden

Operations in Sweden are carried out by Swedish resident companies that are held by CTY. Generally, the corporate tax rate in Sweden in 2023 is 20.6%. The rate of withholding tax for dividend distribution by a Swedish resident company under the domestic law is 30%. Generally, dividend distribution to a company similar to a Swedish limited liability company, and which is not considered as a company registered in a tax shelter, is not subject to withholding tax (except in specific instances).

7. Taxation in Netherlands

In 2023 the corporate tax rate in the Netherlands on an income greater than EUR 395,000 is 25.8% (the corporate tax rate on an income less than EUR 395,000 is 15%). Starting from 2023, the corporate tax rate in the Netherlands on an income greater than EUR 200,000 is 25.8% (the corporate tax rate on an income less than EUR 200,000 is 19%).
Under certain conditions, income of the Dutch company from its holdings in Germany would be tax exempt in the Netherlands. Following a change in legislation in Netherlands, starting January 1, 2018, the rate of tax to be withheld at a source on dividend distribution was reduced to 0%, under certain conditions.

NOTE 23: - TAEXS ON INCOME (Cont.)

8. Taxation in Germany

Generally, the corporate tax rate (including the solidarity tax) in Germany is 15.825% (assuming that the company is not subject to trade tax, otherwise – 30%). Distribution of profits from a German resident partnership to the Dutch resident company partners is not taxable in Germany according to domestic law. Payment of interest to a foreign resident from Germany is exempt from withholding tax in Germany according to the domestic law, except under certain circumstances. Capital gains on the disposal of shares of a German company may be taxable in Germany, however, 95% of the gain may be tax exempt in Germany, if the conditions of the German participation exemption apply.

9. Taxation in Jersey Island

The corporate tax rate on the Island of Jersey is 0% (except in relation to specific fields of activity which are subject to tax at a rate of 10% or 20%). The f withholding tax rate on dividend distribution from Jersey to Israel is usually 0% and capital gains are not taxed in Jersey.
Operations in Jersey are carried out through Jersey companies that are owned by G Europe. The corporate tax rate in G Europe’s principal regions of operation is 19% in Poland and the Czech Republic and 12.5% in Cyprus, while in Russia the corporate tax rate is 20%.
Starting from 2019, Jersey Islands applies laws and regulations relates to the Economic Substance. According to the new legislation, companies and partnerships incorporated in the Island will be required to report, among other things, about their type of activity, and to keep the Economic Substance rules on the land of Jersey Islands (I.e., employees, offices, management, level of expenses, etc.) subject to their type of activity.

10. Taxation in Poland

Operations in Poland are carried out through Polish companies indirectly owned by G Europe. The corporate tax rate in Poland is 19% and, under domestic law, the withholding tax rate on a dividend distribution from Poland is also 19%. A lower tax rate might be possible under various tax treaties.
Starting from January, 2018, a legislation amendment became effective, the amendment includes provisions concerning the offsetting of losses as well as thin capitalization rules that restrict the deduction of financing expenses in Poland.
In addition, a legislative change was made in Poland, and different rules regarding withholding tax were established. In general, according to the new rules regarding dividend payments, interest, royalties and services for foreign residents, of less than 2 million Polish Zlotys in one tax year, the rules for filing and deduction under a treaty remain the same (except for a stricter definition of a beneficial owner). In the case of such payments in an amount exceeding 2 million Polish Zlotys to a foreign resident, the payer must initially deduct the amount in excess of 2 million Polish Zlotys (19% for dividends and 20% for interest, royalties and services for foreign residents). The foreign resident could demand a tax refund subject to compliance with the treaty/exemption conditions. It should be noted that there are exceptions to these rules. The withholding tax rules are effective starting from January 1, 2023.
In addition, several indirect subsidiaries are under tax review with the tax authorities abroad.

11. Taxation in Czech Republic

The Czech Republic activity is performed by Czech entities held by G Europe. The maximum corporate tax rate in the Czech Republic is 19%. Usually, the withholding tax rate on a dividend distribution according to domestic law is 15% (or 35% in specific instances). The distribution of a dividend from the Czech Republic to a member state of the EEA is exempt from withholding tax (except in specific instances). In addition, a reduced tax rate is possible according to the different tax treaties. The operation in the Czech Republic is performed by Czech companies held by G Europe.

NOTE 23: - TAEXS ON INCOME (Cont.)

12. Taxation in Cyprus

In 2023, G Europe and its subsidiaries are tax residents in Cyprus. The Company tax rate in Cyprus is 12.5%, as a general rule, the withholding tax rate on dividend distribution from Cyprus under domestic law is 0%. It should be noted that, on the distribution of dividends to countries that are part of the black list of the European Union, a 17% withholding tax will be applied to dividend distributions, and on interest payments to companies resident in countries that are part of the European Union's black list, a 30% withholding tax will be applied.

13. Taxation in Russia

The corporate tax rate in Russia is 20%. Usually, the withholding tax rate on a dividend distribution according to domestic law is 15% to foreigners, a reduced tax rate is possible according to the different tax treaties. The operation in Russia is performed by Czech companies held by G Europe.

14. Taxation in Brazil

The effective tax rate on companies in Brazil (having a turnover in excess of BRL 240 thousand) is 34%. The tax rate on a dividend distribution from a Brazil-resident company, under domestic law, is 0%, except in specific instances. Operations in Brazil are carried out mainly through real estate funds. The real estate funds are exempt from tax on their income, if certain conditions are fulfilled. A distribution of earnings from the funds to foreigners and locals is subject to tax withholdings at the rate of 15% and 20%, respectively (calculated on the profit component).

b. Finalized tax assessments

The Company has finalized its tax assessments through 2018.

c. Merger of subsidiaries in Israel

On January 7, 2018, an Israeli subsidiary was granted an approval from the Israeli Tax Authority for merger into an indirect subsidiary ("the Absorbing Company"), together with two indirect subsidiaries of the Company. The merger was scheduled for December 31, 2016.

d. Merger of a subsidiary in Israel

On July 28, 2021, the Israeli Tax Authorities approved the merger (the "Tax Ruling") of G Israel Commercial Centers Ltd. ("G Israel"), a wholly owned subsidiary of G City Ltd. ("The Company"), with and into the Company (as an absorbing company) in accordance with section 103C of the Israeli Tax Ordinance ("ITO"). The date of the restructuring, according to the Tax Ruling is December 31, 2018.
In accordance with the Tax Ruling, G Israel will transfer its all assets and liabilities including all its employees into the Company, while eliminating G Israel without liquidation, in accordance with the first chapter of part 8 of the Israeli Companies Law ("Statutory Merger").
The Tax Ruling is conditional on compliance with the conditions set forth in the ITO and the Tax Ruling, inter alia, the cost of the company's investment in G Israel shares, will be deleted and fully canceled. Regarding the transferred real estate assets, a reduced purchase tax rate of 0.5% will apply. Furthermore, the Tax ruling sets limitations about offset of losses relates to the transferred assets and the participating companies.

NOTE 23: - TAEXS ON INCOME (Cont.)

e. Carry-forward losses for tax purposes as of December 31, 2023

The Company and its wholly-owned Israeli resident subsidiaries have carry-forward losses for tax purposes. With respect to the tax benefit associated with such losses, the Group has recognized deferred tax assets amounting to NIS 417 million as of the reporting date (in 2022, NIS 564 million), which have been offset against the deferred tax liability of the Company.

The Company's Canadian resident subsidiaries have carry-forward losses for tax purposes amounting to NIS 8.3 million (in 2022, NIS 7.9 million). The carry-forward losses may be utilized over a 20-year period from the end of the tax year it was generated.

The Company’s wholly-owned USA resident subsidiary have carry-forward losses for tax purposes amounting to NIS 249 million (in 2022, NIS 200 million), for which deferred tax assets have been recognized at an amount of NIS 78 million.

The Company’s wholly-owned Jersey Island resident subsidiary and its subsidiaries have carry-forward losses for tax purposes amounting to NIS 355 million (in 2022, NIS 1 billion), for which deferred tax assets have been recognized at an amount of NIS 26 million. Deferred tax assets that were not recognized for these losses were at an amount of NIS 202 million.

The Company's partially-owned Finnish resident subsidiary and its subsidiaries have carry-forward losses for tax purposes amounting to NIS 809 million (in 2022, NIS 746 million), for which deferred tax assets have been recognized at an amount of NIS 112 million. Out of the total losses mentioned, for 261 million, deferred tax assets were not recognized.

f. Deferred taxes, net:

The composition and movement in deferred taxes are as follows:

	Investme properties and depreciab fixed assets	Carry-forward losses	Others	Total
	NIS in millions			
Balance as of January 1, 2021	(2,118)	554	(142)	(1,706)
Amounts carried to foreign currency	238	(16)	6	228
Amounts carried to other comprehensive loss	-	-	4	4
Amounts carried to income statement	(284)	(86)	(150)	(520)
Balance as of December 31, 2021	(2,164)	452	(282)	(1,994)
Amounts carried to foreign currency	141	9	(49)	101
Amounts carried to other comprehensive income	-	-	75	75
Amounts carried to income statement	(55)	328	76	349
Balance as of December 31, 2022	(2,078)	789	(180)	(1,469)
Amounts carried to foreign currency	(152)	-	4	(148)
Amounts carried to other comprehensive income	-	-	7	7
Amounts carried to income statement	127	(153)	59	33
Reclassification to assets held for sale	327	(1)	(3)	323
Balance as of December 31, 2023	(1,776)	635	(113)	(1,254)

NOTE 23: - TAEXS ON INCOME (Cont.)

The deferred taxes are calculated at tax rates ranging between 19% and 29.49% (the tax rates applicable include federal and state tax).

The utilization of deferred tax assets is dependent on the existence of sufficient taxable income at the losses amount in the following years.

Deferred taxes are presented as follows:

	December 31	
	2023	2022
	NIS in millions	
Within non-current assets	66	61
Within non-current liabilities	(1,320)	(1,530)
	(1,254)	(1,469)

g. Taxes on income (tax benefit) included in the income statements

	Year ended December 31		
	2023	2022	2021
	NIS in millions		
Current taxes (1)	153	61	197
Taxes in respect of prior years	-	(30)	(27)
Deferred taxes	(33)	(349)	520
	120	(318)	690

(1) Current income taxes include capital gain tax, withholding tax from interest and dividends paid by foreign subsidiaries to the Company, current tax expenses of subsidiaries of the Group companies operation.

h. Taxes on income relates to other comprehensive income and to other equity items

With respect to income tax relates to other comprehensive income and other equity line items, refer to Notes 23f and 25d.

NOTE 23: - TAEXS ON INCOME (Cont.)

i. Below is the reconciliation between the statutory tax rate and the effective tax rate:

	Year ended December 31		
	2023	**2022**	**2021**
		NIS in millions	
Income before taxes on income	(1,200)	(1,554)	1,729
Statutory tax rate	23.0%	23.0%	23.0%
Tax calculated using statutory tax rate	(276)	(357)	398
Increase (decrease) in taxes resulting from permanent differences - the tax effect:			
Tax exempt income, income subject to special tax rates and nondeductible expenses	(12)	26	16
Change in taxes resulting from carry-forward tax losses and other temporary differences for	306	88	331
Deferred taxes and other temporary differences with respect to prior years	17	(11)	15
Deferred taxes with respect of tax rate changes	-	-	3
Taxes with respect to prior years	-	(30)	(27)
Taxes with respect to Company's share in earnings of equity-accounted investees, net	1	13	1
Difference in tax rate applicable to income of foreign companies and other differences	84	(47)	(47)
Taxes on income (tax benefit)	120	(318)	690
Effective tax rate	-	-	39.9%

NOTE 24: - CONTINGENT LIABILITIES AND COMMITMENTS

a. Agreements

1. Agreement with G Europe

   Under the agreement signed between the Company and G Europe in 2008 (and amended in January 2015), which governs its rights in G Europe, as reflected in the articles of G Europe, which include the right to appoint up to four members of G Europe's Board of Directors, the right to determine the identity of the Chairman of G Europe's Board of Directors, the right to appoint the majority of the members of the Nominations Committee of G Europe's Board of Directors, and granted the Company veto rights in connection with the taking of material decisions at G Europe, including the appointment of G Europe's CEO. The foregoing rights are subject to the Company holding a minimum number of G Europe shares. To date, the Company holds the entire share capital of G Europe.

   In February 2022, a merger transaction between G Europe and a wholly owned subsidiary of the Company was completed, for further information see Note 8C1.

2. The Group's companies engaged in operating lease agreements with tenants with regard to properties that they own. Below is a breakdown of the minimum leasing fees receivable with respect to these leasing agreements:

	December 31
	2023
	NIS million
First year	1,090
2-5 years	2,436
Sixth year and onwards	1,358
Total	4,884

3. As for engagements with related parties, refer to Note 35.

b. Guarantees

1. As of December 31, 2023, the Company's subsidiaries are guarantor for loans from various entities in respect of investment properties under development, which they own together with partners and for bank guarantees, which were provided in the ordinary course of business, in the aggregate amount of NIS 656 million (December 31, 2022, NIS 600 million).

2. The Company is guarantor for an unlimited amount to banks to secure credit received by wholly-owned subsidiaries of the Company. The total amount of the binding credit facilities and the loans (principal) with respect thereto, as of December 31, 2023 and 2022, amounted to NIS 475 million and NIS 481 million, respectively. Utilization of the binding credit facilities and the loans (principal) as of December 31, 2023 and 2022 amounted to NIS 250 million and NIS 175 million, respectively. Wholly-owned subsidiaries of the Company guarantee loans and credit facilities obtained by the Company from banks and others, in an unlimited amount. Furthermore, the Company and its wholly owned subsidiaries pledged CTY and G Europe shares and real estate belonging to subsidiaries to guarantee credit received by the Company and its wholly owned subsidiaries.

3. With regard to collateral provided to secure guarantees, see Note 27.

NOTE 24: - CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)

c. Contingent liabilities for the completion of the construction and redevelopment of properties and others

The Company's subsidiaries have off-balance sheet commitments for the completion of the construction and redevelopment of investment properties which, as of reporting date, amounted to NIS 798 million (at December 31, 2022, NIS 875 million).

As of reporting date, CTY has a contingent liability for input VAT refund received in the amount of NIS 340 million (at December 31, 2022, NIS 390 million), should the property, subject to the input VAT, be sold to a VAT-exempt entity within the next 10 years.

d. Legal claims

1. Several legal proceedings are pending against the Company and its subsidiaries in the ordinary course of their business including in respect of personal injury and property damage that occurred in their shopping centers and in other properties. The Company estimates that the claimed amounts are immaterial (on a stand-alone basis or on a cumulative basis) to the Company's results.

2. G Europe is involved in several proceedings and regulatory investigations in Austria, with regard to transactions in G Europe securities, an IPO and related matters in 2006-2007.

   In addition, G Europe is involved in several proceedings filed by a number of investors that had invested in the aforesaid securities in the relevant years, alleging losses due to the volatility of the securities and other related contentions.

   Based on the estimates of G Europe’s management, the total provision in G Europe’s financial statements in respect of expected costs and the consequences of applying the settlement arrangements with investors regarding the foregoing proceedings, is EUR 5.5 million.

   Additionally, to date, the criminal proceedings against Julius Meinl and others in connection with events that took place in 2007 and earlier are still in progress. In connection with this, a law firm representing various investors in G Europe, who had invested at the time of these events, has alleged that G Europe is liable for various instances of fraud, breach of trust and infringements of the Austrian Stock Corporation Act and Austrian Capital Market Act arising from the same events. The public prosecutor has directed G Europe to reply to the allegations and has started criminal investigation proceedings against G Europe based on the Austrian Corporate Criminal Liability Act. It is uncertain whether this legislation, which came into effect in 2006, applies to G Europe. In any event, G Europe believes that it should not be held accountable for the aforesaid events and therefore intends to actively defend itself against these proceedings.

   In July and August 2014, a number of lawsuits were filed with the Economic Affairs Division of the Tel Aviv District Court to certify lawsuits as class actions, against U.Dori Construction Ltd. (“Dori Construction”), U.Dori Ltd. (“Dori Group” presently – Amos Luzon Development and Energy Group Ltd.)), their directors and officers and their auditors, as well as against the Company and G Israel (which was merged into the Company). The motions deal with damage allegedly caused to the public that have invested in Dori Construction and/or Dori Group, as the case may be, as a result of the publication of allegedly erroneous information in the reporting of Dori Construction, including in its financial statements, and as a result of failing to report, at the appointed time, material adverse information concerning the financial results and the financial position of Dori Construction, and consequently, concerning the financial results of Dori Group. The grounds for the claims in the aforementioned motions include grounds under the Securities Law, 1968, among which are the inclusion of erroneous details in the financial statements and deficient and erroneous reporting, a tort of negligence under the Torts Laws, breach of statutory duty (in respect to the Securities Law and the Regulations promulgated thereunder, as well as the Companies Law) and minority discrimination, all relating to the reporting of Dori Construction.

NOTE 24: - CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)

The amounts of the aforesaid claims range from NIS 13 million to NIS 75 million (subject to quantifying the exact damage in the course of the hearings on the lawsuits), which are not material for the Company (including cumulatively).

The motions were consolidated into a single proceeding (apart from three motions that were dismissed). The parties held discovery and document review procedures pursuant to the court's decisions, following which evidentiary hearings were held, at the end of which an agreement in principle was reached to authorize the court to end the dispute by way of settlement in accordance with section 79A of the Courts Law [Consolidated Version], 5744-1984. Further thereto, and before the parties to the proceeding agreed on the wording of a settlement agreement, temporary trustees were appointed for Dori Construction as part of insolvency proceedings opened regarding its business (hereinafter - the “Trustees”), who ultimately announced that they believe that it is not possible to continue the legal proceedings against Dori Construction as a stay of proceedings order was issued regarding it, and that they oppose the settlement arrangement set out above. The court ruled that in order to continue the proceedings to approve the settlement agreement, the parties will have to file a motion with the Insolvency Court, which had issued the order in the case of Dori Construction pursuant to the Insolvency and Economic Rehabilitation Law, 5778-2018, to obtain its approval.

In April 2021, the Insolvency Court rejected the motion, stating that it is not possible to continue proceedings in the case of Dori Construction.

At the same time, the Trustees file leave to appeal the District Court decision, and responses to this motion were also filed. In November 2021, the Supreme Court rejected the leave to appeal, after ruling that it was unnecessary.

At the same time as these requests, the applicants in the class action filed a petition to include the Phoenix Insurance Company Ltd., as the insurer of Dori Construction and its officers, as a party to the proceedings, the court accepted. Accordingly, the court ordered the applicants to file an amended motion for approval of a class action, which will refer to the insurer's alleged liability, and an amended petition and the applicants' response to the responses have been filed.

In December 2021, another hearing was held before the court, in which the court tried to bring the parties to agree, based on the settlement reached by the parties in 2019 (as set out above), and in February 2022, the parties announced that they agreed to the outline proposed by the court, and began to work on drafting an agreement and motion for approval.

In August 2022, on behalf of the trustees, a petition was filed with the Insolvency Court against the Phoenix, in which the court was requested to order the Phoenix to deliver to the Trustee, documents relating to the conduct of the foregoing negotiations, and to order the Phoenix discontinue negotiations as long as the said information is not provided, the Insolvency Court ordered Phoenix to respond to this petition and also ordered that until the petition is decided no change will be made in the existing rights. The Phoenix response and the parties' responses thereto were filed with the court. At the same time, in September 2022, the parties to the proceedings filed a motion with the court in the class action proceedings to schedule a hearing for the purpose of advancing the settlement approval procedure, and the court decided that it was necessary to wait for the decision of the Insolvency Court.

In March 2023, the Insolvency Court decided to dismiss the motion filed by the Trustee against the Phoenix and stated that the Trustee has no right to receive the documents he demanded and to try to delay the settlement proceedings, and that he will be entitled to raise claims with regard to the settlement agreement in the class action proceeding. Accordingly, the parties to the proceeding notified the court of this decision and gave notice that they intend to file a motion for approval of a settlement agreement as soon as possible.

NOTE 24: - CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)

In April 2023, the motion for approval of a settlement agreement was filed. In June 2023, a position paper was filed on behalf of the authorized entities in the Ministry of Justice, which was formulated in cooperation with the Securities Authority, in which they announced that they will leave the decision on the motion for the approval of a settlement agreement with the court, but that they wish to retain their right to express a position regarding issues that have not yet been decided, in accordance with the mechanism established in the settlement agreement.

In July 2023, the Trustee filed an objection to the settlement agreement, in which he raised various claims, including against the Company, with regard to which the respondents filed their comments. In November 2023, a hearing was held before the court, and the parties' arguments regarding the Trustee's objection were heard, and a judgment was later handed confirming the settlement arrangement, and another decision was issued instructing the parties to submit their positions regarding the question of dividing responsibility for the settlement amount, as well as its scope, so that the court can decide on these issues in accordance with the provisions of the settlement agreement. The parties are now awaiting the court's decision.

At this stage, the Company and its legal advisors believe that the Company has good defense arguments against the claim, and if the court deems the Company responsible for any damage, its share of the damage, if any, is not expected to be significant.

3. In January 2024, Attorney Ofer Shapira, in his role as trustee of Dori Construction under its insolvency proceedings (hereinafter in this section - the "Trustee"), filed a civil suit in the amount of NIS 500,000,000 against the Company, as well as against Dori Group (currently under the name Amos Luzon Group Enterprises and Energy Ltd., hereinafter in this section - "the Luzon Group"), its auditors, a long line of directors and officers who served in Dori Construction at various periods prior to the insolvency proceedings, and various insurance companies (hereinafter together in this section - the "Defendants").

The statement of claim attributes responsibility to the Defendants for damages allegedly caused in three different periods: (1) the period preceding the discovery of the deviations in Dori Construction estimates which led to the filing of the class action as described in section 3 above; (2) the period between discovery of the deviations and the sale of control in the Luzon Group (and indirectly also the control in Dori Construction); (3) the period between the sale of control in Dori Construction and opening of its insolvency proceedings, in 2019.

With regard to the Company, they have alleged that it had breached its duty of fairness as a controlling shareholder of Dori Construction, among other things, in that it was aware of the company's management failures, but refrained from taking any action in the matter, injected funds into Dori Construction and directed it to continue operating even though it was clear that it was unable to continue operations, and because it helped plan and carry out a deal that harmed Dori Construction's creditors. It also claims that the Company breached its duty as part of the sale of control in Dori Construction (which was actually carried out as part of the sale of control of Luzon Group). To date, the Company is required to file its statement of defense on May 26, 2024.

The company and its legal advisors estimate that at this preliminary stage of the proceedings, when the statement of defense has not yet been filed on behalf of the Company, and in any case the relevant factual checks have not yet been completed, it seems that the chances of the claim being accepted are lower than the chances of its dismissal.

NOTE 24: - CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)

4. In and subsequent to the reporting period, Gazit Brasil is conducting a number of legal proceedings against a number of different entities and authorities with regard to the Internacional property, including with respect to various claims regarding the legality of operating the mall and its parking lot, but as of this date no decision has been handed that affects its operation. Gazit Brasil submitted a new plan to the municipality regarding the parking lot. Implementation of the plan is subject to administrative procedures being conducted before the municipality, which as of this date have not affected obtaining a permit for the property and the parking lot.

   If the plan is not approved or if it turns out that operating the parking lot does not comply with the regulation, the property may be subject to administrative sanctions which may affect the current operation of the property and cause financial damages to the Company which, as of the present time, the Company is unable to estimate.

5. Subsequent to reporting date, G Europe, which is the owner of a subsidiary that owns real estate in Turkey (the "Subsidiary" and "the Property"), filed a lawsuit to cancel an unlawful change in registration by a third party of the subsidiary's ownership of the Property. The Company and its legal advisors believe that the chances are greater that a ruling in this matter will be in favor of G Europe. Therefore, as of date of publication of this report, this issue is not expected to have a material impact on the Company's reports.

NOTE 25: - EQUITY

a. Composition

	December 31, 2023		December 31, 2022		January 1, 2022	
	Authorized	Issued and outstanding	Authorized	Issued and outstanding	Authorized	Issued and outstanding
	Number of shares					
Ordinary shares	500,000,000	186,151,227	500,000,000	166,612,252	500,000,000	151,764,232
Ordinary shares held by the		56,430		56,430		56,430
Total	500,000,000	186,207,657	500,000,000	166,668,682	500,000,000	151,820,662

b. Movement in issued and outstanding share capital

	2023	2022	2021
	Number of Shares		
Balance as of January 1	166,668,682	151,820,662	151,402,135
Exercise of share options (employees and officers)	-	61,791	-
Vesting of RSUs (employees and officers)	105,445	193,028	287,403
Issue of shares (employees and officers)	-	93,201	131,124
Issue of restricted shares (employees and officers)	19,433,530	14,500,000	-
Balance as of December 31	186,207,657	166,668,682	151,820,662

c. Composition of other capital reserves:

	Year ended December 31		
	2023	2022	2021
	NIS in millions		
Financial assets at fair value through other	4	14	24
Transactions with controlling shareholder	147	147	147
Transactions with non-controlling interests	1,138	994	984
Share-based payment	12	16	29
Revaluation reserve of cash flow hedges	26	104	(32)
Receipt on account of warrants	22	22	-
Equity component of convertible debentures	64	-	-
	1,413	1,297	1,152

NOTE 25: - EQUITY (Cont.)

d. Supplementary information regarding to other comprehensive income (loss)

	Year ended December 31		
	2023	2022	2021
	NIS in millions		
Exchange differences on translation of foreign operations from continuing operations	1,059	953	(1,862)
Tax effect	(11)	55	-
	1,048	1,008	(1,862)
Gain (loss) with respect to cash flow hedges from continuing operations	(80)	138	58
Company's share in other comprehensive income (loss) of equity-accounted investees	(1)	8	5
Tax effect	-	-	(6)
	(81)	146	57
Loss with respect to Financial assets at fair value through other comprehensive income	(51)	2	16
Tax effect	-	-	11
	(51)	2	27
Total other comprehensive income (loss)	916	1,156	(1,778)

e. Composition of non-controlling interests

	Year ended December 31		
	2023	2022	2021
	NIS in millions		
Share in equity of subsidiaries *)	2,887	3,075	4,526
Hybrid bonds issued to non-controlling interests **)	3,580	3,929	3,707
Share options, warrants and capital reserve from share-based payment in subsidiaries	26	25	15
	6,493	7,029	8,248

*) Including capital reserves and acquisition-adjustments.
**) For further details regarding the issuance of hybrid bonds to non-controlling interests, refer to Note 8c2 and Note 8d4.

f. Dividends

In March 2023, the Company's Board of Directors decided in this point not to distribute dividend to the shareholders.

The Company's Board of Directors will review the policy of dividend distribution for future quarters of 2024, including in accordance with the progress of the asset realization plan as detailed in Note 1d, as well as additional considerations and subject to the distribution tests and subject to the applicable tests established by law.

In 2022, the Company declared and paid dividends in the total amount of NIS 212 million (NIS 1.28 per share), in 2021, NIS 181 million (NIS 1.2 per share).

NOTE 25: - EQUITY (Cont.)

g. Capital management of the Company

The Company evaluates and analyzes its capital in terms of economic capital, that is, the excess of fair value of its assets over its Interest bearing liabilities. The Company manages its capital in the operating currencies of its investees in which it operates at similar levels to the ratio of assets in a particular currency to total assets according to proportionate consolidation. However, the company's management has given the option to decrease or increase the currency exposure from time to time accordingly, considering liquidity risk management.

The Company manages its capital with emphasis on economic flexibility for investing in its areas of operations as well as in synergistic areas, while maintaining high level of liquidity and seeking to maintain its assets as unencumbered.

Over the years, the Company and its subsidiaries have raised equity capital in the markets in which they operate.
The Company evaluates its capital ratios on a consolidated basis (including non-controlling interests), on an extended "stand alone" basis (the Company and its wholly-owned subsidiaries) with reference to the capital of its listed subsidiaries presented at equity, and also based on cash flow ratios.

h. Acquisition plan

In March 31 2023, the Company's plan for the buy-back of the Company's shares in an amount of up to NIS 250 million expired. No shares were purchased under this plan.

i. Issue of shares

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.

   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 were 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. On December 2023, the Company's Board of Directors approved a private issuance to institutional investors of 7.61 million ordinary shares of NIS 1 par value for the consideration of EUR 46 million G Europe’s hybrid bonds. Following the exchange transaction the company recorded an increase in the shareholders’ equity in amount of NIS 185 million.

NOTE 26: - SHARE-BASED COMPENSATION

a. Starting December 2011, the Company activates its Share Incentive Plan ("the Plan"). Pursuant to the Plan, the Company may grant directors, employees, officers and service providers options, ordinary shares, restricted shares and other share-based awards as set out in the Plan, convertible into up to 13.2 million of the Company's shares, subject to various tax consequences and regimes.

b. In 2022-2023, as part of the Plan, the Company granted, share options and restricted share units ("RSUs") to the Company's employees and officers.

c. The following table presents the change in number of the Company's share options and their original weighted average exercise price:

	2023		2022	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
		NIS		**NIS**
Share options at beginning of year	4,506,273	26.41	7,868,932	32.51
Share options granted	1,353,859	12.32	-	-
Share options canceled	(882,263)	22.76	-	-
Share options forfeited	-	-	(388,683)	30.78
Share options expired	(648,980)	22.76	(2,973,976)	41.98
Share options at end of year	4,328,889	23.30	4,506,273	26.41
Share options exercisable at end of year	2,909,948	28.47	2,578,098	27.07

Each abovementioned share option is exercisable into one ordinary share of NIS 1 par value of the Company at an exercise price that is linked to the Israeli CPI and subject to adjustments (including share distributions, rights issues and dividend distributions). The exercise price is determined as the average share price in the 30 days preceding the grant date. The grantees are also provided the choice of a cashless exercise. The options vest over three to five installments, starting one year from the grant date of the options, and the options expire four years after the last vesting period.

NOTE 26: - SHARE-BASED COMPENSATION (Cont.)

d. The following table presents the movement in units of the Company RSUs and PSUs:

	2023	2022
	RSUs	**RSUs**
Units at beginning of the year	252,160	445,069
Units granted	172,647	1,003
Units forfeited	(92,406)	(884)
Units Vested	(105,446)	(193,028)
Units at end of year	226,955	252,160

Each RSU is exercisable into one ordinary share of the Company. The RSUs vest over two to five years installments starting one year from the grant date of the RSU.
In the event of a dividend distribution, the grantees will be entitled to compensation that reflects the benefit relating to the dividend in respect of the RSUs that had not vested on the dividend distribution date, other than RSU's granted to the former Company's VP investments and the former Executive Vice President and former CFO.

e. Other equity compensation:

In May 2021, the Company granted to a former CEO of a subsidiary the right to receive Company's shares at a value of USD 0.8 million, the vesting period was one year starting from the equity compensation grant date. During 2022, 93 thousand shares were granted. As of the reporting date, the former CEO of the subsidiary has no more rights to receive Company's shars.

f. The expenses recognized in the income statement for the share-based compensation in 2023, 2022 and 2021, amounted to less then NIS 1 million, NIS 7 million and NIS 9 million, respectively.

g. <u>Cash-settled transactions</u>

As of December 31, 2023, there are 724 thousand RSUs that are settled in cash (as of December 31, 2022, there was 180 thousand RSUs that are settled in cash).

As of December 2023, there is a liability for cash settled compensation of NIS 2 million. (in 2022, there was less then NIS 1 million).

NOTE 27: - CHARGES (ASSETS PLEDGED)

a. As collateral for part of the Group's liabilities, including guarantees provided by banks in favor of other parties, the Group's rights to various real estate properties which it owns have been mortgaged and other assets, including the right to receive payments from tenants, rights under contracts with customers, funds and securities in certain bank accounts and floating charges. In addition, charges have been placed on part of the shares of investees and of other companies which are held by the companies in the Group.

The balances of the secured liabilities are as follows:

	December 31	
	2023	2022
	NIS in millions	
Non-current liabilities (including current maturities)	6,850	5,200
Debentures (including current maturities)	1,475	1,382
Liabilities attributed to assets held for sale	1,405	446
	9,730	7,028

NOTE 28: - RENTAL INCOME

In 2021-2023, the Group had no single tenant which contributed more than 10% to total rental income. For information about rental income by operating segments and geographical regions, refer to Note 36.

NOTE 29: - PROPERTY OPERATING EXPENSES

	Year ended December 31		
	2023	2022	2021
	NIS in millions		
Salaries and related expenses	34	45	71
Property tax and other fees	80	82	82
Maintenance and repairs	171	152	174
Utilities	199	179	144
Insurance and security	73	71	71
Allowance for bad debts	(2)	(5)	40
Others	216	196	132
	771	720	714

NOTE 30: - GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31		
	2023	2022	2021
	NIS in millions		
Salaries and management fees (1)	167	213	226
Professional fees	58	54	47
Depreciation	29	23	26
Other (including office maintenance) (2)	95	84	43
	349	374	342

(1) As for salaries and management fees to related parties, see 35c.
(2) Net of income management fees from related party, 35d.

NOTE 31: - OTHER INCOME AND EXPENSES

a. Other income

	Year ended December 31		
	2023	2022	2021
	NIS in millions		
Capital gain on assets disposal	-	11	-
Others	5	3	16
	5	14	16

b. Other expenses

	Year ended December 31		
	2023	2022	2021
	NIS in millions		
Capital loss (including transaction expenses)	160	23	32
Other *)	526	107	26
	686	130	58

*) In 2022 including NIS 90 million from reduction of goodwill due to the sale of assets in Norway.

**) In 2023, includes loss from an onerous contract arising from the sale of G Europe's entire property portfolio in Russia.

As part of the sale transaction, the operations were assessed at fair value by external appraisers as of March 31, 2023. The valuation was accepted by the Russian authorities, and in order to approve the sale, pursuant to local regulation adopted by the Russian government concerning realization of foreign investments in the country, the gross consideration determined by the authorities is 52% lower than the value of the properties, as a result the sale price was set at RUB 11.7 billion (NIS 495 million).

The Company received the full net consideration in an amount of EUR 115.6 million (NIS 460 million).

NOTE 32: - FINANCE EXPENSES AND INCOME

a. Finance expenses:

	Year ended December 31		
	2023	2022	2021
	NIS in millions		
Finance expenses on debentures	591	517	563
Finance expenses on loans from financial institutions and others	314	193	165
Revaluation of derivatives *)	122	707	-
Loss from early redemption of borrowings and derivatives	-	-	39
Finance expenses on lease transactions	6	7	7
Loss from investments in securities	1	183	-
Finance expenses in respect of CPI linkage differences	334	528	213
Exchange rate differences and others **)	28	161	62
Finance expenses capitalized to real estate under development	(56)	(33)	(32)
	1,340	2,263	1,017

*) Mainly from SWAP hedging transactions.

**) In 2022, including a one-time expense of NIS 82 million related to the increase in the nominal interest rate of the company's debentures following the downgrading of the company's credit ratings, see note 19c14.

b. Finance income:

	Year ended December 31		
	2023	2022	2021
	NIS in millions		
Gain from investments in securities	-	-	234
Dividend income	7	30	27
Interest income from investees	25	24	27
Interest income	66	25	15
Revaluation of derivatives *)	-	-	581
Gain from early redemption of liabilities and	160	38	-
Exchange rate differences and others	14	-	2
	272	117	886

*) Mainly from SWAP hedging transactions.

NOTE 33: - NET EARNINGS PER SHARE

Details about the number of shares and net income used in calculation of net earnings per share:

	Year ended December 31,					
	2023		2022		2021	
	Weighted number of shares	Net income attributable to equity holders of the Company	Weighted number of shares	Net income attributable to equity holders of the Company	Weighted number of shares	Net income attributable to equity holders of the Company
	In thousands	NIS in millions	In thousands	NIS in millions	In thousands	NIS in millions
For the calculation of basic net earnings per share	177,052	(1,203)	164,362	(1,340)	151,604	646
Effect of dilutive potential ordinary shares	-	-	-	-	442	-
For the calculation of diluted net earnings per share	177,052	(1,203)	164,362	(1,340)	152,046	646

NOTE 34: - FINANCIAL INSTRUMENTS

a. Financial risk factors

The Group's global operations expose it to various financial risk factors, such as market risk (including foreign exchange risk, CPI risk, interest risk, fair value risk, and price risk), credit risk and liquidity risk. The Group's comprehensive risk management strategy focuses on activities that reduce to a minimum any possible adverse effects on the Group's financial performance.

The following is additional information about financial risks and their management:

1. Foreign currency risk

The Company operates in a large number of countries and is therefore exposed to currency risks resulting from exposure to fluctuations in exchange rates of different currencies. Company's policy is to generally maintains a correlation between the currency mix of the various properties (mainly the EUR, USD, NIS, BRL, SEK and NOK) and the currency exposure of its equity to those currencies, through hedge transactions and currency exposure management. However, in light of the fluctuations in foreign exchange rates relative to the NIS in the current period, which increases significantly the liquidity risk (see below), the Company's Board of Directors has decided to temporary neutralize the hedging transactions and as a result to increase equity exposure mainly to the Euro, USD and BRL. The Company’s management examining the currency linkage balance on an ongoing basis and responds in accordance with developments in exchange rates, see section c below.

2. CPI risk

The Group has loans from banks and issued debentures linked to changes in the Consumer Price Index ("the CPI"). Linking rental agreements in Israel to the CPI reduces the negative impact due to rise in the CPI on the CPI-linked Company's liabilities.

NOTE 34: - FINANCIAL INSTRUMENTS (Cont.)

For details regarding the sum of financial instruments linked to the CPI and for cross currency swap transactions, where the Group is exposed to changes in the CPI, see section c below.

3. Interest rate risk

Liabilities that bear a variable interest rate expose the Group to cash flow risk, and liabilities that bear a fixed interest rate expose the Group to interest rate risk in respect of fair value. As part of the risk management strategy, the Group maintains adequate composition of exposure to fixed interest to exposure to variable interest. From time to time and according to market conditions, the Group enters into interest rate swaps in which they exchange variable interest with fixed interest and, vice-versa, to hedge their liabilities against changes in market interest rate (see to section c below). As of the reporting date, 89.5% of the Group's liabilities (81.5% excluding interest rate swaps) bear fixed interest (as of December 31, 2022 – 88.4%, 81.5% excluding interest rate swaps). For further information about regarding interest rates and the maturity dates, see also Notes 19 and 20.

4. Price risk

As part of liquidity management, The Company make, from time to time, investments in marketable financial instruments traded on stock exchanges and non-traded instruments, including shares, participation certificates in mutual funds and debentures, which are classified either as financial assets measured at fair value through profit or loss and or financial assets at fair value through other comprehensive income, with respect to which the Group is exposed to risk resulting from fluctuations in security prices which are determined by market prices on stock exchanges. The carrying amount of such investments as of December 31, 2023 is NIS 31 million (as of December 31, 2022, NIS 172 million). As part of its risk management strategy, from time to time, the Company considers entering into hedging transactions to reduce exposure to fluctuations in the exchange of price risk.

In addition, it should be noted that some of the utilized credit lines are secured, among other things, by tradable shares, which a decrease in their price on the stock exchange may lead to a decrease in the ability to utilize those credit line.

5. Credit risk

The financial strength of the Group's customers has an effect on its results. The Group is not exposed to significant concentration of credit risks. The Group regularly evaluates the quality of the customers and the scope of credit extended to its customers. Accordingly, the Group provides for an allowance of doubtful debts based on the credit risk in respect of certain customers.

Cash and deposits are deposited with major financially-sound financial institutions. Therefore, the Company estimates that the risk that such parties will fail to meet their obligations is low.

In connection with the linkage base swaps and the liabilities currency (see section c below), the Company has contracted, with respect to their share, in agreements (credit support annexes or "CSA") that established current settlement mechanism calculated according to the instruments fair value by cash deposit. Hence, the Company exposed to a risk that the other side of the agreements would not fulfill its obligations to the Company. The Company's policy is to conduct derivative financial instruments with financial institutions with high financial strength.

6. Liquidity risk

The Group's policy is to issue capital and taking long-term financing, including through issuing debentures, convertible debenture, hybrid bonds, bank loans and mortgages and on the other hand, to invest in long-term assets. In addition, in order to maintain its financial strength and to reduce the dependence on the capital and debt markets, the Company maintain singed and binding credit facilities (for periods of 3-4 years) with financial institutes, which the Company and/or its wholly-owned subsidiaries can utilize credit for different periods, as required.

NOTE 34: - FINANCIAL INSTRUMENTS (Cont.)

As of December 31, 2023, the group has a working capital deficit of NIS 2.6 billion. The group has approved unused lines of credit NIS 2.3 billion that can be utilized immediately. The Company's management is of the opinion that those sources, plus the positive cash flow from current operations, will allow each of the group's companies to meet their short-term obligations. See also Note 1c.

In connection with cross-currency swap transactions of liabilities (see section c below), with respect to part of the swaps, the Company entered into credit support annexes agreements (“CSA”) of current settlement mechanisms with respect to the fair value of the transactions. Accordingly, the Company may be required to transfer the bank significant amounts from time to time, depending on the fair value of these transactions.

For further information about the maturity dates of the Group's financial liabilities, see section d below.

b. Fair value

The following table presents the carrying amount and fair value of groups of financial instruments that are measured in the financial statements other than at fair value:

		December 31, 2023		December 31, 2022	
	Fair value hierarchy level	Carrying amount	Fair value	Carrying amount	Fair value
		NIS in millions			
Financial assets					
Non-current deposits and loans	3	506	506	452	452
Financial liabilities					
Debentures	1/2	15,585	14,358	17,148	14,452
Interest-bearing loans from banks and others	2	7,177	6,919	5,713	5,261
		22,762	21,277	22,861	19,713
Total financial liabilities,		(22,256)	(20,771)	(22,409)	(19,261)

Fair value determination of financial instruments:

The carrying amount of the financial instruments that are classified as current assets and current liabilities approximate their fair value.

The fair value of financial instruments that are quoted in an active market (such as marketable securities, debentures, convertible debentures) were calculated based on quoted market closing prices on the reporting date (level 1 on the fair values hierarchy). As of December 31, 2023, the fair value of debentures in a total amount of NIS 2 billion, which are not quoted in an active market or which are traded in an illiquid market, was evaluated using a valuation method (level 2 on the fair value hierarchy) as described below (as of December 31, 2022, NIS 2.3 billion).

The fair value of loans bearing variable interest approximates their nominal value.

The fair value of debt instruments that are not quoted in an active market or that are traded in an illiquid market is determined using standard pricing valuation models, primarily DCF, which considers the present value of future cash flows discounted at the interest rate, which according to the estimates of the

NOTE 34: - FINANCIAL INSTRUMENTS (Cont.)

Company's management and external valuators, reflects market conditions including the parties' credit risk on the reporting date.
The fair value of forward contracts with respect to foreign currency is calculated taking into account the future rates quoted for contracts having the same settlement dates and in addition the amounts are discounted with relevant interest and the value is adjusted to the credit risk of the counter party (level 2 on the fair value hierarchy).

The fair value of interest rate swap contracts and cross-currency swap contracts that include a principal and interest are determined by discounting the anticipated cash flows from the transaction by the applicable yield curve, with adjustments for inter-currency liquidity gaps (CBS), inflation expectations and the credit risk of the parties (level 2 on the fair value hierarchy).

Following is the reconciliation between the opening to the closing balance of financial assets measured at level 3 on the fair value hierarchy:

	December 31	
	2023	2022
	NIS in millions	
Balance at beginning of the year	194	153
Additions	14	24
Capital return	(64)	-
Gain through profit or loss	(15)	5
Revaluation through capital reserve	(54)	(10)
Translation adjustments from foreign operations	16	22
Balance at end of the year	91	194

The balance represents the participation certificates in private equity funds. For further information refer to Note 10.

In 2023, there were no transfers with respect to fair value measurement of any financial instrument between Level 1 and Level 2, and there were no transfers to or from Level 3 with respect to fair value measurement of any financial instrument.

NOTE 34: - FINANCIAL INSTRUMENTS (Cont.)

c. Financial derivatives

The following table present information about cross currency swaps, interest rate swaps, forward contracts and purchase options:

Transaction type	Denomination	Outstanding notional amount NIS in million as of		Linkage basis/Interest receivable *)	Linkage basis/ Interest payable *)	Remaining average effective duration	Fair value - NIS in millions as of	
		31.12.23	31.12.22				31.12.23	31.12.22
Cross currency swaps	EUR-NIS	2,778	3,123	CPI linked,1.3%-5.4%	Fixed, 2.12%-6.26%	2.3	669	915
	USD-NIS	501	562	CPI linked,1.3%-2.80%	Fixed, 4.00%-5.84%	3.8	63	79
	SEK-EUR	1,117	1,181	Fixed, 1.6%	Fixed, 0.19%-1.71%	4.2	64	69
Linkage bases swaps	EUR	1,500	2,064	Fixed,4.40%	CPI linked, 2.18%-2.92%	7.2	(342)	(436)
Interest rate swaps fixed/variable	EUR	1,650	1,094	Variable	Fixed	5.7	1	103
	USD	49	135	Variable	Fixed	0.3	(*-	15
	CAD	128	121	Variable	Fixed	5.8	8	11
	NOK	-	288	Variable	Fixed	-	-	7
Forward contracts	Different currencies	4,800	3,401			short term	(183)	11
							280	774
CSA cash collateral, net							(459)	(736)
							(179)	38

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

NOTE 34: - FINANCIAL INSTRUMENTS (Cont.)

Below is the fair value of derivatives designated for hedge accounting included in the above table:

	December 31	
	2023	2022
	NIS in millions	
Assets	-	11
Liabilities	(162)	(16)
	(162)	(5)

d. Liquidity risk

The table below presents the maturity schedule of the Group's financial liabilities based on contractual undiscounted payments (including interest payments):

December 31, 2023

	Less than one year	2 to 3 years	4 to 5 years	Over 5 years	Total
	NIS in millions				
Credit from banks and others (excluding	189	-	-	-	189
Trade payables	137	-	-	-	137
Other accounts payable	645	-	-	-	645
Debentures	2,926	6,442	6,037	1,649	17,054
Interest-bearing loans from	2,278	937	2,170	1,640	7,025
Lease liabilities	27	52	42	35	156
Other financial liabilities	22	-	-	24	46
	6,224	7,431	8,249	3,348	25,252

December 31, 2022

	Less than one year	2 to 3 years	4 to 5 years	Over 5 years	Total
	NIS in millions				
Credit from banks and others	952	-	-	-	952
Trade payables	168	-	-	-	168
Other accounts payable	646	-	-	-	646
Debentures	1,669	7,645	6,234	3,667	19,215
Interest-bearing loans from financial	1,373	1,781	1,965	2,024	7,143
Lease liabilities	25	46	37	54	161
Other financial liabilities	30	-	-	42	72
	4,863	9,472	8,236	5,787	28,358

NOTE 34: - FINANCIAL INSTRUMENTS (Cont.)

e. Sensitivity analysis of market risks

	Sensitivity analysis of financial balances to absolute changes in interest rates			
	USD interest	**CAD interest**	**EUR interest**	**NIS interest**
Impact on pre-tax income (loss) for the year of a 1% increase in interest rates	**NIS in millions**			
31.12.2023	(1)	(2)	(26)	(11)
31.12.2022	(1)	(1)	(21)	(7)

	Sensitivity analysis of financial balances of absolute changes in Consumer Price Index			
	+2%	**+1%**	**-1%**	**-2%**
Effect on pre-tax income (loss)	**NIS in millions**			
31.12.2023	(173)	(87)	87	173
31.12.2022	(187)	(94)	94	187

	Sensitivity analysis for financial derivative absolute changes in Consumer Price Index			
	+2%	**+1%**	**-1%**	**-2%**
Effect on pre-tax income (loss)	**NIS in millions**			
31.12.2023	35	9	9	35
31.12.2022	29	14	(14)	(29)

NOTE 34: - FINANCIAL INSTRUMENTS (Cont.)

Effect on pre-tax income (loss)	Sensitivity analysis for financial derivatives- relative changes in exchange rates			
	+10%	**+5%**	**-5%**	**-10%**
	NIS in millions			
31.12.2023				
Change in exchange rate of EUR	(142)	(71)	71	142
Change in exchange rate of USD	(53)	(27)	27	53
Change in exchange rate of CAD	1	-	-	(1)
Change in exchange rate of SEK	181	97	(114)	(247)
Change in exchange rate of NOK	(354)	(177)	177	354
31.12.2022				
Change in exchange rate of EUR	(161)	(81)	81	161
Change in exchange rate of USD	67	34	(34)	(67)
Change in exchange rate of CAD	1	1	(1)	(1)
Change in exchange rate of BRL	(122)	(61)	61	122
Change in exchange rate of SEK	(167)	(85)	88	180
Change in exchange rate of NOK	38	19	(19)	(38)

Effect on pre-tax equity (accounting hedge)	Sensitivity analysis for financial derivatives- relative changes in exchange rates			
	+10%	**+5%**	**-5%**	**-10%**
	NIS in millions			
31.12.2023				
Change in exchange rate of EUR	1,230	587	(531)	(1,005)
Change in exchange rate of USD	237	113	(102)	(193)
Change in exchange rate of NOK	(1)	-	-	1
31.12.2022				
Change in exchange rate of EUR	46	23	(23)	(46)
Change in exchange rate of USD	48	25	(26)	(54)
Change in exchange rate of CAD	1	-	-	(1)

NOTE 34: - FINANCIAL INSTRUMENTS (Cont.)

Effect on pre-tax income (loss)	Sensitivity analysis for financial derivatives- absolute changes in interest rates			
	+2%	+1%	-1%	-2%
	NIS in millions			
31.12.2023				
Change in interest on EUR	88	45	(48)	(99)
Change in interest on USD	31	16	(17)	(35)
Change in interest on CAD	2	1	(1)	(2)
Change in real interest on NIS	(190)	(96)	99	200
Change in interest on SEK	81	41	(44)	(90)
31.12.2022				
Change in interest on EUR	153	79	(85)	(177)
Change in interest on USD	48	25	(26)	(54)
Change in interest on CAD	13	7	(7)	(15)
Change in real interest on NIS	(257)	(130)	135	273
Change in interest on SEK	70	36	(38)	(77)

Effect on pre-tax equity (accounting hedge)	Sensitivity analysis for financial derivatives-			
	+2%	+1%	-1%	-2%
	NIS in millions			
31.12.2022				
Change in interest on EUR	134	68	(71)	(145)
Change in interest on NOK	21	11	(11)	(23)
31.12.2022				
Change in interest on EUR	78	40	(42)	(86)
Change in interest on USD	1	1	(1)	(1)
Change in interest on NOK	4	2	(2)	(4)

Sensitivity analysis and main assumptions

The Company has performed sensitivity tests of principal market risk factors that are liable to affect its reported operating results or financial position. The sensitivity analysis presents the gain or loss or change in equity (before tax) in respect of each financial instrument for the relevant risk variable chosen for that instrument as of each reporting date. The examination of risk factors and the financial assets and liabilities were determined based on the materiality of the exposure in relation to each risk assuming that all the other variables remain constant. The sensitivity analysis refers to a potential increase in the relevant variables at rates that the Company deemed appropriate, as the case may be. The same is true for a decrease in same percentage which would impact profit or loss by the same amounts in the opposite direction, unless otherwise indicated.

NOTE 34: - FINANCIAL INSTRUMENTS (Cont.)

In addition:

1. The sensitivity analysis for changes in interest rates of monetary balances was performed on long-term liabilities with variable interest as of the reporting date.

2. According to the Company's policy, as discussed in section a above, the Company generally hedges its main exposures to foreign currency, among others, through maintaining a high correlation between the currency in which its assets are purchased and the currency in which the liabilities are assumed. Accordingly, economic exposure of assets net of financial balances to changes in foreign currency exchange rates is fairly limited in scope. Nonetheless, there is accounting exposure to changes in foreign currency and interest rates with respect to cross currency swap transactions which were not designated for hedge accounting, as presented in the above table.

3. The main accounting exposure in respect of derivative financial instruments is in respect of fair value changes due to changes in interest, CPI and currency which may have an effect on the profit or loss or directly on equity due to transactions that do not qualify for accounting hedge and transactions that do qualify for accounting hedge, respectively.

4. Cash and cash equivalents, including financial assets that are deposited or maintained for less than one year, were not included in the analysis of exposure to changes in interest.

f. <u>Changes in liabilities from financing activities:</u>

<u>December 31, 2023:</u>

	January 1, 2023	**Cash Flow**	**Reclassification to liabilities attributable to assets held for sale**	**Foreign exchange movement**	**Other Changes**	**December 31, 2023**
			NIS in millions			
Short-term loans	952	(848)	-	81	-	185
Long-term loans	5,713	2,070	(940)	293	41	7,177
Debentures	17,148	(2,156)	-	584	9	15,585
Total liabilities from financing activity	23,813	(934)	(940)	957	50	22,947

<u>December 31, 2022:</u>

	January 1, 2022	**Cash Flow**	**Foreign exchange movement**	**Other Changes**	**December 31, 2022**
			NIS in millions		
Short-term loans	167	702	83	-	952
Long-term loans	5,656	(655)	(44)	756	5,713
Debentures	18,054	(1,908)	505	497	17,148
Total liabilities from financing activity	23,877	(1,861)	544	1,253	23,813

NOTE 35: - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a. Income

	Year ended December 31		
	2023	2022	2021
	NIS in millions		
Management fees from the parent company (section e)	1.7	1.7	1.6
Interest income from investees	25	24	27
Dividend income from associates	26	52	28

b. Other expenses and payments

	Year ended December 31					
	2023		2022		2021	
	Number of people	NIS in millions	Number of people	NIS in millions	Number of people	NIS in millions
Directors' fees (1)	6	1.9	8	2.0	6	1.5
Salaries and related expenses (2)	2	9.5	2	7.5	2	8.2

(1) In 2021-2022 includes share-based compensation granted to directors worth approximately NIS 0.2 million per year.

(2) For information about the employment terms (including share based compensation) of the Executive Vice Chairman of the Board and CEO and controlling shareholder and his son-in-law, the CEO of Gazit Horizons, a wholly (indirectly) owned subsidiary of the company see section c below.

1. Vice Chairman of the Board of Directors, CEO and the Controlling Shareholder, Mr. Chaim Katzman

Since February 1, 2018, Mr. Katzman has been serving as Vice Chairman of the Board of Directors and CEO of the Company, under an employment contract that was approved in June 2021 (in place of a previous agreement from 2028) by the general meeting of the Company (after approval by the Company's Compensation Committee and the Board of Directors), for a term of three years commencing February 1, 2021, subject to the right of either party to cancel the agreement with 180 days prior notice (the "2021 Agreement"). The 2021 Agreement expired on January 31, 2024 and the parties are acting to renew it, as set out below.

The 2021 Agreement provides that the maximum overall annual transaction costs to be paid to Mr. Katzman will not exceed NIS 5.6 million, linked to the CPI (in this subsection - "Maximum Compensation"), on the assumption of payment of the maximum bonus for a given year, together with the compensation to be paid to him for his term in office in subsidiaries that are not wholly owned by the Company, as may be from time to time.

For his service in the Company, Mr. Katzman is entitled to a fixed salary and ancillary benefits, as well as an annual bonus as set out below:

Fixed salary - the fixed salary to be paid to Mr. Katzman by the Company, separately (in this subsection the "Fixed Salary from the Company") will be calculated as an amount equivalent to 60% of the difference (in this subsection the "Annual Employment Cost of the Group") between the Maximum Compensation (i.e., NIS 5.6 million linked to the CPI) and the total cost of the compensation to be actually paid to Mr. Katzman by the subsidiaries that are not wholly owned by the Company, as may be from time to time.

NOTE 35: - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont.)

Goal-based annual bonus - as part of the Maximum Compensation, Chaim Katzman is eligible for an annual bonus equivalent to 40% of the Annual Employment Cost of the Group, as may from time to time, up to the maximum amount of NIS 2,240 thousand (CPI linked, assuming that the Company bears the full Maximum Compensation), which will be paid according to the following manner and conditions:

Half of the bonus (i.e., up to a maximum amount of NIS 1,120 thousand, linked to the CPI), will be paid every year in which the annual FFO[1] return on equity of the Company[2] ("the Return") exceeds 6%.

The balance of the bonus that is not paid in any annual assessment, will be paid at the end of the 3 years of the agreement, if the average annual return during the period of the three years exceeded 6%.

According to the return figures for 2023, Mr. Katzman is eligible for an annual cash bonus in the amount of NIS 1,080 for 2023. In addition, in accordance with the foregoing, Mr. Katzman is entitled to a bonus for meeting the three-year FFO return target in an amount of NIS 2,437.5 thousand (consisting of: NIS 420.5 thousand accrued for 2021 and NIS 937 thousand accrued for 2022 and NIS 1,080 thousand accrued for 2023).

Accordingly, in 2023, Mr. Katzman was eligible for a monthly salary that reflects the annual cost to the Company (Separate Financial Information, as of December 31, 2021, based on the compensation data for Mr. Katzman from the Company's subsidiaries in 2020) in an amount of NIS 5,402 million.

In addition to the fixed salary, Mr. Katzman will be entitled to sick leave and convalescence days as stipulated by law and to 30 vacation days per year, all provided that the total annual cost of employment in the Company does not exceed the maximum annual cost of employment as defined above.

In the event of termination of employment or non-renewal of the agreement, Mr. Katzman will be entitled to various compensations that may reach the amount of the annual employment cost.

Mr. Katzman will also be entitled to exemption, indemnification and insurance under terms that are the same as those of the other officers in the Company .

With respect to his foregoing service, Mr. Katzman is not eligible for equity-based compensation.

In February 2024, the Company's Board of Directors (after approval by the Compensations Committee) approved renewing of the employment agreement with Mr. Katzman, effective as of February 1, 2024, under the same terms and conditions as those of 2021 Agreement, other than the changes set out below:

a) The maximum compensation (current compensation and annual bonus) to be paid to Mr. Katzman from the Company and its subsidiaries (including subsidiaries that are not wholly owned by the Company) will amount to NIS 5,750 thousand ("Maximum Compensation") (in place of NIS 6,230 thousand pursuant to the current terms of employment), where the salary component and benefits will amount to a maximum annual cost to the Company separately of NIS 3,450 thousand and the performance-based annual bonus and deferred bonus components will amount to a maximum NIS of 2,300 thousand to be paid by the Company separately;

b) The annual FFO return goal (for the years 2024-2026) for calculating the bonus component will be revised and will be 5% (annually and triennially).

1 The FFO is FFO to be published by the Company in its Board of Directors' Reports for 2021 through 2023.

2 "Company equity" will be the Company's known equity as per its consolidated financial statements (excluding non-controlling interests) on the date on which the foregoing conditions come into force (i.e., December 31, 2020), with the addition of capital raising and less any special dividends during the period, and time weighted.

NOTE 35: - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont.)

The Company convened a general meeting of the Company's shareholders to approve the terms of the agreement as noted above, including the renewal of the letter of exemption and indemnification (with a majority among the non-controlling shareholders), which is expected to convene in April 2024.

c) According to the advisory agreement with G Europe of 2009 (which was amended from time to time), Mr. Katzman, G Europe's Chairman of the Board is entitled to a yearly remuneration of EUR 700 thousand for advisory services and recovery of expenses from G Europe.

d) For 2023, Mr. Katzman is entitled to annual director's remuneration for his service as chairman of the board of directors of CTY, in the amount of EUR 165 thousand.

2. <u>CEO of Gazit Horizons, Mr. Zvi Gordon</u>

a) Zvi Gordon, Chaim Katzman's son-in-law, served as VP Investments in the Company from June 2017 through August 2023. Since 2023, Mr. Gordon has served as one of the managers of the subsidiary, Gazit Horizon, and in March 2023 was appointed CEO.

Until March 15, 2023, Mr. Gordon was employed under an employment agreement approved by the Company's general meeting, after approval by the Compensation Committee and Board of Directors, (in this section the "2020 Agreement") which was in effect until March 15, 2023.

Pursuant to the terms of the 2020 Agreement, Mr. Gordon was eligible for annual remuneration of USD 250,000 (linked to the annual increase in the consumer price index). Furthermore, Mr. Gordon was also entitled to the standard social benefits and fringe benefits (and the Company will bear the tax gross up for such benefits) as well as indemnity, exemption and insurance as is standard in the Company. In addition, Mr. Gordon was entitled to an annual cash bonus, in a total amount that will not exceed 75% of the base annual salary to which he is entitled for any year, based on the extent to which the Company meets measurable goals set for the Company a year in advance for achieving 100% of the goals in any given year.

Additionally, under a 2021 agreement with Mr. Gordon, in March 2021 he was allotted 972,656 options (non-marketable) for the purchase of ordinary shares of the NIS 1 par value each of the Company, at an exercise price of NIS 39.99 per share (linked to the CPI and subject to accepted adjustments, but not adjusted for dividend), and 39,873 restricted stock units (RSU). The options and restricted share units vest in three equal batches, starting at the end of one year from their grant date. Options that are not exercised within 90 days of the termination of Mr. Gordon's engagement with the Company, will expire. The final expiration date of all options is at the end of 4 years from their date of grant. The options may also be exercised in a cashless exercise. The RSU do not accrue dividend.

As of March 15, 2023, Mr. Gordon is employed under an employment agreement approved in August 2023 by the Company's general meeting (after approval by the compensation committee and the Board of Directors), that will be effective for three years as of March 15, 2023 (in this section the “2023 Agreement”). Under the 2023 Agreement, Mr. Gordon is eligible for annual remuneration of USD 380,000 (linked to the annual increase in the consumer price index). Moreover, Mr. Gordon is eligible for an annual cash bonus in a total amount that would not exceed 75% of the annual base salary that Mr. Gordon is eligible for with regard to any year, subject to compliance with goals. The amount of the annual bonus will be fixed to compliance with the Same Store NOI increase of Gazit Horizon, based on a linear range of between 3% and 5%, applicable from eligibility for a quarter of the annual bonus with annual increments of 3% up to the full annual bonus of 5%. In 2023 Gazit Horizon’s annual Same Store NOI was 7% and accordingly, the total annual bonus awarded to Mr. Gordon was USD 285 thousand.

NOTE 35: - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont.)

If Zvi Gordon's employment is terminated before the end of three years (other than under circumstances that allow the Company to terminate the agreement without entitling severance pay), and in the event of resignation under circumstances where such resignation is legally deemed as dismissal, in the event of death or loss of work capacity, Mr. Gordon was entitled to: a) an advance-notice period of 90 days, during which Mr. Gordon is entitled to his base salary and the attaching benefits payable during an advance-notice period; and (b) a proportion of the annual bonus to which Mr. Gordon is entitled for the year in which his office is terminated. In the event of termination of Mr. Gordon's employment by the Company during a period of 12 months after a change of control of the Company (as defined in the agreement) or by Mr. Gordon during a period of 60 days beginning 12 months from the date of such change of control, Mr. Gordon will be entitled (in place of the compensation set out in this section above): Acceleration of the vesting period of all equity-based compensation components allotted to him and that have not yet vested, as well as an annual bonus equivalent to 6 monthly salaries (in addition to the notice and acclimation period).

Under a 2023 Agreement with Mr. Gordon, in September 2023 he was allotted 592,835 options (non-marketable) for the purchase of ordinary shares of the NIS 1 par value each of the Company, at an exercise price of NIS 12.59 per share (linked to the CPI and subject to accepted adjustments, but not adjusted for dividend), and 66,165 restricted stock units (RSU). The options and restricted share units vest in three equal batches, starting at the end of one year from their grant date. Options that are not exercised within 90 days of the termination of Mr. Gordon's engagement with the Company, will expire. The final expiration date of all options is at the end of 4 years from their date of grant. The options may also be exercised in a cashless exercise. The RSU do not accrue dividend.

Mr. Gordon is also entitled to the standard social benefits and fringe benefits (and the Company will bear the tax gross up for such benefits) as well as indemnity, exemption and insurance as is standard in the Company.

b) As of June 2020, Mr. Gordon has served as a director in CTY. For his foregoing service, Mr. Gordon is eligible for directors compensation as customary at CTY that in 2023 amounted to EUR 64,701. The foregoing compensation is deducted from the salary that Mr. Gordon is eligible for from the Company.

c. <u>Entering into an agreement with Norstar</u>

d. On February 1 2012, the Company engaged in an agreement with Norstar Israel Ltd. (the "Gazit-Norstar Agreement"), as recently updated in November 2023, with respect to the following matters:

1. Service agreement - Norstar will pay the Company a monthly fee of NIS 178.5 thousand (until November 2023 – NIS 133 thousand), linked to increase in the Israeli CPI including VAT for various services. The Agreement is for a three-year period and renews automatically for further periods, each for three years, with each party being entitled to give notice of non-renewal (subject to the applications of the Companies Law). The services will include secretarial services, bookkeeping services, treasury services, computer services, communications, legal services, and dealing with bank financing, the capital markets and investments.

NOTE 35: - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont.)

2. Non-competition provisions, the principals of which, to date, are as follows: Norstar has undertaken that, so long as Norstar Group continues to be the Company's sole controlling shareholder and so long as the Company is principally an owner, developer, and operator of supermarket-anchored shopping centers and retail-based, mixed-use properties (in this section: "the Shopping Centers") and/or controls and holds companies that are engaged primarily in said fields as a principal activity, Norstar Group will not engage in the field of owning, managing and developing of shopping centers will not own shares in companies that are engaged in such fields as its principal activity (other than the Company) and any proposals it receives to engage in and/or to hold the aforementioned will be passed on by it to the Company. The above will not apply to financial investments in shares of companies which are traded in stock exchange in Israel or abroad that are engaged in the field of owning, managing and developing of shopping centers are as their primary field, as long as Norstar will not own 5% or more in such company share capital.

   For the removal of a doubt, it is further clarified that Norstar may own, develop and operate real estate other than Shopping Centers, as defined above, and may hold the shares of companies that own, develop and operate real estate other than Shopping Centers as their primary activity.

   In addition, during 2018, the Company's Board of Directors, after obtaining the approval of the Company's Audit Committee, approved a procedure for leasing the Company's airplane to Norstar, from time to time, and in accordance with the airplane availability and the Company's needs. The pricing for the lease is the pricing used for third party leases, which are determined according to a price list set by the third-party management company of the airplane. In 2023 the company did not lease the airplane to Norstar. At the end of 2023 the airplane was sold.

e. Balances with related parties

	December 31	
	2023	**2022**
	NIS in millions	
Interest receivable from joint ventures and equity-accounted investees (Note 6)	26	26
Long term loans to equity-accounted investees (Note 8a)	616	489
Short term loans to joint ventures and equity-accounted investees (Note 6)	4	9

f. Subsidiaries:

For details regarding transactions and balances with subsidiaries, see Note 8.

NOTE 36: - SEGMENT INFORMATION

a. General

According to the "management approach", as defined in IFRS 8, the Group operates in several operating segments, five of which meet the definition of a "reportable segment" (as presented in the table below). The segments are identified on the basis of geographical location of the income-producing properties. The Company evaluates the segment results separately in order to allocate the resources and assess the segment performance which, in certain cases, differ from the measurements used in the consolidated financial statements, as described below. Financial expenses, financial income and taxes on income are managed on a group basis and, therefore, were not allocated to the different segment activities.

The "Northern Europe" segment is under a public subsidiary under the company's control, the other segments are wholly owned by the company.

Other segments include, among others, activities that meet the qualitative criteria of an "operating segment" in accordance with IFRS 8 as they constitute the entity's business component from which it generates revenues and incurs expenses and for which financial information is available and separately reviewed by the Company's management. Such segments, however, do not meet the quantitative threshold that requires their presentation as a reportable segment and comprise mainly Canada.

b. Financial information by operating segments

As of and for the year ended December 31, 2023

	Public subsidiaries over which the Company has control		Wholly - owned subsidiaries					
	Northern Europe (1)	Central-Eastern Europe (1)	Israel	Brasil	Unites States (1)	Other segments (1)	Adjustments for consolidated (2)-(7)	Consolidated
	NIS in millions							
Segment revenues								
External revenues (2)	1,206	662	305	192	150	38	(115)	2,438
Segment results:								
Gross profit (loss) (3)	807	450	197	162	97	21	(67)	1,667
Depreciation and amortization (3)	12	10	4	-	-	-	3	29
Share in earnings of investees	(6)	(6)	(1)	-	125	-	(114)	(2)
Operating income (4) (8)	681	(282)	181	140	71	16	(939)	(132)
Revaluation gain (loss) (4)	(1,001)	183	(137)	36	131	(21)	809	-
Segment assets:								
Current Operating assets (5)	207	2,137	36	416	567	3	910	4,276
Non-current Operating assets (5)	16,880	7,31 7	4,791	2,114	3,139	355	(1,130)	33,466
Investments in investees	15	-	(7)	-	-	7	1,116	1,131
Total assets	17,102	9,454	4,820	2,530	3,706	365	896	38,873
Investments in non-current	390	501	626	35	68	2	(9)	1,613
Segment liabilities (7)	395	476	66	31	81	7	26,487	27,543

NOTE 36: - SEGMENT INFORMATION (Cont.)

As of and for the year ended December 31, 2022

	Public subsidiaries over which the Company has control		Wholly - owned subsidiaries					
	Northern Europe (1)	Central-Eastern Europe (1)	Israel	Brasil	Unites States (1)	Other segments (1)	Adjustments for consolidated (2)-(7)	Consolidated
	NIS in millions							
Segment revenues								
External revenues (2)	1,113	731	263	174	127	33	(138)	2,303
Segment results:								
Gross profit (loss) (3)	744	479	195	148	83	15	(81)	1,583
Depreciation and amortization (3)	9	10	1	-	-	-	4	24
Share in earnings of investees	12	-	1	-	-	-	(64)	(51)
Operating income (4)	520	359	158	130	56	8	(639)	592
Revaluation gain (loss) (4)	(292)	(80)	35	(247)	76	(41)	549	-
Segment assets:								
Current Operating assets (5)	218	721	191	105	521	6	1,897	3,659
Non-current Operating assets (5)	16,483	9,024	4,298	2,493	2,653	355	(1,237)	34,069
Investments in investees	9	-	(6)	-	-	6	1,658	1,667
Total assets	16,710	9,745	4,483	2,598	3,174	367	2,318	39,395
Investments in non-current	640	110	131	66	147	3	(15)	1,081
Segment liabilities (7)	347	493	67	36	450	16	25,941	27,350

NOTE 36: - SEGMENT INFORMATION (Cont.)

As of and for the year ended December 31, 2021

	Public subsidiaries over which the Company has control		Wholly - owned subsidiaries					
	Northern Europe (1)	Central-Eastern Europe (1)	Israel	Brasil	Unites States (1)	Other segments (1)	Adjustments for consolidated (2)-(7)	Consolidated
	NIS in millions							
Segment revenues								
External revenues (2)	1,169	737	249	138	92	34	(123)	2,296
Segment results:								
Gross profit (loss) (3)	798	519	155	108	61	20	(79)	1,582
Depreciation and amortization (3)	7	13	3	-	-	-	4	27
Share in earnings (losses) of investees	1	-	-	-	-	-	40	41
Operating income (loss) (4)	669	395	132	87	19	9	549	1,860
Revaluation gain (loss) (4)	175	163	213	(100)	206	(3)	(654)	-

NOTE 36: - SEGMENT INFORMATION (Cont.)

c. Notes to segment information

1. The information of the segment "North Europe" includes 50% of the value of the joint venture Kista Galleria. The information of "other segments" includes 60% of the Canada Partnership. Information of the segment "United States" includes the segment’s share of its joint ventures Information of the segment "Central-Eastern Europe" includes 75% of the value of the joint venture Pankrac Shopping Centre k.s which in April, G Europe completed the acquisition of the partner's share (25%) by G Europe as well as 50% of a joint venture in Poland. (together "the Joint Ventures") and are offset against consolidation adjustments.

2. The Group has no intersegment revenues. Adjustments with respect to segment revenues primarily includes Joint Ventures as referred to above.

3. Consolidation adjustments in the gross profit and depreciation and amortization items include the effect of the adjustments, as mentioned above.

4. Segments operating income excludes revaluation gains which are included in consolidation adjustments. Adjustments for Operating Income include that stated in section 3 above, as well as goodwill impairment and revaluation gains, which are presented separately under operating profit. Likewise, these reconciliations include unallocated general and administrative expenses of NIS 86 million, NIS 75 million and NIS 78 million and unallocated net other expense (income) of NIS 2 million, NIS (3) million and NIS 2 million, for 2023, 2022 and 2021, respectively.

5. Current operating assets mainly include: trade receivables, other accounts receivable and held for sale assets.
   Non-current operating assets mainly include: investment property, property under development, goodwill, and fixed assets. The consolidation adjustments mainly include securities at fair value through profit or loss, deferred taxes, derivatives, goodwill (at the Group level) and the Joint Ventures as mentioned above.

6. Investments in non-current assets include mainly fixed assets, investment property, investment property under development, as well as business combinations.

7. Segment liabilities include operating liabilities such as trade payables, land lease liabilities, other payables and tenants' security deposits. Consolidation adjustments mainly include mainly deferred taxes, financial derivatives, interest-bearing liabilities and the adjustment for the operating liabilities of the Joint Ventures as described above.

8. In April 2023, Central-Eastern Europe segment completed the sale of the entire property portfolio in Russia. Pursuant to local regulation, the gross consideration determined was 52% lower than the book value of the properties, therefore the operating income (loss) of the segment includes loss from an onerous contract in amount of NIS 518 million. See Note 31b.

NOTE 37: - SUBSEQUENT EVENTS AFTER THE REPORTING DATE

a. In February 2024, Gazit Malls completed an IPO of its participating units on the Sao Paulo Stock Exchange in Brazil (“B3”) by way of a tender offer to classified investors (below in this section: the “Tender Offer”), for an amount of BRL 301 million (NIS 226 million). After the issue, Gazit Malls purchased 223,000 shares through regular trading for BRL 16 million, all under a time-limited market making plan that ended 30 days after the IPO was completed. As a result, to date, Gazit Brazil holds 82% of the share capital of Gazit Malls.

Prior to completing the Tender Offer, the Gazit Malls classified its capital according to two classes of participating units - preferred participating units that confer surplus dividend for a period of 24 months from the date on which the offering is completed (Class A; 49% of the issued capital and voting rights) and ordinary participating units (Class B; 51% of the issued capital and voting rights). Under the Tender Offer, the Company sold part of the Class A participating units. Apart from the surplus dividend, the participating units of both Classes will have the same issued capital rights and voting rights. After 24 months as aforesaid, the Class B participating units will be converted into Class A participating units.

The participating units sold under the Tender Offer constitute 18.13% of the issued share capital and voting rights of Gazit Malls. After completing the IPO, the Company holds (indirectly) 63% of the participating units (Class A) and all the participating units (Class B) from the IPO.
The Class A participating units were issued a price of BRL 72 per unit, reflecting a 16% discount with regard to their carrying value in the Company's books (which as of the date of the IPO was BFL 86 per share, and as of reporting date is BRL 96 per share), and reflecting a 9% discount with regard to the value of the assets held by Gazit Malls, as is generally accepted for this type of transaction in Brazil.

b. For information regarding the issuance of shares in CTY after the reporting date refer to Note 8d5.

c. For information regarding completion of the purchase of the remaining holdings (50%) in a joint venture in Sweden by CTY refer to Not 8a3.

d. For information regarding the issuance of debentures by the group companies after the reporting date refer to Notes 19c20 and 19d4.

e. For information regarding the purchase of debentures of the group companies by the group companies refer to Notes 19c21, 19d20 and 19d4.

f. For information regarding credit ratings perform by rating companies after the reporting date, refer to Notes 19c22,19d6 and 19e5.

g. For information regarding a legal proceeding initiated by G Europe to challenge an unauthorized change in ownership of its subsidiary in a land in Turkey, refer to note 24d6.

LIST OF MAJOR GROUP INVESTEES AS OF DECEMBER 31, 2023 (1)

	Holding interest as of December 31, 2023	2022	Note	Incorporated in	Additional information in Note
	%				
M.G.N USA Inc.	100	100	(2)	USA	
Gazit Horizons Inc.	100	100	(3)	USA	
Gazit Canada Inc.	100	100	(2)	Canada	
Citycon Oyj	50.9	52.1	(4)	Finland	8d
Gazit Brasil LP.	100	100	(3)	Brazil	
G City Europe Limited	100	100	(3)	Jersey	8c

(1) The list does not include inactive companies, companies with immaterial activity, and companies held by the companies mentioned above.

(2) Held directly by the Company.

(3) Held through subsidiaries.

(4) Held directly and through subsidiaries

CHAPTER D – ADDITIONAL DETAILS REGARDING THE COMPANY

Name of Company:	G City Ltd. (the “Company” or “Corporation”)
Company’s Registered No.:	520033234
Address:	8 Aharon Becker St., Tel-Aviv 6964316
E-mail Address:	IR@gazitgroup.com
Telephone:	03-6948000
Fax:	03-6961910
Date of Statement of Financial Position:	December 31, 2023
Reporting Date:	March 28, 2024

Regulation 10A: Quarterly Condensed Statements of Comprehensive Income

For the quarterly condensed statements of comprehensive income for 2023, see section 3.5(c) of the Board of Directors' Report. -

Regulation 10C: Use in Exchange for Securities (*)

- In July 2023 the Company issued NIS 444 million par value Debentures (Series Q), convertible for ordinary shares of the Company, by way of the issue of a new series. In the shelf offering memorandum, the Company announced that it intends to use the proceeds of the issue to reschedule financial debt and to finance its ongoing operations, in accordance with the decisions of the Company management as may be from time to time.
- In February 2024 the Company issued NIS 410 million par value Debentures (Series R), secured by a lien on the shares of the subsidiary that owns six real estate properties in the US, by way of the issue of a new series. In the shelf offering memorandum, the Company announced that it intends to use the proceeds of the issue to increase its financial flexibility, mainly to buyback marketable debentures under the Company's buyback plan, and to repay existing debt that is repayable in the coming year and all by extending the average maturity of the Company's debt and based on the decisions of the Company's management as may be from time to time.

As of reporting date, the Company is in compliance with the goals set for the proceeds in the shelf offering memoranda as set out below.

(*) Excluding private placements outside of the Company's shelf prospectus.

ADDITIONAL DETAILS ABOUT THE COMPANY

Regulation 11: Investments in Subsidiaries and Affiliates

Presented below is a listing of the Company's investments in each of its subsidiaries and related companies as of the date of the statement of financial position:

Name of Company		Class and par value of Security	Quantity held	Carrying amount (NIS thousands) (*)	Interest in relation to issued share capital (%)	Interest in relation to voting rights and power to appoint directors (%)	Price at statement of financial position date
Investments in private companies owned by the Company							
Gazit-Globe Holdings (1992) Ltd. (under voluntary		Share of NIS 1	432	(171,708)	100	100	-
		Deferred shares	1	-	100	100	-
C. Globe Development Ltd.		Share of NIS 0.01	100	(81,375)	100	100	-
Acad Construction and Investments Ltd.		Share of NIS 1	12,076	3,946	100	100	-
		Management Shares of NIS 1	500	-	100	100	-
		Extraordinary Share of NIS 1	1	-	100	100	-
Horev Center Management		Share of NIS 1	5,000	(5,618)	50	50	-
GLA - Property		Share of NIS 1	602,000	(4,563)	100	100	-
M.G.N. (USA) Inc.	(1)	Share USD 1	2,142	2,864,258	100	100	-
Gazit Canada Inc.	(2)	Share C$ 0.01	1,206	650,328	100	100	-
Gazit America Inc.	(2)	Shares CAD 1	100	-	100	100	-
Gazit Europe (Netherlands)	(3)	Share EUR 1	18,500	(633,536)	100	100	-
Gazit Europe (Asia) B.V.	(4)	Share USD 1	18,000	89,050	100	100	-
G- Netherlands B.V.		Share EUR 18	1,000	(184,165)	100	100	-
Gazit Midas Limited	(5)	Share EUR 1	1,000	2,006,621	100	100	-
Gazit Gaia Limited	(6)	Share EUR 1	1,000	-	100	100	-
Gazit Brasil	(7)	Participation rights	-	1,870,749	100	100	-
Investments in public companies (some of which are owned by the private subsidiaries detailed above)							
Citycon oyj ("**CTY**").	(8)	Share EUR 0.27	87,559,016	2,765,231	50.9	50.9	EUR 5.2

(*) According to the Company's separate financial statements, as of the date of the statement of financial position.

(1) M.G.N. (USA) Inc. holds 100% of Gazit Horizons Inc., Gazit 1995 Inc., MGN America LLC., Gazit Group USA Inc., Gazit First Generation Inc. Gazit America's value in the financial statements is included in Gazit Canada's value.

(2) Gazit Europe (Netherlands) B.V. owns a group of German companies, which are not presented separately.

(3) Gazit Europe (Asia) B.V. invests in a real estate investment fund, resident in Mauritius, for in real estate investments in India.

(4) Gazit Midas Limited and Gazit Gaia Limited, jointly hold 100% of the share capital of G City Europe Limited.

(5) Gazit Gaia's value in the financial statements is included in the value of Gazit Midas.

(6) A U.S. partnership owned 94% by the Company and 6% by a wholly-owned subsidiaries which owns Gazit Brasil Ltda. and in FIM Norstar.

(7) Part of the holding of CTY shares is indirect and part are held through Gazit Europe Netherlands B.V. CTY has private subsidiaries, which are not presented separately in the table.

ADDITIONAL DETAILS ABOUT THE COMPANY

Below is a breakdown of the balance of the Company's debentures, capital notes and loans to its subsidiaries and affiliates:

Company	Linkage Basis	Reported balance as of December 31, 2022 (NIS millions):	Maturity year (according to agreement)
M.G.N. (USA) Inc.	USD	11	2025
Gazit Midas Limited	EUR	133	2028
Gazit Gaia Limited	EUR	1,148	2028
G City Europe Limited	EUR	-	2026
Gazit Germany	EUR	3	2024
G- Netherlands B.V.	EUR	722	2026
G.G. Development Ltd.	Unlinked	81	(*)
Gazit-Globe Holdings (1992) Ltd. (under voluntary liquidation)	Unlinked	172	(*)
GLA - Property Management Ltd	Unlinked	5	(*)
Acad Construction and Investments Ltd.	Unlinked	136	(*)

(*) The loans are automatically renewed from time to time, subject to the possibility of their being terminated in accordance with the terms set forth in the agreements with respect to such loans.

Regulation 12: Changes in investments in Subsidiaries and Affiliates (*)

Date of change	Nature of Change	Name of Company	Class of security	Total par value	Cost (NIS in thousands)	Average cost per unit
1-12/23	Return on Investment (**)	Gazit Brazil Ltda., FIM Norstar	Participation units and shares	600,000,000	529,227	BRL 1.00

(*) Excludes negligible investments in establishing inactive subsidiaries in the reporting period.

(**) Refer to footnote (7) to Regulation 11. The investment specified above includes the investment of the Company and investment of Gazit South America Inc.

Regulation 13: Revenue of Subsidiaries and Affiliates and Income From Them

Below is a breakdown of 2023 comprehensive income attributed to the shareholders of each of the Company's subsidiaries or affiliates, and also the Company's income from dividends, management fees and interest from those companies (NIS thousands):

<table>
<tr><th>Name of Company</th><th>Income (loss)</th><th>Comprehensive income (loss)</th><th>Total comprehensive income (loss)</th><th>Dividend</th><th>Managemen t fees</th><th>Interest income (expenses)</th></tr>
<tr><td>G.G. Development Ltd.</td><td>(2)</td><td>-</td><td>(2)</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Gazit-Globe Holdings (1992) Ltd. (under voluntary liquidation)</td><td>49</td><td>-</td><td>49</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Acad Construction and Investments Ltd.</td><td>22,693</td><td>-</td><td>22,693</td><td>-</td><td>-</td><td>3,128</td></tr>
<tr><td>GLA - Property Management Ltd.</td><td>(1)</td><td>-</td><td>(1)</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>MGN (USA) INC.[1]</td><td>128,301</td><td>(275)</td><td>128,026</td><td>-</td><td>591</td><td>10,912</td></tr>
<tr><td>Gazit Canada Inc.</td><td rowspan="2">66,612</td><td rowspan="2">(1,830)</td><td rowspan="2">64,782</td><td rowspan="2">-</td><td rowspan="2">-</td><td rowspan="2">(115,839)</td></tr>
<tr><td>Gazit America Inc.</td></tr>
<tr><td>Citycon Oyj.</td><td>(315,282)</td><td>114,140</td><td>(201,142)</td><td>102,226</td><td>-</td><td>-</td></tr>
<tr><td>Gazit Europe (Netherlands) B.V. [2]</td><td>(38,487)</td><td>-</td><td>(38,487)</td><td>-</td><td>-</td><td>1,322</td></tr>
<tr><td>G- Netherlands B.V.[3]</td><td>(9,330)</td><td>-</td><td>(9,330)</td><td>-</td><td>-</td><td>33,663</td></tr>
<tr><td>Gazit Europe (Asia) B.V.</td><td>5,184</td><td>(49,957)</td><td>(44,772)</td><td>-</td><td>-</td><td>(4,552)</td></tr>
<tr><td>Gazit Brazil Ltda. [4]</td><td>90,919</td><td>-</td><td>90,919</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Gazit Midas Ltd. [5]</td><td rowspan="2">(310,930)</td><td rowspan="2">(46,008)</td><td rowspan="2">(356,938)</td><td>-</td><td>-</td><td>25,234</td></tr>
<tr><td>Gazit Gaia Ltd[5]</td><td>-</td><td>-</td><td>57,018</td></tr>
</table>

(1) The results of MGN (USA) INC. include the results of Gazit Horizons Inc., Gazit 1995 Inc., Gazit Group USA, MGN America LLC.

(2) Represents the results of the Company's operations in Germany.

(3) The results of G Netherlands B.V. Include the results of G-Plovdiv EAD, G-Bulgaria EAD and G-Macedonia Ltd.

(4) Represents the results of Gazit Brasil Ltda's operations as well as FIM Norstar, which are both held by Gazit Brasil LP (a U.S. partnership).

(5) The income includes the results of Gazit Gaia Limited and Gazit Midas Limited.

Regulation 20: Stock Exchange Trading

In the reporting year, 198,538,975 ordinary shares of the Company of NIS 1 par value each that were issued as a result of the issue of shares to institutional investors, Norstar and Aurora Capital Holdings LLC (a private company under the control of Mr. Chaim Katzman, the controlling shareholder of the Company), are as a result of the vesting of RSUs and exercise of options of the Company's employees, were listed for trading.

For further information concerning debentures (Series O and Q) that were listed for trading in the reporting period see Regulation 10C above and Appendix B to the Board of Directors' report.

In 2023, stock exchange trading in the Company's securities was not suspended.

Regulation 21: Remuneration of Interested Parties and Executive Officers

Presented below are details of the compensation paid with respect to 2023, to each of the five highest compensation recipients from among the senior officers of the Group (the Company or a corporation which it controls) and the three highest compensation recipients from among the senior officers of the Company itself, who were granted the compensation with respect to their appointment in the Company, as well as details of the compensation paid to the Company's interested parties:

Particulars of Compensation Recipient				Compensation for Services (NIS in thousands)					
Name	Position	Scope of position	Rate of holding in equity of the company	Salary [1]	Bonus	Share-based payment	Consultancy fees	Other	Total
Scott Ball	CEO of CTY (former)	Full-time	-	2,956	2,393	5,053	-	127 [2]	10,529
Rianne Lee	CEO of G Europe (former)	Full-time	-	1,313	-	673	-	6,980 [3]	8,966
Adi Jemini	Former CFO and CEO of Gazit Group USA	Full-time	0.12%	2,870	1,881	(113)	-	1,839 [6]	6,477
Mia Stark	CEO of Gazit Brasil	Full-time	-	2,062	1,320	--	-	5,294 [4]	8,676
Chaim Katzman	Vice Chairman of the Board of Directors and CEO of the Company, Chairman of the boards of CTY and G Europe		0.216 [5]	3,899	2,161	-	-	-	6,060
Zvi Gordon	CEO of Gazit Horizons		0.04%	1,554	1,051	846	-	-	3,451
Rami (Romano) Vaisenberger	Vice President and Controller	Full-time	0.07%	1,720	611	525	-	-	2,856
Ehud Arnon [7]	Chairman of the Board of Directors	-	0.01%	275	-	3	-	-	278
Aviad Armoni	Director of the Company and of G Europe	-	0.0%	352	-	3	-	-	353
Zehavit Cohen	Director of the Company and of Gazit Horizons	-	0.0%	304	-	3	-	-	307
Modi Kingsberg	External director of the Company and of Gazit Brasil	-	0.0%	322	-	3	-	-	325
Limor Shofman	External director	-	0.0%	307	-	3	-	-	310
Shmuel Hauser	External director	-	0.0%	310	-	3	-	-	313

(1) With regard to the directors of the Company included under this column, the directors' remuneration paid in cash for 2023.
(2) Includes reimbursement of transition expenses.
(3) Includes payment for termination of employment and special compensation with regard the sale of properties as set out in section D below.
(4) Includes payment of bonus for the sale of properties, a retention bonus and reimbursement of transition expenses, as set out in section E.
(5) Includes payment of bonus for the sale of properties and retention bonus as set out in section F below.
(6) Refers to Chaim Katzman's direct holdings in the Company. For a description of Chaim Katzman's interests in Norstar Holdings Inc., the controlling shareholder of the Company, see Regulation 21A below.
(7) Excluding reimbursement of travel expenses.

ADDITIONAL DETAILS ABOUT THE COMPANY

A. Additional information and explanations to the table - General

1. The amounts of compensation are in terms of cost to the Company or the subsidiary, accordingly. The salary amounts include the cost of salary benefit components.

2. The holdings presented in the table are those immediately prior to the publication date of the report, based on the information available to the Company.

3. CTY's decision and approval of the compensation that Chaim Katzman was eligible to receive in the reporting period were carried out in accordance with the provisions of the laws that apply to CTY, including the regulations of the stock exchange where CTY is listed for trading and the generally accepted corporate governance rules as set out below: The annual general meeting of CTY shareholders set the salary of the chairman of the board of directors and the other directors of CTY, based on the proposal of the CTY board of directors which was based on the recommendations of its appointments and remuneration committee (where most of CTY's directors are independent, and Chaim Katzman serves as chairman). At its first meeting after appointment by the general meeting the board of directors of CTY elects its chairman and vice chairman from among its members.

   With regard to G Europe, the agreement between the company and Chaim Katzman was initially approved as a public company and is renewed from time to time by the board of directors of G Europe, based on the recommendation of its independent appointments committee. Once it was delisted from trading, the agreement is approved (if necessary) by the board of directors of G Europe (without the participation of Mr. Katzman and his son-in-law Zvi Gordon).

B. Additional information and explanations to the table - Particulars regarding the vice chairman of the Company's board of directors and CEO, Chaim Katzman

As of January 31, 2018, Mr. Katzman has served as CEO and Vice Chairman of the Board of Directors of the Company.

The salary noted in the table is for management services Mr. Katzman provided the wholly owned subsidiary of the Company had other private Group companies, and for directors compensation from CTY and for his service as chairman of the board of directors of CTY. -

1. Details of the compensation of Chaim Katzman for his service in the Company

   In April 2021, the general meeting approved renewing Chaim Katzman's employment agreement (replacing the agreement that was in force until January 31, 2021), after receiving the approval of the Company's compensations committee and Board of Directors. The employment agreement was for a period of three years, commencing on February 1, 2021, subject to the right of either of the parties to terminate it with advance notice of 180 days. The employment agreement expired on January 31, 2024 and the parties are acting to renew it, as set out below.
   The agreement provides that the maximum overall cost of the annual transaction to be paid to Mr. Katzman will not exceed NIS 5.6 million, linked to the CPI ("Maximum Compensation"), on the assumption that payment of the maximum bonus for a given year, together with the compensation to be paid to him for his term in office in subsidiaries that are not wholly owned by the Company, as may be from time to time.
   Accordingly, in 2023 Mr. Katzman was eligible for an annual salary that reflects costs to the Company (separately, as of December 31, 2023, based on Mr. Katzman's compensation from CTY in 2023, as set out in paragraphs 2 and 3 below) in the amount of NIS 5,402 thousands (including the annual bonus for 2023), as set out below. For his service in the company, Chaim Katzman was eligible for a fixed salary and benefits, as well as an annual bonus as set out below:

   (a) **Fixed salary -** the fixed salary to be paid to Mr. Katzman from the Company separately (the **"Fixed Salary from Company**") will be calculated as an amount equivalent to 60% of the Company's annual employment cost. The "**Group Annual Employment Cost**" is an amount equivalent to the maximum compensation (namely, NIS 5.6 million; linked to the CPI) less the total cost of compensation that will actually be paid to Mr. Katzman by the subsidiaries that are not wholly owned by the Company, as may be from time to time (as of 2023 - CTY only).

(b) **Goal-based annual bonus -** as part of the maximum compensation, Chaim Katzman is eligible for an annual bonus equivalent to 40% of the Annual Employment Cost of the Group, as may from time to time, up to the maximum amount of NIS 2,240 thousand (CPI linked, assuming that the Company bears the full Maximum Compensation), which will be paid according to the following manner and conditions:

(1) Half of the bonus (i.e., up to a maximum amount of NIS 1,120 thousand, linked to the CPI), will be paid every year in which the annual FFO[1] return on equity of the Company[2] (“the Return”) exceeds 6%.

(2) The balance of the bonus that is not paid in any annual assessment, will be paid at the end of the 3 years of the agreement, if the average annual return during the period of the three years exceeded 6%.

Accordingly, for 2023, Mr. Katzman is eligible for an annual cash bonus of NIS 1,080 thousand, which includes the current bonus for 2023, and is also eligible for a bonus with regard to meeting the three-year FFO return goal (in accordance with the provisions of section (B)(2) above) in an amount of NIS 2,437.5 thousand (which includes NIS 420.5 thousand accrued for 2021 and NIS 937 thousand accrued for 2022). In addition to the fixed salary, Mr. Katzman will be entitled to sick leave and convalescence days as stipulated by law and to 30 vacation days per year, which may be accumulated up to 60 days, and ancillary benefits as customary in the Company, and all provided that the total annual cost of employment in the Company does not exceed the Maximum Compensation as defined above.

Mr. Katzman is entitled to exemption, indemnification, and insurance with terms identical to the other officers at the Company (for details, see Regulation 29A below) and to reimbursement for expenses paid in fact as part of his service as CEO, as customary at the Company (such as travel, etc.), as well as use of the Company's facilities.

With respect to his foregoing service, Mr. Katzman is not eligible for equity-based compensation.

In the event that the period of the agreement elapses without a new employment agreement being signed with Mr. Katzman for his office as CEO of the Company, Mr. Katzman shall be entitled to payment of the fixed salary that is equal to an additional six months (during such period, Mr. Katzman shall not be entitled to any payment for advance notice period).

If the Company wishes to terminate the agreement before the elapsing of three years (other than under circumstances that allow the Company to terminate the agreement without entitlement to severance pay), Mr. Katzman will be entitled to the following conditions: (a) a 180 day notice period during which Mr. Katzman will be entitled to receive the fixed salary (in the period of the advance notice, Mr. Katzman will be required to continue serving as CEO of the Company, unless the Company's Board of Directors decides otherwise); (b) fixed salary for an additional six months (“Adjustment Grant”). It is clarified that the adaptation grant will be paid to Mr. Katzman only if Mr. Katzman does not serve as an officer in the Company and/or its subsidiaries during the period for which the adjustment grant is paid. In the event of death or disability, Mr. Katzman (or his estate) will be entitled to payment of the fixed salary for 12 months (during this period, Mr. Katzman will not be entitled to any payment for the advance notice period).

In February 2024, the Company's Board of Directors (after approval by the compensations committee) approved renewing of the employment agreement with Mr. Katzman, effective as of February 1, 2024, under the same terms and conditions as those of the foregoing expired agreement, other than the changes set out below:

(a) The maximum compensation (current compensation and annual bonus) to be paid to Mr. Katzman from the Company and its subsidiaries (including subsidiaries that are not wholly owned by the Company) will amount to NIS 5,750 thousand (NIS 6,230 thousand pursuant to the current terms of employment, as of expiration date of the current agreement and after CPI linkage), where the salary component and benefits will amount to a maximum annual cost to the Company separately of NIS 3,450 thousand and the performance-based annual bonus and deferred bonus components will amount to a maximum NIS of 2,300 thousand to be paid by the Company separately;

1 The FFO is FFO to be published by the Company in its Board of Directors’ Reports for 2021 through 2023.

2 "Company equity" will be the Company's known equity as per its consolidated financial statements (excluding minority interests) on the date on which the foregoing conditions come into force (i.e., December 31, 2020), with the addition of capital raising and less any special dividends during the period, and time weighted.

(b) The annual FFO return goal (for the years 2024-2026) for calculating the bonus component will be revised and will be 5% (annually and triennially).

The Company convened a general meeting of the Company's shareholders to approve the terms of the agreement as noted above, including the renewal of the letter of exemption and indemnification (with a majority among the non-controlling shareholders), which is expected to convene in April 2024.

2. Details of the compensation of Mr. Katzman from G Europe

Chaim Katzman, who serves as chairman of the board of directors of G Europe, provides consultation services to G Europe Group under a consultation agreement with a wholly owned subsidiary of G Europe since August 2008. The agreement is renewed from time to time for further periods of one year each time, unless either of the parties gives notice of its desire not to renew the agreement. In return for the consulting services, Mr. Katzman is eligible to receive an annual fee, which amounted to EUR 700 thousand in 2023. In addition, Mr. Katzman is entitled to reimbursement of expenses incurred with regard to providing the services (Mr. Katzman is not entitled to directors' fees from G Europe). The compensation that Chaim Katzman is entitled to deducted from the maximum compensation paid to him in accordance with section 1 above.

3. Details of the directors' compensation paid to Mr. Katzman by CTY

Commencing June 2010, Mr. Katzman has served as chairman of the board of directors of CTY. For his service as chairman of CTY, Mr. Katzman is entitled to annual remuneration in 2023 of EUR 165 thousands (that is deducted from the maximum compensation paid to him in accordance with section 1 above).

4. In addition, Mr. Katzman is eligible for indemnification and insurance arrangements from the Company and its subsidiaries in which he serves as a director, in accordance with such arrangements as they apply to other members of the board of directors of such companies.

C. Additional details and explanations to the table - Details regarding Scott Ball, the former CEO of the consolidated subsidiary CTY

Mr. Scott Ball served as CEO of CTY from 2019. In March 2024, Mr. Ball came to an agreement with CTY regarding the termination of his term in office as CEO, effective April 1, 2024. Under his employment agreement, Mr. Ball was eligible for an annual salary of EUR 660 thousand (CPI linked; in the reporting year - EUR 741 thousand), as well as a one-time payment for ancillary benefits (including with regard to relocation) which in the reporting period amounted to EUR 32 thousand. In addition, Scott Ball has a bonus plan based on measurable goals and discretion of the CTY board of directors, where the maximum bonus for 2023 was EUR 660 thousand, of which Mr. Ball was paid a total amount of EUR 600 thousand. In addition, in 2022, Mr. Ball was allotted 570 thousand RSUs, which will vest in three equal tranches in 2023, 2024 and 2025. As of reporting date, the first tranche of 190,000 RSUs of CTY have vested and Mr. Scott was allotted 100,000 ordinary shares of CTY. The RSUs are eligible for payment for dividends to be distributed until vesting date and were subject to restrictions. In addition, Mr. Ball was allotted 2,111,111 options exercisable for CTY shares at exercise price of EUR 7.38 per share.

In March 2024, a termination of employment agreement was signed between Mr. Ball and CTY, under which the terms for termination of his service in CTY were agreed upon (in place of the mechanism set in his employment agreement) as follows: (a) full acceleration and release from the RSU lock-up period and of the convertible options allotted to Mr. Scott in 2022; (b) eligibility for an annual bonus for 2024, based on goals, and the amount will range from half to full annual salary received by Mr. Scott during 2023; and (c) payment for health insurance until the end of 2024.

D. Additional details and explanations to the table - Details regarding Rianne Lee, former CEO of G Europe

Mr. Rianne Lee served as CEO of G Europe from June 2022 through August 2023, prior to which he served as CFO of G Europe.

According to Mr. Lee's employment agreement, his annual salary was EUR 400 thousand plus relocation expenses in an amount of EUR 122 thousand per year, as well as acceptable ancillary and social benefits. Mr. Lee was also eligible for an annual bonus, based on measurable goals as set by the board of directors of G Europe, for a maximum amount equivalent to 125% of his annual salary, the target grant is 100% of his annual salary. Pursuant to Mr. Lee's previous employment agreement, subsequent to G Europe becoming a private company and based on the decision of the board of directors of G Europe, after one year from the date of completion of the transaction between the Company and G Europe, Mr. Lee was paid a retention bonus of EUR 1,260 thousand (the amount of this bonus was paid in the reporting period, but was provided in the financial statements for 2022 and is not included in the foregoing table).

Pursuant to the terms of Mr. Lee's employment agreement, in June 2022 Mr. Lee was allotted 182,511 phantom units, eliminating equity compensation and are based on the value of the Company's share and NAV of G Europe assets. The phantom units were meant to vest in one tranche at the end of three years, subject to Mr. Lee being employed by the Group, and upon vesting Mr. Lee would be eligible for a financial bonus equivalent to the phantom units multiplied by the value of the Company's stock. The number of phantom units was subject to a 20% adjustment depending on the decrease or increase in NAV of G Europe assets as of March 31, 2025 compared to March 31, 2022, and the maximum target NAV was EUR 1,238,924 thousand, as well as customary adjustments, including accrued dividend.

The amount noted in the foregoing table under the item "Other" includes a special sales bonus of EUR 250 thousand for the sale of the properties in Russia, as well as a retirement package of EUR 1.5 million, which included the full payment that G Europe was obliged to pay under the agreement (including for the pro rata share of phantom units).

E. Additional details and explanations to the table - Particulars regarding Ms. Mia Stark, CEO of the consolidated subsidiary Gazit Brasil

1. Ms. Mia Stark has served as the CEO of Gazit Brasil since April 2013 and as Director of Business Development for Latin America at Gazit USA. Below is a breakdown of the highlights of Ms. Stark’s employment agreements with these companies.

2. Under the employment agreement for her service as CEO of Gazit Brasil from October 2023 (which replaced an earlier agreement between the parties at the same terms), Ms. Stark is eligible for a base monthly salary of BRL 81,000 (CPI linked), including social benefits, Company car and reimbursement of expenses, as generally accepted. Moreover, Ms. Stark may be eligible for a goal-based annual bonus of up to 10 monthly salaries, where for 2023 she was granted an annual bonus of BRL 849 thousand.
   Either party may terminate the agreement with prior notice of 120 day. In the event of the termination of Ms. Stark's employment by the Company (other than for grounds), Ms. Stark will be entitled to the annual bonus for the period of her employment. In addition, in the event of termination of Ms. Stark’s employment for any reason, she will be eligible for travel expenses in an amount of BRL 116 thousand.

3. Under the employment agreement for her service as Director of Business Development at Gazit USA from October 2021 (which replaced an earlier agreement between the parties, excluding the scope of retention and sales bonuses), Ms. Stark is eligible for a base annual salary of USD 220,000 and a goal-based annual bonus of up to 100% of annual salary. With regard to the foregoing agreement, Ms. Stark was granted an annual bonus of USD 183 thousand for 2023.
   The employment agreement is valid until August 2025, land either of the parties may terminate the agreement with prior notice of 120 days. In the event that employment is terminated by either the Company or Ms. Stark in the 12 months following a change of control in the Company, Ms. Stark will be eligible for a bonus in the amount of her annual bonus for the entire employment period.
   In addition, according to the employment agreement Ms. Stark is eligible for a retention bonus in the amount of USD 250 thousand, provided that she is still employed by Gazit USA and lives in Brazil until the end of her employment.
   Furthermore, under the employment agreement, Ms. Stark will be eligible for a USD 3.3 million sale bonus that will be paid proportionally to the sale of up to 75% of Gazit Brasil's assets. During the reporting period, Ms. Stark was paid in the reporting period a bonus in the amount of USD 926 thousand with regard to the sale of properties in Brazil amounting to NIS 497 million and in 2024 she was paid another bonus in the amount of USD 542 thousand for the IPO of the subsidiary Gazit Malls on the stock exchange of Sao Paulo, Brazil, in the amount of NIS 226 million.

F. Additional information and explanations to the table - Particulars regarding the former Deputy CEO and CFO of the company and CEO Gazit Group USA Inc, Mr. Adi Jemini

1. From January 2016 through August 2023, Mr. Jemini served as CFO and Deputy CEO of the Company. Furthermore, from September 2018, Mr. Jemini served as CEO of a wholly owned subsidiary of the Company, Gazit Group USA Inc ("Gazit USA"), and to date he continues to serve in this position, as well as other positions in the Group, as set out below.

2. Mr. Jemini was employed as Deputy CEO and CFO of the Company under an employment agreement that was renewed in June 2020 for a further period of 5 years (“G City 2020 Agreement”), and terminated in agreement of the parties in August 2023.
For his foregoing service, Mr. Jemini is eligible for a monthly salary of USD 12,450, as well as social benefits, a company car and the standard fringe benefits.
Under the G City 2020 agreement, Adi Jemini may be entitled to an annual bonus in a total amount not exceeding 100% of his annual salary, which will determined on the basis of measurable targets and the discretion of the Company's compensation committee and Board of Directors, where his target bonus will be 100% of his annual salary, in accordance with the Company's previous compensation policy.
In addition, Mr. Jemini was eligible for reimbursement of special expenses for his stay in Israel to cover housing and per diem expenses, in an amount of USD 33,600 per year (non-inherent), was paid in equal monthly payments.

3. Mr. Jemini was employed as CEO of Gazit USA under an employment agreement which was renewed in June 2020 (“Subsidiary 2020 Agreement”; and together with the G City 2020 agreement: “2020 Employment Agreements”) and will terminate in August 2023 by agreement of the parties and will be replaced by a new agreement (as set out in section 6 below).
For his foregoing service, Mr. Jemini was eligible for a monthly salary in the amount of USD 29,050 and usual ancillary benefits (including the cost of a car and life and health insurance coverage as is customary in the USA). In addition, Mr. Jemini was entitled to reimbursement for special expenses relating to trips in the amount of USD 79,200 per year and reimbursement for car expenses. Under the Subsidiary 2020 agreement, Adi Jemini may be eligible for an annual bonus in a total amount not exceeding 100% of his annual salary, which will determined on the basis of measurable targets of the subsidiary and the discretion of the Company's compensation committee and Board of Directors, where his target bonus will be 100% of his annual salary.
As aforesaid, in August 2023 upon termination of Mr. Jemini's service as Deputy CEO and CFO of the Company, the 2020 employment agreements were terminated, and Mr. Jemini and Gazit USA engaged in a new agreement for his service as president and CEO of Gazit USA, as detailed in section 6 below.

4. According to the 2020 agreements, in the event that the 2020 employment agreements with Mr. Jemini would not be renewed, Mr. Jemini would have been entitled to various payments and benefits based on the circumstances of the termination of employment, which were replaced by the employment termination mechanism set out in the 2023 agreement (as defined in section 6 below) and no compensation was granted thereunder. Furthermore, part of the equity-based compensation awarded to him under the 2020 agreements expired as set out in section 12 below.

5. Pursuant to the foregoing 2020 employment agreements, Mr. Jemini was eligible for a retention bonus to be paid in three equal installments, starting in July 2022, after two, three, and four years from the effective date of the agreement, where for each installment he would be paid an amount equivalent to 2 monthly salaries, subject to him continuing to be employed by the Company or subsidiary, as the case may be, throughout the term of the relevant employment agreement. Upon conclusion of the 2020 employment agreements, Mr. Jemini was paid 2 installments out of the 3, and the third installment that had not yet vested, expired.

6. In August 2023, Mr. Jemini and Gazit USA engaged in an employment agreement for a term of 4 years from September 1, 2023 through August 31, 2027, unless terminated by one of the parties with 90-day prior notice (the “2023 Agreement”).
For his foregoing service, Mr. Jemini is eligible for a monthly salary of USD 43,750, as well as social benefits, a company car and the standard fringe benefits.
Mr. Jemini is eligible for an annual bonus, which will be fixed based on goals and the discretion of the Company's compensation committee, where the target bonus is USD 500 thousand and maximum bonus is USD 600 thousand.
Mr. Jemini was granted an annual bonus of USD 510 thousand for 2023.
Furthermore, Mr. Jemini is eligible for a bonus for the sale of properties January 1, 2023 through to date of termination of his employment as follows: (a) a bonus of 0.3% of the proceeds received for the sale of assets in Brazil (including by way of a IPO); (b) bonus of 0.25% of the proceeds received from the sale of CTY shares held by the Company or from a special dividend distributed by CTY; and (c) bonus of 0.5% of the proceeds received from the sale of assets in Canada. Under this agreement, Adi Jemini was paid a bonus in the reporting period in the amount of USD 350 thousand with regard to the sale of properties in Brazil and in 2024 he was

paid another bonus in the amount of USD 197 thousand for the IPO of the subsidiary Gazit Malls on the stock exchange of Sao Paulo, Brazil.

7. According to the 2023 agreement, Mr. Jemini is eligible for a retention bonus in the amount of USD 360 thousand, which will be paid in four equal installments of USD 90 thousand each, starting one year after the effective date of the 2023 agreement, provided that Mr. Jemini continues to be employed by the Company throughout the entire term of the 2023 agreement.

8. In the event that Mr. Jemini's employment is terminated by the Company (other than if he is dismissed due to cause), including in the event of resignation due to dismissal or loss of work capacity, Mr. Jemini will be eligible for compensation as follows: (a) 90 days' prior notice for which he will be eligible for his full salary as well as all ancillary benefits; (b) severance pay in the amount of 120% of his annual base salary and 120% of the amount of the annual bonus paid to Mr. Jemini in the year prior to termination of Mr. Jemini's employment; (c) a pro rata share of the annual bonus to which Mr. Jemini would be eligible for at the date of termination of employment; (d) acceleration of the vesting period of the pro rata share of the relevant annual tranche of phantom units (see section 11 below) allotted to Mr. Jemini and that have not yet vested; (e) acceleration of the retention bonus payments that are not yet due; (f) payment of health insurance for a period of one additional year from the date of termination of his employment.
Mr. Jemini will be eligible to compensation as set out in this section above even in the event of termination of his employment by the Company within 12 months of a change of control in the Company (as defined in the agreement) or in the event of termination of employment by Mr. Jemini within 60 days after 12 months from the date of such change of control in the Company.

9. Moreover, pursuant to the employment agreements, Mr. Jemini is also eligible for indemnification, exemption and insurance as is customary in the Company.

10. Under the agreement with Mr. Jemini, he was granted equity-based compensation, as set out in section 12 below.

11. The foregoing table includes, under the "share-based payment" item, the cost recorded in the reporting year in the Company's financial statements for options and RSU (non-marketable), as well as restricted phantom shares allotted to Mr. Jemini under the 2023 agreement:

Date granted	**Quantity**	**Exercise price**	**Value and comments**
June 2020	2,205,659 options (661,698 were allocated under the employment agreement with the Company and 1,543,961 under the employment agreement with the subsidiary)	NIS 22.762	Fair value of options - NIS 1.972
	231,014 RSUs (69,304 allocated under the employment agreement with the Company and 161,710 under the employment agreement with the subsidiary)	NIS 19.83	allocated at a value of NIS 19.83 per unit.
August 2023	Phantom class restricted stock units (RSU) (as set out in section C below)		Allotted at a total value of USD 2,400,000.

(a) <u>Additional information regarding the options</u>: The exercise price in the table is linked to the Israeli consumer price index and subject to customary adjustments (including with respect to distribution of bonus shares, issuance of rights and a dividend distribution). The allotted options will vest in 5 equal installments, starting from the elapse of one year from the grant date. The options allotted under the G City 2020 agreement were allotted in accordance with the provisions of Section 102 of the Income Tax Ordinance under capital gains tracks. Options that are not exercised within 90 days of the date of termination of Mr. Jemini’s employment in the Company will expire. The final expiration date of the options allotted in June 2020 is the end of 6 years from the date they were allotted. The options may also be exercised in a cashless exercise.
Pursuant to the provisions of the 2023 agreement, 882,264 options that did not vest as of September 1, 2023 have expired, and the remainder of the 1,323,395 options that did vest by that date will be exercisable in accordance with the original terms and conditions.

(b) <u>Additional information regarding the RSUs</u>: The restricted stock units allotted in June 2020 were supposed to vest in 5 equal installments. In the event of a dividend distribution, Mr. Jemini will be entitled to a cash compensation that reflects the benefit in respect of the dividend distribution with regard to the RSUs that had not yet vested on dividend distribution date.

Pursuant to the provisions of the 2023 agreement, on September 1, 2023, 92,406 RSUs of those noted above, expired.

(c) Additional information regarding the phantom class RSUs: As part of the 2023 agreement, Mr. Jemini was awarded an equity-based bonus in the form of phantom restricted stock units for the total amount of USD 2.4 million. These units imitate equity-based compensation and are based on the value of the Company's stock, they will vest in four equal annual tranches starting one year from September 1, 2023, subject Mr. Jemini's continued employment in the Group, and upon vesting, Mr. Jemini will be eligible for a financial bonus equivalent to the number of phantom units multiplied by the value of the Company's shares (according to its average price during the 30 trading days preceding vesting date). Also, at vesting date, Mr. Jemini will be eligible for the amount of the dividend distributed by the Company from date allotted through to vesting date for the number of units allotted to him, and the number of phantom units will be subject to customary adjustments.

12. Compensation for Mr. Jemini's service as a director in CTY

As of 2023, Mr. Jemini serves as a director in CTY. For his service, Mr. Jemini is eligible for directors compensation as customary at CTY, which amounted in 2023 to the amount of 35,500. The foregoing compensation is deducted from the salary that Mr. Jemini is eligible for from the Company.

G. Additional information and explanations to the table - details of the CEO of the subsidiary, Gazit Horizons, Mr. Zvi Gordon

1. Zvi Gordon, Chaim Katzman's son-in-law, served as VP Investments in the Company from June 2017 through August 2023. From 2023, Mr. Gordon served as one of the managers of the subsidiary, Gazit Horizon, and in March 2023 was appointed CEO.

Until March 15, 2023, Mr. Gordon was employed under an employment agreement approved in March 2020 by the Company's general meeting (after approval by the compensation committee and Board of Directors) (in this section the "2020 Agreement"), and which was in effect for three years as of March 15, 2020. Under the 2020 agreement, Mr. Gordon was eligible for an annual salary of USD 250,000 (linked to the annual increase in the US consumer price index). Moreover, Mr. Gordon was eligible for an annual cash bonus in a total amount that would not exceed 75% of the annual base salary that Mr. Gordon is eligible for with regard to any year, for achieving 100% of the goals in the given year.

The annual bonus was paid to Mr. Gordon based on achieving measurable goals determined in accordance in accordance with the Company's indices, as uniformly approved by the compensation committee for all officers of the Company, at the beginning of each year, pursuant to the Company's indices as set out in the Company's compensation policy.

Furthermore, under the 2020 agreement, Mr. Gordon was granted equity-based compensation, as described in section 2 below.

Under the 2020 agreement, various provisions were established regarding the compensation that Mr. Gordon would be eligible for in the event of termination of his employment, according to the circumstances for the termination of employment.

2. As of March 15, 2023, Mr. Gordon is employed under an employment agreement approved in August 2023 by the Company's general meeting (after approval by the compensation committee and the Board of Directors), that will be effective for three years as of March 15, 2023 (in this section the "2023 Agreement"). For his service, Mr. Gordon is eligible for annual remuneration of USD 380 thousand (linked to the annual increase in the consumer price index), payable in monthly installments. Moreover, Mr. Gordon is eligible for an annual cash bonus in a total amount that would not exceed 75% of the annual base salary that Mr. Gordon is eligible for with regard to any year, subject to compliance with goals. The amount of the annual bonus will be fixed according to the annual Same Store NOI increase of Gazit Horizon, based on a linear range of between 3% and 5%, from eligibility for a quarter of the annual bonus with increments of 3% up to the full annual bonus with minimum 5% increase.

In 2023, the annual Same Store NOI increase of Gazit Horizon was 7% and the total annual bonus awarded to Mr. Gordon was USD 285 thousand.

In the event Zvi Gordon's employment is terminated before the end of three years (other than under circumstances that allow the Company to terminate the agreement without entitling severance pay), and in the event of resignation under circumstances where such resignation is legally deemed as dismissal, in the event of death or loss of work capacity, Mr. Gordon will be entitled to: a) an advance-notice period of 90 days, during which Mr. Gordon is entitled to his base salary and the attaching benefits payable during an advance-notice period; and (b) a proportion of the annual bonus to which Mr. Gordon is entitled for the year in which his office is terminated.

In the event of termination of Mr. Gordon's employment by the Company during a period of 12 months after a change of control of the Company (as defined in the agreement) or by Mr. Gordon during a period of 60 days beginning 12 months from the date of such change of control, Mr. Gordon will be entitled (in place of the compensation set out in this section above): Acceleration of the vesting period of all equity-based compensation

components allotted to him and that have not yet vested, as well as an annual bonus equivalent to 6 monthly salaries (in addition to the notice period).
Mr. Gordon is also entitled to standard social and related benefits (the relating grossing-up of tax will be borne by the Company) as well as to indemnification, exemption and insurance as customary in the Company.

3. The foregoing table includes, under the section Equity-based payment item, the cost recorded in the Company's financial statements in the reporting year for non-marketable securities allotted to Mr. Gordon under the 2020 agreement and the 2023 agreement:

Date granted	**Quantity**	**Exercise price**	**Value**
March 2020	972,656 options (a)	NIS 39.99	Fair value of options – NIS 1.058
	39,873 RSUs (b)		At a value of NIS 26.76 per unit
August 2023	592,835 options (a)	NIS 12.59	Fair value of options – NIS 3.894
	66,165 RSUs (b)		At a value of NIS 12.63 per unit

(a) Additional information regarding the options: The exercise price in the table is linked to the Israeli CPI and subject to customary adjustments (including with respect to distribution of bonus shares, issuance of rights, but excluding adjustment in respect of a dividend). The options will vest in three equal tranches, starting from the elapse of one year from the grant date. Options that are not exercised within 90 days of the date of termination of Mr. Gordon’s employment in the Company, will expire. The final expiration date of all options is at the end of 4 years from the date they are granted. The options may also be exercised in a cashless exercise.

(b) Additional information regarding the RSUs: The RSUs will vest in three equal tranches starting from the end of one year after they were granted. The RSU do not accrue dividend.

4. Compensation for Mr. Gordon’s service as a director in CTY

As of June 2020, Mr. Gordon has served as a director in CTY. For his service, Mr. Gordon is eligible for directors compensation as customary at CTY that in 2023 amounted to EUR 64,701. The foregoing compensation is deducted from the salary that Mr. "Gordon is eligible to receive from Gazit Horizons.

H. Additional details and explanations to the table - Particulars regarding the VP and Controller of the Company, Mr. Romano (Rami) Vaisenberger

a. Mr. Vaisenberger has been employed in the Company as of 2004 and has been serving as VP and Controller of the Company since April 2011.

b. On March 1, 2021, Mr. Vaisenberger’s new employment agreement came into force (replacing a previous agreement between the parties), according to which Mr. Vaisenberger is eligible for a gross monthly salary of NIS 85 thousand (linked to the annual CPI increase), social benefits, a company car and customary related terms, as, as well as exemption, indemnification and directors' and officers' liability insurance coverage, as customary in the Company.

c. The employment agreement is for a term of 3 years, commencing September 2021, subject to the right of either of the parties to terminate the agreement with prior notice of 180 days.
Mr. Vaisenberger's employment agreement entitles him to an annual bonus in an amount that will not exceed 75% of his annual salary. The bonus is fixed on the basis of measurable targets and the discretion of the Company's compensation committee and Board of Directors, and will not exceed 50% of the bonus, in accordance with the Company's compensation policy. Mr. Vaisenberger was granted an annual bonus of USD 611 thousand for 2023.
Also, Mr. Vaisenberger may be eligible for a retention bonus of NIS 680 thousand, to be paid through the allotment of 35,070 restricted stock units, as set out in the table in section 6 below.

d. Under the agreement with Mr. Vaisenberger, he was granted equity-based compensation, as set out in section 6 below.

e. Furthermore, in the event of termination of Mr. Vaisenberger’s employment by the Company (other than in the event of dismissal for cause), he will be entitled to the following compensation: (a) 180 days’ notice, during which he will be entitled to receive his full salary and all ancillary benefits; (b) an additional payment in an amount that is the lower of: His monthly salary (without any additional terms and/or benefits) for 6 months or his monthly salary (without any additional terms and/or benefits) for the period remaining until the end of the employment agreement plus three months; (c) the pro rata share of the annual bonus to which he is entitled under the compensation policy; (d) acceleration of the vesting period of all equity compensation components In the event of termination of Mr. Vaisenberger's employment by the Company during a period of 12 months after a change of control of the Company (as defined in the agreement) or by Mr. Vaisenberger during a period of 60 days beginning 12 months from the date of such change of control, Mr. Vaisenberger will be entitled to the following compensation (in place of the compensation set out in this section above): (A) acceleration of the vesting period of all components of equity compensation allotted to him that had not yet vested and a bonus at the rate of 200% of his annual base salary in the year of completion of the change of control, provided that said bonus will not exceed an amount reflecting Mr. Vaisenberger's base monthly salary in the period remaining until termination of his employment agreement, with the addition of three months.

f. The foregoing table includes, under the section Equity-based payment item, the cost recorded in the Company's financial statements in the reporting year for non-marketable securities granted to Mr. Vaisenberger:

Date granted	Quantity	Exercise price	Value
June 2020	308,452 options (non-marketable) [(a)]	NIS 22.762	Fair value of options - NIS 3.3283
	54,520 RSUs [(b)]		At a value of NIS 19.83 per unit
March 2021	130,163 options (non-marketable) [(c)]	NIS 20.406	Fair value of options - NIS 5.732
	38,478 RSUs [(d)]		At a value of NIS 20.39 per unit
	35,070 RSUs [(e)]		At a value of NIS 20.39 per unit

(a) Additional information regarding the options: The exercise price in the table is linked to the Israeli consumer price index and subject to customary adjustments (including with respect to distribution of bonus shares, issuance of rights and a dividend distribution). The options vested in three equal tranches, starting from the elapse of one year from the grant date. The options allocated were allocated according the provisions of Section 102 of the Income Tax Ordinance under capital gains tracks. Options that are not exercised within 90 days of the date of termination of Mr. Vaisenberger's employment in the company will expire. The final expiry date of all options is at the end of four years from their grant date. The options may also be exercised in a cashless exercise.

(b) Additional information regarding the RSUs: The RSUs vested in three equal tranches starting upon the elapse of one year from their grant date. In the event of a dividend distribution, Mr. Vaisenberger shall be entitled to a cash compensation that reflects the benefit in respect of the dividend distribution in relation to the RSUs and PSUs that have not yet vested on dividend distribution date.

(c) Additional information regarding the options: The exercise price in the table is linked to the Israeli consumer price index and subject to customary adjustments (including with respect to distribution of bonus shares, issuance of rights and a dividend distribution). The options will vest in four equal tranches, starting from the elapse of one year from the grant date. The options allotted under the current employment agreement were allotted in accordance with Section 102 of the Income Tax Ordinance under capital gains tracks. Options that are not exercised within 90 days of the date of termination of Mr. Vaisenberger's employment in the company will expire. The final expiry date of all options is at the end of five years from their grant date. The options may also be exercised in a cashless exercise.

(d) Additional information regarding the RSUs: The RSUs will vest in four equal tranches starting upon the elapse of one year from their grant date. In the event of a dividend distribution, Mr. Vaisenberger shall be entitled to a cash compensation that reflects the benefit in respect of the dividend distribution in relation to the RSUs and PSUs that have not yet vested on dividend distribution date.

(e) RSUs, which were allocated in March 2021 as a retention bonus and will vest in a single tranche four years after their grant date.

ADDITIONAL DETAILS ABOUT THE COMPANY

I. Additional details and explanations to the table - Details regarding directors' fees

1. The external directors in the Company, as well as the other directors in the Company who do not hold any additional position in the Company and are not considered as controlling shareholders of the Company, as may be from time to time, are entitled to a directors' fees as follows: (A) annual fees at the maximum annual fees payable to an expert director as set in the Companies Regulations (Regulations for Compensation and Expenses of an External Director), 2000, (the "Compensation Regulations"), based on the ranking of the Company; and (b) remuneration for participation in board meetings at the highest remuneration set under the Compensation Regulations, based on the ranking of the Company.

2. In addition to the foregoing, Mr. Kingsberg, Ms. Cohen and Mr. Armoni, who serve as directors on behalf of the Company in Gazit Brasil, Gazit Horizons and G City Europe, respectively, are eligible for compensation that does not exceed the lower amount of: (1) the amount calculated according to the number of board meetings of the relevant subsidiary which they will participate in, where the compensation for each meeting will not exceed the maximum amount per meeting as provided in the Compensation Regulations, based on the ranking of the relevant subsidiary; or (2) the annual compensation as set out in the Compensation Regulations for a company at the ranking of the subsidiary. In 2023, the Company paid NIS 11.1 thousand to Mr. Kenigsber for his service in Gazit Brasil; NIS13.5 thousand to Ms. Cohen for her service in Gazit Horizons and NIS 38.2 thousand to Mr. Armoni for his service in G City Europe.

3. In June 2018, the general meeting approved (following approval by the Company's compensations committee and Board of Directors) the terms of employment of Mr. Arnon as chairman of the Board of Directors of the Company. Mr. Arnon is eligible for: (1) annual fees in an amount equivalent to 130% of the annual fees paid to a director with accounting and financial expertise in the Company, as may be from time to time; (2) remuneration for participation in board meetings equivalent to the participation fees all the Company's directors with accounting and financial expertise are eligible to receive, as may be from time to time (for details see section 1 above). Mr. Arnon is also eligible for directors and officers insurance, exemption and letter of indemnification, as is customary in the Company.

4. On December 27, 2018, the general meeting approved (following approval of the Company's compensation committee and Board of Directors) a bonus for the Company's directors (who are not external directors or independent directors or directors on behalf of the Company's controlling shareholder), who also serve as directors in subsidiaries under the full control and ownership of the Company, as may be from time to time, the same bonus (with required changes) to that granted and/or that will be granted to external directors holding additional positions in the Company, as may be from time to time. To date, there are no directors eligible for compensation under this section (for details regarding the compensation granted to Messrs. Kingsberg and Armoni and Ms. Cohen for their service as directors in the Company's private subsidiaries, and which was brought for approval by the Company's organs separately, see section 2 above).

Regulation 21A: The controlling shareholder of the Company

The controlling shareholder of the Company is Norstar Holdings Inc. ("Norstar"), a foreign resident company registered in Panama, whose shares are listed on the Tel Aviv Stock Exchange Ltd. -

To the best of the Company's knowledge, the controlling shareholder of Norstar is Mr. Chaim Katzman, who owns, directly and indirectly, Norstar shares through private companies wholly owned by him and by members of his family (9.25% of Norstar's issued share capital (9.25% fully diluted) and 9.32% of the voting rights (9.31% fully diluted)), as well as through First US Financial LLC[1], which owns 7.06% of Norstar's share capital (7.06% fully diluted) and 7.11% of the voting rights therein (7.11% fully diluted), and through Aurora Capital Holdings LLC ("Aurora")[2], which holds 10.64% of Norstar's share capital (10.64% fully diluted) and 10.72% of the voting rights (10.72% fully diluted) ("FUF" ,"Aurora" and jointly with Mr. Katzman: "Katzman Group").

In addition to Katzman Group's holdings in Norstar, Mr. Katzman and Aurora indirectly hold 0.22% and 0.43% of the share capital and voting rights of the Company (0.18% and 0.35% fully diluted).

In addition, Katzman Group is considered as "jointly owning," as this term is defined in the Securities Law, with the Katzman Family Foundation, which holds 2.34% of Norstar's issued share capital (2.34% fully diluted) and 2.36% of the voting rights therein (2.36% fully diluted)

Furthermore, on March 27, 2022, Chaim Katzman engaged in an agreement with E.Y.L Sela 1991 Ltd. ("Sela") under which Sela granted Mr. Katzman power of attorney to vote in respect of all Sela's shares in Norstar (which as of the reporting date constitutes 3.54% of the share capital and 3.57% of the voting rights of Norstar), as may be from time to time. Under the agreement, Sela granted Katzman Group the right of first refusal in regard to Norstar securities that Sela may seek to sell, and Mr. Katzman granted Sela the tag-along right in the event of the sale of Norstar shares by Katzman Group, all except in the event of transfer to an authorized transferee. According to the provisions of this agreement, Sela became part of the controlling group of Norstar. The agreement will be effective until either five year from the date of the agreement or the date at which any of the parties (including an authorized transferee of the parties) no longer holds Norstar securities.

Regulation 22: Transactions with controlling shareholder

Below is a breakdown, to the best of the Company's knowledge, of transactions with the controlling shareholder in which the controlling shareholder has a personal interest in its approval, which the Company engaged in during the reporting year or subsequent to the reporting year and until the date of filing of this report or that was still in force at reporting date:

1. Agreement with Norstar - For details regarding the agreement between the Company and Norstar and a wholly-owned subsidiary of Norstar, see section 23 of Chapter A of the Periodic Report.
2. For further information regarding the employment and compensation of Mr. Chaim Katzman, Vice Chairman of the Board of Directors, CEO of the Company and the controlling shareholder of the Company, with the Group companies, see the details presented under Regulation 21 above.
3. For further information regarding the employment agreement of Mr. Zvi Gordon, the son-in-law of Mr. Chaim Katzman, as VP Investments in the Company (former), as CEO of Gazit Horizons and as a director of CTY, see Regulation 21 above.
4. For further information concerning the directors insurance, exemption and indemnification undertaking pursuant to which Mr. Chaim Katzman, the controlling shareholder of the Company, and Mr. Zvi Gordon, son-in-law of Mr. Katzman, are also beneficiaries of, see details under Regulation 29A below.
5. In February 2016, the Company's Board of Directors, following the approval by the Audit Committee, approved a procedure regarding joining of passengers who are not involved in the Group's business (as updated from time to time), whether or not these are "relatives" of any of the controlling shareholders, to exclusively business-related travel in the aircraft that is owned by the Company conducted for the purposes of the Company, including private companies that it owns (after the sale of the Company's aircraft in the Reporting Period the procedure applies for such passengers joining private flights that the Company charters or partially owns). Pursuant to the procedure, the relevant officer will bear the costs for the passenger that joined him based on the mechanism set out in the procedure, provided that the total related value of use of the Company's plane in a calendar year does not exceed NIS 1 million. Upon Mr. Katzman's appointment as CEO of the Company, the procedure was revised so that the payment mechanism will not apply to Mr. Katzman's wife and her joining Mr. Katzman on business trips for the Company's purposes.
6. In 2018, the Company's Board of Directors approved, following approval by the Audit Committee, a procedure for chartering the aircraft that is partially owned by the Company to Norstar, from time to time, subject to the plane's

1 FUF is a foreign company under the control of Mr. Chaim Katzman, in which Mr. Katzman holds 72.8% of the share capital and the rest is held by Mr. Martin Klein.

2 Aurora is held through A company owned by Mr. Katz and members of his family (32.1%); Katzman Family Foundation Inc. (29.8%); First US Financial LLC (8.3%); Martin Klein (16.6%); David Klein (3.3%); KHG Holdings LLC (6.6%) (a foreign company controlled by Juda Klein and Ari Friedman); Oved Anter (3.3%).

availability and the Company’s needs. The cost of the charter will be determined according to a price list, determined by the plane’s external management company, in a manner identical to third parties that charter the plane. In the reporting period, the Company’s plane was not chartered for use by Norstar and at the end of 2023 the plane was sold.

7. On January 29, 2023 the Company's Board of Directors approve a private placement of 3,614800 ordinary shares to the controlling shareholder of the Company, Norstar Holdings Inc. (through its wholly owned subsidiary, Norstar Israel Ltd.) and 792,800 ordinary shares to Aurora (a company under the control of Mr. Chaim Katzman). The foregoing allotment was approved by the general meeting of the shareholders on March 9, 2023. For further information, see the immediate report dated January 31, 2023 (Ref. No.: 2023-01-011356), presented here by way of reference.

8. Negligible transactions: As resolved by the Company’s Board of Directors, the following transactions are to be considered negligible transactions for the purpose of Regulation 41(a)(6)(1) of the Securities Regulations (Annual Financial Statements), 2010:
   a. The lease of properties, in the normal course of business and at market terms, to an interested party (including a controlling shareholder), to companies under his control or to companies in which he is an interested party (all of these are referred to below as “Related Parties”), where the revenue from the annual rental of the properties will not exceed (cumulatively) 0.1% of the annual rental income in the Company’s consolidated financial statements.
   b. An engagement of the Company to jointly acquire, together with Related Parties, goods or services from a third party, where such engagement is made in the normal course of the Company’s business and at market terms, and with regard to which the Audit Committee has determined that the allocation of costs and expenses in the engagement is fair and equitable taking into account the circumstances of the matter, and where the annual expenses with respect to such engagements (cumulatively) will not exceed 0.1% of the annual gross expenses presented in the Company’s consolidated financial statements for the year preceding the date of the engagement.

   In the Company’s opinion, the scope of the aforesaid transactions is negligible in relation to the scope of the Company’s operations, and accordingly complies with the requirements of the aforementioned Regulation 41(a)(6)(1).

Regulation 24: Holdings of Interested Parties

For an updated description regarding Company interested party holdings in shares or other securities of the Company, see the immediate report dated January 7, 2024 regarding the status of interested party holdings in the Company (Ref. No.: 2024-01-002482), and immediate reports regarding changes in interested party holdings dated February 15, 2024 (Ref. No.: 2024-01-013828), March 3, 2024 (Ref. No: 2024-01-018526), March 17, 2024 (Ref. No: 2024-01-022780). The information set out in the foregoing reports are presented here by way of reference.

Regulation 24A: Registered capital, issued capital, and convertible securities

For details regarding the registered capital and issued capital of the Corporation immediately prior to the date of the report, refer to Note 25 to the financial statements.

For details regarding the convertible securities of the Corporation immediately prior to the date of the report, refer to Note 26 to the financial statements.

Regulation 24B: The Company's Shareholders Register:

For details regarding the Company's shareholders' register, refer to the immediate report issued by the Company dated March 3, 2024 (Ref. No.: 2024-01-018463), where the information therein is noted below by way of reference.

Regulation 26: Directors of the company

Presented below are details of the members of the Board of Directors, to the best of the Company's knowledge:

Name:	**Ehud Arnon - Chairman of the Board of Directors**
Identity no.:	50001239
Date of birth:	May 9, 1950
Address for service of process:	15 Tchernichovsky St., Jerusalem 92531
Nationality:	Israeli, Austrian
Membership of Board sub-committees:	Nominating Committee and Corporate Governance Committee
Serves as external director:	No
Possesses accounting and financial expertise or a professional qualification:	Yes
Is an independent director:	No
Employee of the Company, a subsidiary, a related company or an interested party (detail the position(s) held):	No
Date of taking office:	March 28, 2018
Education:	BA in Economics and International Relations, Hebrew University; MBA in Business Administration, Hebrew University
Employment in the past five years:	Director in companies (as listed below)
Companies of which he is a director (other than the Company):	Hertz Properties Group Limited, AAI Real Estate Ltd
Relative of another of the Company's interested parties:	No

Name:	**Chaim Katzman - Vice Chairman of the of the Board of Directors and CEO**
Identity no.:	030593859
Date of birth:	November 4, 1949
Address for service of process:	1696 NE Miami Gardens, North Miami Beach, FL 33179, U.S.
Nationality:	Israeli, American
Membership of Board committees:	Investments Committee
Serves as external director:	No
Possesses accounting and financial expertise or a professional qualification:	Yes
Is an independent director:	No
Employee of the Company, a subsidiary, a related company or an interested party (detail the position(s) held):	The CEO of the Company. Refer to the details below regarding his tenure as chairman of the board of directors and as a director of various subsidiaries of the Company
Date of taking office:	May 1, 1995
Education:	LLB, Tel-Aviv University
Employment in the past five years:	Vice Chairperson of the Board and CEO of the Company and Norstar Holdings Inc. Chairperson of the Board of Directors of the following companies: The Company (until January 2018): G Europe, CTY, Norstar Holdings Inc. (until January 2018) and private subsidiaries of these companies and of the Company, including Gazit Horizons and Gazit Brasil; former director of First Capital Inc.
Companies of which he is a director (other than the Company):	Norstar Holdings Inc., CTY, G Europe, and private subsidiaries of these companies and of the Company, as well as the Katzman Family Foundation, Koah (2000) Holdings Ltd. and Ganei Binyamina Ltd. Chaim Katzman also serves as a director in foreign companies through which he holds control of Norstar Holdings Inc.
Relative of another of the Company's interested parties:	No (however, his son-in-law, Zvi Gordon, serves as CEO of Gazit Horizons, a wholly owned subsidiary of the Company)

ADDITIONAL DETAILS ABOUT THE COMPANY

Name:	**Zehavit Cohen**
Identity no.:	058344797
Date of birth:	November 16, 1963
Address for service of process:	4 Berkovich St., Museum Tower, 22nd Floor, Tel Aviv 6423806
Nationality:	Israeli, American
Membership of Board committees:	Audit and Balance Sheet Committee, Compensation Committee, Corporate Responsibility Committee, Nominating and Corporate Governance Committee, and Investments Committee
Serves as external director:	No
Possesses accounting and financial expertise or a professional qualification:	Yes
Is an independent director:	Yes
Employee of the Company, a subsidiary, a related company or an interested party (detail the position(s) held):	Director of Gazit Horizons
Date of taking office:	March 8, 2016
Education:	B.A. in Accounting from Duquesne University; an MBA in Finance from the University of Pittsburgh, and an MA in Accounting from the University of Pennsylvania, U.S.A.
Employment in the past five years:	CEO of Apax Partners Israel Ltd.
Companies of which he is a director (other than the Company):	Apax Partners Israel Ltd, Apax Partners LLP, Amy Consulting Ltd, Ten - Petroleum Company Ltd, Swan Debtco Ltd, Swan Holdco Ami Ltd, Swan Topco Ltd., Zebra Holdco Ltd., Zebra Midco Ltd, Zebra Topco Ltd, Tiger Topco Ltd, Tiger Midco Ltd. Tiger Holdco Ltd., Moose Topco Ltd. Moose Midco Ltd. Moose Holdco Ltd., Gorilla Topco Ltd., Gorilla Midco Ltd., Gorilla Holdco Ltd., Max Stock Ltd., Goor Topco Ltd, Goor Holdco Ltd, Rot Topco Ltd., Rot Midco Ltd., Rot Holdco Ltd., Ramet-Trom Ltd., Mac Topco Ltd., Rich Topco Ltd., S.R Accord Ltd, Gazit Horizons Inc., Coy Holdco Ltd, Coy Midco Ltd, Coy Topco Ltd, Native Systems Ltd , Infinity Labs R&D Ltd., Lynx Ferret Holdco Ltd., Lynx Ferret Topco Ltd, Zuchon Topco Ltd, Cheetah Holdco Ltd, Cheetah Topco Ltd, U.J. Knowledge Farm Veterinary and Orthopedics Ltd, Vetneuro Ltd, Zebra - Veterinary Emergency Services Ltd, Pet-DI Ltd, Vet Center Holding Ltd, Globetrotter Holding GP 2 LLC.
Relative of another of the Company’s interested parties:	No

Name:	**Limor Shofman Gutman**
Identity no.:	024388191
Date of birth:	August 27, 1969
Address for service of process:	136 Ehad Ha'am Street, Tel-Aviv
Nationality:	Israeli
Membership of Board committees:	The Company's Audit and Balance Sheet Committee, Compensation Committee, Corporate Responsibility Committee, Nominating and Corporate Governance Committee, and the Committee for the Affairs of Gazit Canada
Serves as external director:	Yes
Possesses accounting and financial expertise or a professional qualification:	Yes
Is an independent director:	Yes (external director)
Employee of the Company, a subsidiary, a related company or an interested party (detail the position(s) held):	No
Date of taking office:	January 1, 2019
Education:	LLB, Bar Ilan University; Certificate in Positive Psychology, Maytiv Center for the Research and Application of Positive Psychology and the School of Psychology at IDC Herzliya, Coaching Course at The Co-Active Institute
Employment in the past five years:	Head of the Capital Market, Companies and Securities Department at Law Offices of Matry, Meiri & Co.; member of the Administrative Council and Chairperson of the Board of Directors of ProWoman Association; co-founder of IMFA that established a private integrative rehabilitation hospital (Medical Care); member of the Board of the Nachum Gutman Museum; mentor and coach of managers and entrepreneurs;
Companies of which he is a director (other than the Company):	Nahum Gutman Museum
Relative of another of the Company's interested parties:	No

Name:	**Shmuel Hauser**
Identity no.:	053488342
Date of birth:	May 13, 1955
Address for service of process:	19 Amirim Street, Savyon
Nationality:	Israeli
Membership of Board committees:	The Company's Audit, Balance Sheet and Compensation Committee, Investments Committee, Nominating and Corporate Governance Committee
Serves as external director:	Yes
Possesses accounting and financial expertise or a professional qualification:	Yes
Is an independent director:	Yes (external director)
Employee of the Company, a subsidiary, a related company or an interested party (detail the position(s) held):	No
Date of taking office:	January 1, 2019
Education:	BA in Statistics and Economics, Hebrew University; MA in Finance, Hebrew University; PhD, Temple University, Philadelphia, USA
Employment in the past five years:	Chairperson of the Israel Securities Authority; Vice President and Professor of Finance at the Ono Academic Campus; Full Professor Emeritus of Finance at the School of Management at Ben-Gurion University until January 2023; Chairperson of esh Ltd.; Co-Chair of the Israeli Accounting Standards Board; member of the advisory committee of the Supervisor of Banks at Bank of Israel; member of the licensing committee of the Supervisor of Banks at Bank of Israel; member of the advisory committee of the Capital Market, Insurance and Savings Authority; member of the debt settlement committee of the Ministry of Finance; member of the Investment Committee of the Israel Democracy Institute, member of the Board of Etoro, partner in Quantex Expected Return.
Companies of which he is a director (other than the Company):	Cellcom Ltd., esh Ltd. (Pocketful).
Relative of another of the Company's interested parties:	No

Name:	**Aviad (Adi) Armoni**
Identity no.:	055992598
Date of birth:	July 7, 1959
Address for service of process:	16 Hayarkon Street, Tel-Aviv
Nationality:	Israeli
Membership of Board committees:	Audit, Balance Sheet, Compensation Committee and Cyber Committee
Serves as external director:	No
Possesses accounting and financial expertise or a professional qualification:	Yes
Is an independent director:	Yes
Employee of the Company, a subsidiary, a related company or an interested party (detail the position(s) held):	Director of G Europe
Date of taking office:	May 26, 2020
Education:	PhD in Business Management and Information Systems (Tel Aviv University; MBA in Finance (Tel Aviv University); BSc in Industrial Engineering and Management (Tel Aviv University).
Employment in the past five years:	Founder and CEO of KBIS Ltd.; dean of the School of Business Management and Head of Information Systems - The College of Management Academic Studies Due to Mr. Armoni's education and extensive professional experience in information systems, he has an understanding and background in information security
Companies of which he is a director (other than the Company):	Director of G City Europe Bina Consulting and Management Services Ltd., Getter Tech Ltd.; KBIS Ltd.
Relative of another of the Company's interested parties:	No

Name:	**Modi Kingsberg**
Identity no.:	007715915
Date of birth:	December 30, 1946
Address for service of process:	8 Hapardes St., Kiryat Ono
Nationality:	Israeli
Membership of Board committees:	Audit, Balance Sheet, Compensation Committee and Cyber Committee
Serves as external director:	Yes
Possesses accounting and financial expertise or a professional qualification:	Yes
Is an independent director:	Yes
Employee of the Company, a subsidiary, a related company or an interested party (detail the position(s) held):	Director in Gazit Brazil
Date of taking office:	January 1, 2022
Education:	BA in Economics and Accounting, Tel Aviv University;
Employment in the past five years:	External director, chairperson of the audit committee and member of the investment committee of the Gal and Kalanit provident funds of the teachers' union; external director and member of the audit, investment and budget committees of the Jewish Agency's pension and budget funds; external director on the audit committee and member of the investment committee of the Machar provident fund
Companies of which he is a director (other than the Company):	Gazit Brasil, Gal and Kalanit Provident Fund Management
Relative of another of the Company's interested parties:	No

Regulation 26A: Senior Officers:

Presented below are details of the senior officers of the Company, who do not serve as directors, to the best of the Company's knowledge:

Name:	**Gil Kotler**
Identity no.:	022308498
Date of birth:	April 10, 1966
Position held in the Company, in a subsidiary, in a related company or in an interested party:	CFO of the Company
Date of taking office:	September 1, 2023
Education:	BA Economics and Accounting (Tel Aviv University); MBA (Harvard University)
Employment in the past five years:	Business and financial development at Labtech London Limited; Acting CEO and Deputy CEO for Business Development at Property & Building Corporation Ltd.; CFO of Elad Group USA; CFO of Discount Investments Ltd. And IDB Development Company Ltd.
Interested party in the Company or a relative of a senior officer of the Company or of another interested party in the Company:	No

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Name:	**Rami (Romano) Vaisenberger**
Identity no.:	016708695
Date of birth:	January 29, 1973
Position held in the Company, in a subsidiary, in a related company or in an interested party:	Vice President and Controller; Controller of Norstar Holdings Inc., Director in the Company's private subsidiaries and Norstar Holdings Inc.
Date of taking office:	July 1, 2004
Education:	Education: B.A. in Business Management, Major in Accounting (College of Management)
Employment in the past five years:	In his current position and Controller of Norstar Holdings Inc., Director in private subsidiaries of the Company and Norstar Holdings Inc.
Interested party in the Company or a relative of a senior officer of the Company or of another interested party in the Company:	No

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Name:	**Keren Kalifa**
Identity no.:	033475864
Date of birth:	November 26, 1976
Position held in the Company, in a subsidiary, in a related company or in an interested party:	CEO of Israel Real Estate Division and VP Operations of the Company
Date of taking office:	September 01, 2022
Education:	B.A. in Economics and Business Administration, Ben Gurion University.
Employment in the past five years:	VP of Assets Department at Harel Insurance Company Ltd., director at Vitania Ltd., Harosh Ltd., Azorit, Ashtrom Management.
Interested party in the Company or a relative of a senior officer of the Company or of another interested party in the Company:	No

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Name:	**Revital Kahlon**
Identity no.:	036307221
Date of birth:	June 12, 1979
Position held in the Company, in a subsidiary, in a related company or in an interested party:	VP, Legal Counsel and Company Secretary
Date of taking office:	June 1, 2015
Education:	LLB and BBA from the Hebrew University of Jerusalem
Employment in the past five years:	VP, Legal Counsel and Company Secretary
Interested party in the Company or a relative of a senior officer of the Company or of another interested party in the Company:	No

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Name:	**Doron Cohen**
Identity no.:	028015592
Date of birth:	October 10, 1970
Position held in the Company, in a subsidiary, in a related company or in an interested party:	Internal auditor of the Company, G City Europe and Norstar Holdings Inc.
Date of taking office:	July 22, 2019
Education:	CPA; BA in Business Administration (Ono Academic College)
Employment in the past five years:	Partner and Audit Manager in Fahn Kanne Control Management Ltd.
Interested party in the Company or a relative of a senior officer of the Company or of another interested party in the Company:	No

Regulation 26B: Authorized Signatory for the Corporation

As of reporting date, the Company has no independent authorized signatories. -

Regulation 27: Auditors of the Company:

Kost Forer Gabbay & Kasierer, CPAs, 144 Menachem Begin Road, Tel-Aviv.

Regulation 28: Changes in the Company's memorandum or articles of association

None

Regulation 29: Recommendations and Resolutions of the Board of Directors

A. Payment of a dividend or making of a distribution, as defined in the Companies Law, by any other means, or the distribution of a stock dividend:
For information regarding the distribution of a dividend in the reporting period, see the consolidated statements of changes in equity and Note 25F to the financial statements.
Buyback of the Company's shares: None
Change in the Company's authorized or issued capital:
Change in authorized capital – None.
Change in issued capital – Refer to Regulation 20 above.

B. Changes in the Memorandum of Association of the Company See Regulation 28 above.

C. Redemption of redeemable securities: On October 1, 2023 and June 30, 2023, marketable securities of the Company were redeemed. For information, see the reports dated October 1, 2023 and July 2, 2022 (Ref. Nos. 2023-01-111453 and 2023-01-061591).
Early redemption of debentures: None. However, it should be noted that in the reporting period, the Company executed a buy-back of debentures according to its securities buy-back program that was approved by its Board of Directors in March 2023, as specified in section 3.8 of the Board of Directors' report.
Transaction not conducted at market terms between the Company and an interested party: None

D. Resolutions of the general meeting on the matters detailed in sections A through E above that are not in accordance with the recommendations of the Board of Directors: None

E. Resolutions by an extraordinary general meeting:

1. On March 9, 2023, the general meeting of the Company's shareholders approved a private placement of 3,614,800 ordinary shares of NIS 1 par value each, of the Company, and approved a private placement of 792,800 ordinary shares of NIS 1 par value each, of the Company, to Aurora Capital Holdings LLC, a private company controlled by Mr. Chaim Katzman, the controlling shareholder of the Company who serves as Vice Chairman of the Board of Directors and CEO of the Company (see immediate report for convening of a general and special general meeting dated January 31, 2023 (Ref. No.: 2023-01-011356)) and immediate report regarding the results of the general meeting dated March 9, 2023 (Ref. No. 2023-01-045237), where the information presented therein is noted here by way of reference.
2. On August 7, 2023, the following resolutions were adopted (see the immediate report regarding convening of a general and special general meeting dated June 29, 2023 (Ref. No.: 2023-01-060697, and immediate report regarding the results of the general meeting dated August 7, 2023 (Ref. No. 2023-01-090801), where the information presented therein is noted here by way of reference.
   2.1. Approval of the Company's compensations policy for a period of three years;
   2.2. Approval of the terms of service and employment of Zvi Gordon, who serves as CEO of Gazit Horizons;
3. On December 3, 2023, the following resolutions were passed (see the immediate report regarding convening of a general and special general meeting dated October 26, 2023 (reference no. 2023-01-098377)) and immediate report regarding the results of the general meeting dated December 3, 2023 (Ref. No. 2023-01-132411), where the information presented therein is noted here by way of reference.
   3.1. Reappointment of the Company's independent auditors;
   3.2. Reappointment of directors serving in the Company: Ehud Arnon, Chaim Katzman, Zehavit Cohen, Aviad Armoni.
   3.3. Renewal and revision of the agreement with Norstar Holdings Inc., the controlling shareholder of the Company, which includes a services agreement under which the Company provides services to Norstar,

and contains a non-competition condition towards the Company (as set out in section 23 of the Chapter on the Description of the Company's Businesses).

Regulation 29A: Resolutions of the Company

A. Approval of acts pursuant to Section 255 of the Companies Law: None.

B. Acts pursuant to Section 254(a) of the Companies Law, which have not been approved, whether or not such acts have been presented for the approval referred to in Section 255 of the Companies Law: None

C. Transactions requiring special approval pursuant to Section 270(1) of the Companies Law, provided that these are exceptional transactions, as defined in the Companies Law, which have been approved during the reporting year: None.

D. Exemption, insurance or an undertaking to indemnify officers, as is defined in the Companies Law, that is valid at the reporting date:

- **Insurance:** At the reporting date, all the Company's officers were covered by insurance, which was last renewed in April 2023 and the Company is taking steps to renew it. The foregoing insurance was renewed pursuant to the decision of the general meeting on December 28, 2021, which approved (following approval by the Company's Compensations Committee and Board of Directors) the purchase of officers' insurance will maximum coverage limit of USD 125 million (per event and per year). Pursuant to a resolution of the Company's Board of Directors, as of reporting date the coverage limit is USD 75 million (per event and per year). The insurance policy underlying the resolution of the general meeting will be renewed from time to time for additional insurance periods, with the last renewal under this resolution will be for the insurance period ended no later than 5 years from January 12, 2023 (i.e., until January 2028 (inclusive)). The engagement for the purchase of the insurance policy will be at market terms and will not materially affect the Company's profitability, its assets or liabilities. In this regard, the compensations committee approved, at the date of renewal of the policy, that the cost of the insurance premium and the Company's deductible will be in accordance with market terms on the date on which the policy is drafted and that the cost of the policy is not material to the Company, and this based on the information given to them by the Company's insurance advisors.
- In addition, following the delisting of the Company's shares from trade on the Toronto and New York stock exchanges, the Company purchased a Run-Off insurance policy for director and officer liability up to a liability limit of USD 100 million (the liability limit in the existing policy), plus reasonable legal expenses exceeding the liability limit in accordance with section 66 of the Insurance Contract Law - 1981. The foregoing insurance policy will cover the liability of the officers and directors currently in office and who served at the Company up to March 12, 2019, for their actions or faults during the period of their service at the Company until the aforementioned date, for listing the Company's shares for trade on the New York and Toronto stock exchanges (NYSE and TSX). The policy will be for a period of 7 years (i.e., up to March 11, 2026).
- Pursuant to the provisions of Section 275 of the Companies Law, which set forth, inter alia, that transactions involving the service and employment terms of a controlling shareholder will be approved once every three years, on April 20, 2021 and August 7, 2030, respectively, as part of the approval of the terms of office and employment by the general meeting of Chaim Katzman, who serves as chairperson of the Board of Directors and CEO of the Company, and Zvi Gordon, the son-in-law of Chaim Katzman, who serves as VP Investments of the Company and VP Mergers & Acquisitions in Gazit USA, a wholly-owned subsidiary of the Company, the general meeting approved (after the approval of the Company's Board of Directors and Compensation Committee) the application of the D&O insurance and the run-off policy for Chaim Katzman and Zvi Gordon (for further information, see the Company's immediate reports of April 21, 2021 and August 7, 2023 (Ref. Nos.: 2021-01-067503 and 2023-01-090801, respectively), at the same terms as the other officers in the Company. The Company is currently working to renew the employment terms of Mr. Chaim Katzman, including applicability of the officers' insurance policy.
- **Indemnification** - Pursuant to the provisions of the Company's articles of association, and pursuant to the resolution of the Company's general meeting from December 31, 2006, December 13, 2011 and October 17, 2017, the Company undertook to indemnify in advance anyone serving as an officer of the Company (including directors), including an officer in the Company serving on behalf of the Company or at its request as an officer in another company (meaning, a subsidiary of the Company, a related corporation of the Company or another corporation whatsoever (including a foreign corporation) which the Company owns and/or shall own from time to time through its securities and/or through its voting rights and/or through its right to appoint directors therein)

and additional position holders at the Company or at a different company of the Company. The undertaking to indemnify was provided with respect to liabilities and expenses, pursuant to the provisions of the Law on Streamlining Enforcement Procedures at the Securities Authority (Legislative Amendments), 2011. The maximum accumulated indemnification amount which the Company might pay any officer, as aforesaid, will be no greater than 25% of the Company's shareholders' equity according to its last financial statements published prior to the actual indemnification payment. Pursuant to the terms of the service of Chaim Katzman, the Vice Chairman of the Board, Company CEO and Controlling Shareholder, he is eligible for a letter of indemnity as is standard in the Company (for information about renewal of Mr. Katzman's employment agreement, subject to approval by the Company's general meeting, including renewal of the letter of exemption and indemnity thereunder, see Section B to Regulation 21 above).

- **Exemption** - The Company resolved to exempt in advance the foregoing officers (including directors) from liability for damage caused and/or that will be caused to the Company by the officers due to breach of the duty of care owed to it, other than in the case of a breach of the duty of care in making a distribution, as defined in the Companies Law. According to the Company's updated compensation policy, letters of exemption, if granted (as of adoption of such policy) will not apply to a resolution or transaction in which the controlling shareholder or any officer in the Company (also different officer to the officer to whom the exemption letter is granted) has a personal interest (excluding a personal interest resulting from service as an officer in both the Company and an affiliate company of the Company). Such exemption was also granted to Chaim Katzman, Deputy Chairperson of the Board, Company CEO and controlling shareholder, and Zvi Gordon, Chaim Katzman's son-in-law, who serves as CEO of Gazit Horizons, a wholly-owned subsidiary of the Company, under the terms of their employment with the Company. The Company is currently working to renew the employment terms of Mr. Chaim Katzman, including renewal of the exemption for Mr. Katzman.
- For further information and the wording of the undertaking to indemnify and the exemption, see the immediate report for convening of a general meeting dated October 17, 2017 (Ref. No.: 2017-01-078685) and the amended report for convening of a general meeting dated December 24, 2018 (Ref. No.: 2018-01-126159).
-

March 28, 2024	G City Ltd.
Date	Name of Company

Names of Signatories:	**Position**
Ehud Arnon	Chairman of the Board of Directors
Chaim Katzman	Vice Chairman of the Board and CEO

-

CORPORATE GOVERNANCE QUESTIONNAIRE – G CITY

INDEPENDENCE OF THE BOARD OF DIRECTORS				
			Correct	**Incorrect**
1.		In every reporting year, two or more External Directors served with the Corporation This question can be answered “Correct” if the time period during which two External Directors did not serve does not exceed 90 days, as stated in Section 363A(b)(10) of the Companies Law, but whatever the answer (Correct/Incorrect), the time period (in days) is to be stated during which two or more External Directors did not serve with the Corporation in the Reporting Year (including the period of service approved retroactively, distinguishing between the various External Directors): Director A: Modi Kingsberg Director B: Shmuel Hauser Director C: Limor Shofman Gutman The number of external directors who held office in the Company at the publication date of this questionnaire: 3.	√	
2.		Rate[1] of Independent Directors[2] serving with the Corporation as of the date of publishing this questionnaire: 71% Ratio of Independent Directors prescribed by the Articles[3] of the Corporation[4]: 33% 33% ☐ Not relevant (not prescribed in the Articles).	_____	_____

1 Including "External Directors" as defined in the Companies Law.

2 For the purposes of this question - serving as a Director of an affiliate that is controlled by the Corporation shall not be deemed as being “answerable”. On the other hand, the serving of a Director of the Corporation who serves as an Officer (other than Director) and/or is employed in an affiliate that is controlled by the Corporation shall be deemed as being “answerable” for the purposes of this question.

3 A debenture company is not required to answer this section.

4 For the purposes of this question - serving as a Director of an affiliate that is controlled by the Corporation shall not be deemed as being “answerable”. On the other hand, the serving of a Director of the Corporation who serves as an Officer (other than Director) and/or is employed in an affiliate that is controlled by the Corporation shall be deemed as being “answerable” for the purposes of this question.

3.		A check was performed in the Reporting Year on the External Directors (and the Independent Directors) and it was found that, in the Reporting Year, they were in compliance with the provisions of Section 240(b) and (f) of the Companies Law with regard to the External (and Independent) Directors serving with the Corporation not having an Interest, and also that the conditions necessary for them to serve as an External (or Independent) Director had been fulfilled.	√	
4.		None of the Directors who served with the Corporation during the Reporting Year are answerable to the CEO, directly or indirectly (except for a Director who is an employee representative, if the Corporation has such employee representation). If your answer is False (i.e. the director is subordinate to the CEO as aforesaid) - please indicate the number of directors who do not comply with the foregoing restriction: _____.	√	
5.		All Directors who disclosed having a Personal Interest in the approval of a transaction on the agenda of the meeting did not attend the discussion and did not participate in the aforesaid vote (other than a discussion and/or a vote in circumstances which comply with Section 278(b) of the Companies Law): If you answer “Incorrect” – Was it in order for the Director to present a particular topic in accordance with the provisions at the end of Section 278(a): ☒Yes ☐No (Place an X in the appropriate box.) Please indicate the number of meetings at which such directors as aforesaid participated in the discussion and/or in the vote, other than under the circumstances as set out in subsection A: _____.	√	

6.		A Controlling Shareholder (including his Relative and/or anyone acting on his behalf), who is not a Director or another Senior Officer of the Corporation, was not present at the meetings of the Board of Directors held in the Reporting Year. If you answer "Incorrect" (i.e., a Controlling Shareholder and/or his Relative and/or anyone acting on his behalf, who is not a member of the Board of Directors and/or a Senior Officer of the Corporation was present at the aforesaid meetings of the Board of Directors) – the following details regarding the presence of any additional person at the aforesaid meetings of the Board of Directors are to be provided: Identity: _________ Position in the Company (if at all): Details of the relationship to the controlling shareholder (if the individual who participated is not the controlling shareholder): Was this due to his presentation of a specific topic: ☐ Yes ☐No (Place an X in the appropriate box.) Rate of his participation[1] in the board meetings held in the reporting year, for the purpose of his presentation of a specific topic: Presence of others: ☐ Not applicable (the Corporation does not have a Controlling Shareholder).	√	

EXPERTISE AND QUALIFICATIONS OF THE DIRECTORS

			Correct	Incorrect
7.		The Corporation's Articles of Associaiton do not contain a provision restricting the possibility of immediately terminating the service of all the Corporation's Directors, who are not External Directors (for this purpose – a decision by a simple majority is not considered a restriction)[2]. If you answer "Incorrect" (i.e., such a restriction does exist), state –		√

1 Differentiating between the Controlling Shareholder, his Relative and/or anyone acting on his behalf.

2 A debenture company is not required to answer this section.

		A.	The term of office set in the Articles of Association for a director: Every annual general and special meeting of the Company's shareholders		
		B.	The majority required as prescribed in the Articles of Association for terminating the terms of office of the directors: A Special Resolution of the General Meeting, viz. 75% or more of the voting power of all the shares whose holders were present and voted on said Resolution.		
		C.	The requisite quorum prescribed in the Articles of Association for a general meeting convened to terminate the term of office of directors: A legal quorum will exist at General Meetings of the Company when at least two shareholders with voting rights (personally or through proxies) are present, who together hold at least 30% of the Company's voting rights.		
		D.	The majority required to change these provisions in the Articles of Association: A majority of the shareholders who hold shares that confer on them 60% or more of the voting rights of all the shares whose holders were present and voted on said Resolution (except for abstentions), either personally or through proxies, including a voting paper.		
8.		The Corporation has taken action to prepare a training program for new Directors, in relation to the Corporation's business and in relation to the law applicable to the Corporation and the Directors, as well as having taken action to prepare a continuing training program for serving Directors, that is customized, inter alia, to the duties that the Director performs at the Corporation. If your response is True - please indicate whether the program was implemented during the reporting year: ☒Yes ☐No (Place an X in the appropriate box.)		√	
9.		A.	The company set a minimum number of directors for the board of directors who are required to have accounting and financial expertise. If you answer "Correct" – state the minimum number prescribed: Three directors	√	______
		B.	Number of Directors that served with the Corporation during the Reporting Year - Possessing Accounting and Financial Expertise[1]: Seven directors		

1 As assessed by the Board of Directors, in accordance with the provisions of the Companies Regulations (Terms and Tests for Director Possessing Accounting and Financial Expertise and for a Director Possessing Professional Qualifications), 2005.

			Possessing Professional Qualifications[1]: -- If there were such changes in the number of directors during the reporting year, please provide information of the lowest number (other than during a period of 60 days from the change) of each class of directors who held office during the reporting year.		
10.		A.	Throughout the reporting year the board of directors was composed of both men and women. If your answer is False - please indicate the period (in days) during which this did not occur: _____. You may answer True for this question if the period during which the board did not include both men and women did not exceed 60 days, nonetheless if your answer is (True/False), please indicate the period (in days) during which the board did not include both men and women: _____.	√	
		B.	The number of men and of women serving on the Company's board of directors at the date of publication of this questionnaire: Men: 5; Women; 2.	_____	_____

MEETINGS OF THE BOARD OF DIRECTORS (AND CONVENING A GENERAL MEETING)					
				Correct	Incorrect
11.			The number of board meetings held during each quarter in the reporting year: First Quarter (2023): 8 Second quarter: 5 Third quarter: 3 Fourth quarter: 7	_____	_____

1 See footnote 9.

		B.	Against the name of each of the Directors who served with the Company during the Reporting Year, state the attendance rate[1] at meetings of the Board of Directors (in this subsection – include meetings of Committees of the Board of Directors of which the Director is a member, as stated below) that were held during the Reporting Year (in relation to his period of service): (Additional rows should be added in accordance with the number of Directors.) *As the Audit Committee also acts as the Compensation Committee and Financial Statements Review Committee, attendance rates at meetings of the Audit Committee also relate to its meetings as the Compensation Committee and Financial Statements Review Committee.	——	——

Name of Director	Attendance rate at meetings of the Board of Directors	Attendance rate at meetings of the Audit Committee*[2]	Attendance rate at meetings of the Financial Statements Review Committee[3]	Attendance rate at meetings of the Compensation Committee[4]	Attendance rate at meetings of other Committees of the Board of Directors of which he is a member (noting the name of the Committee)
Ehud Arnon	96%				Nominations and Corporate Governance Committee – 100%
Chaim Katzman	100%				Board Investments Committee - 100%

1 See footnote 2.

2 For a Director who is a member of said Committee.

3 For a Director who is a member of said Committee.

4 For a Director who is a member of said Committee.

			Modi Kingsberg	96%	100%			Cyber Committee - 100%		
			Aviad Armoni	100%	100%			Cyber Committee - 100%		
			Zehavit Cohen	89%	89%			Nominations and Corporate Governance Committee – 100% Board Investments Committee - 50%		
			Shmuel Hauser	100%	100%			Nominations and Corporate Governance Committee – 100% Board Investments Committee - 100%		
			Limor Shofman	100%	100%			Nominations and Corporate Governance Committee – 100%		
12.		In the Reporting Year, the Board of Directors held at least one discussion regarding the management of the Corporation’s business by the CEO and the Officers answerable to him, without them being present, and they were given an opportunity to express their position.							√	

SEPARATION OF THE FUNCTIONS OF THE CEO AND THE CHAIRMAN OF THE BOARD OF DIRECTORS					
				Correct	Incorrect
13.		Throughout the reporting year the board of directors of the Company was chaired by a chairperson. You may answer True for this question if the period during which the board was not chaired by a chairperson did not exceed 60 days (as set forth in section 363A(2) of the Companies Law) nonetheless if your answer is (True/False), please indicate the period (in days) during which the board was not chaired by a chairperson: _____.		√	
14.		Throughout the reporting year the Company was managed by a CEO. You may answer True for this question if the period during which the Company was not managed by a CEO did not exceed 90 days (as set forth in section 363A(6) of the Companies Law) nonetheless if your answer is (True/False), please indicate the period (in days) during which the Company was not managed by a CEO: _____.		√	
15.		In a Corporation in which the Chairman of the Board of Directors also serves as the CEO of the Corporation and/or exercises the powers thereof, the dual service was approved pursuant to the provisions of Section 121(c) of the Companies Law[1]. x Not applicable (since such duality does not exist in the Company)			
16.		The CEO is not a Relative of the Chairman of the Board of Directors. If your response is False (i.e. the CEO is related to the board chair) -		√	
		A.	Please indicate the relationship between the parties: _____.	_____	_____
		B.	The service was approved pursuant to Section 121(c) of the Companies Law[2]: ☐Yes ☐No *(Mark an X in the appropriate box).*	_____	_____
17.		A Controlling Shareholder or his Relative does not serve as CEO or as a Senior Officer of the Corporation, except as a Director. ☐ Not applicable (the Corporation does not have a Controlling Shareholder).			√

1 In a debenture company – approval pursuant to Section 121(d) of the Companies Law.

2 In a debenture company – approval pursuant to Section 121(d) of the Companies Law.

AUDIT COMMITTEE

				Correct	Incorrect
18.		The following did not serve on the Audit Committee in the Reporting Year –		_____	_____
		A.	The Controlling Shareholder or his Relative. ☐ Not applicable (the Corporation does not have a Controlling Shareholder).	√	
		B.	The Chairman of the Board of Directors.	√	
		C.	A Director who is employed by the Corporation or by the Controlling Shareholder of the Corporation or by a Corporation under his Control.	√	
		D.	A Director who regularly provides services to the Corporation or to the Controlling Shareholder of the Corporation or to a Corporation under his Control.	√	
		E.	A Director whose main source of income is the Controlling Shareholder. ☐ Not applicable (the Corporation does not have a Controlling Shareholder).	√	
19.		A person not entitled to be a member of the Audit Committee, including a Controlling Shareholder or his Relative, was not present in the Reporting Year at meetings of the Audit Committee, except in accordance with the provisions of Section 115(e) of the Companies Law.		√	
20.		A legal quorum for holding discussions and taking decisions at each of the meetings of the Audit Committee held in the Reporting Year was a majority of the Committee's members, with the majority of those present being Independent Directors and at least one of whom was an External Director. If your response is False - please indicate the number of meetings at which this requirement did not exist: _____.		√	
21.	The Audit Committee held at least one meeting in the Reporting Year, in the presence of the Internal Auditor and the Independent Auditor and without the presence of the Corporation's Officers who are not members of the Committee, with regard to defects in the Corporation's business management.			√	

22.	At each meeting of the Audit Committee at which a person not entitled to be a member of the Committee was present, this was with the approval of the Chairman of the Committee and/or at the request of the Committee (with regard to the Corporation's Legal Counsel and its Corporate Secretary who is not a Controlling Shareholder or his Relative).	√	
23.	In the Reporting Year, arrangements, which had been prescribed by the Audit Committee, were in force regarding the manner of handling complaints from the Corporation's employees in connection with defects in its business management and regarding the protection given to employees revealing the aforesaid.	√	
24.	The audit committee (and/or the financial statements review committee) was convinced that the scope of the auditor's work and fee with regard to the financial statements during the reporting year, are appropriate for carrying out a proper audit and review.	√	

DUTIES OF THE FINANCIAL STATEMENTS REVIEW COMMITTEE (HEREAFTER – THE COMMITTEE) IN ITS WORK PRIOR TO THE APPROVAL OF THE FINANCIAL STATEMENTS

			Correct	**Incorrect**
25.	A.	Please indicate the time (in days) set by the Board of Directors as reasonable time for receiving the Committee's recommendations prior to discussion in the Board meeting at which the financial statements will be approved: Between two to four days, as relevant.	_____	_____
	B.	The actual number of days that elapsed between the date on which the recommendations were sent to the board of directors and the date of the board of directors discussion for approving the financial statements: Q1 Report (2023): 4 Q2 Report: 1 Q3 Report: 1 Annual Report: 3	_____	_____
	C.	Number of days that elapsed between the date of sending the draft financial statements to the Directors and the date of the discussion at the Board of Directors on approving the financial statements: Q1 Report (2023): 4 Q2 Report: 2 Q3 Report: 2 Annual Report: 3		
26.	The Independent Auditor of the Corporation participated in all the meetings of the Committee and the Board of Directors, at which discussions took place regarding the Corporation's financial statements relating to the periods included in the Reporting Year. If your answer is False, please indicate rate of their participation: ______		√	
27.	Throughout the Reporting Year and until the publication of the annual report, the Committee fulfilled all the conditions detailed below:		_____	_____

	A.	Its members numbered at least three (at the date of the discussion by the Committee and the approval of the aforesaid Reports).	√	
	B.	All the conditions prescribed in Section 115(b) and (c) of the Companies Law (regarding the service of members of the Audit Committee) were fulfilled.	√	
	C.	The Chairman of the Committee is an External Director.	√	
	D.	All its members are Directors and a majority of its members are Independent Directors.	√	
	E.	All its members are capable of reading and understanding financial statements and at least one of the Independent Directors possesses Accounting and Financial Expertise.	√	
	F.	The members of the Committee provided a Declaration prior to their appointment.	√	
	G.	A legal quorum for holding discussions and taking decisions at the Committee was a majority of the its members, provided that the majority of those present were Independent Directors and among them was of least one External Director.	√	
	If your answer is False with regard to one or more of the subsections of this question, please indicate with regard to which report (periodic/quarterly) the foregoing conditions were not met and the conditions that were not met _____.		_____	_____

COMPENSATION COMMITTEE

				Correct	Incorrect
28.		The Committee comprised, in the Reporting Year, at least three members and the External Directors constituted the majority thereof (on the date of the discussion at the Committee). Not relevant (no discussion was held).		√	
29.		The terms of service and employment of all members of the Compensation Committee in the Reporting Year are in accordance with the Companies Regulations (Rules Regarding Compensation and Expenses for External Directors), 2000.		√	
30.		The following did not serve on the Compensation Committee in the Reporting Year –		_____	_____
		A.	The Controlling Shareholder or his Relative. ☐ Not applicable (the Corporation does not have a Controlling Shareholder).	√	
		B.	The Chairman of the Board of Directors.	√	
		C.	A Director who is employed by the Corporation or by the Controlling Shareholder of the Corporation or by a Corporation under his Control.	√	
		D.	A Director who regularly provides services to the Corporation or to the Controlling Shareholder of the Corporation or to a Corporation under his Control.	√	
		E.	A Director whose main source of income is the Controlling Shareholder. ☐ Not applicable (the Corporation does not have a Controlling Shareholder).	√	
31.		A Controlling Shareholder or his Relative was not present in the Reporting Year at meetings of the Compensation Committee, unless determined by the Chairman of the Committee that any of them is needed in order to present a particular topic.		√	
32.	The Compensation Committee and the Board of Directors did not make use of their powers pursuant to Sections 267A(c), 272(c)(3) and 272(c1)(1)(c) to approve a transaction or a compensation policy, over the objections of the General Meeting. If you answer "Incorrect", state – Type of transaction approved as aforesaid: ______ Number of times these powers were used in the reporting year: ______			√	

INTERNAL AUDITOR			
		Correct	**Incorrect**
33.	The Chairman of the Board of Directors or the CEO of the Corporation has organizational responsibility for the Internal Auditor in the Corporation.		√
34.	The Chairman of the Board of Directors or the Audit Committee approved the work plan in the Reporting Year. In addition, please list the audit issues that the internal auditor dealt with in the reporting year: See section 5.2 of the Board of Directors Report	√	
35.	Scope of the internal auditor's employment in the company in the reporting year (in hours[1]): 3,685	_____	_____
	In the Reporting Year, a discussion was held (at the Audit Committee or at the Board of Directors) with regards to the Internal Auditor's findings.	√	
36.	The Internal Auditor is not an Interested Party in the Corporation, his Relative, an Independent Auditor or anyone acting on its behalf and also does not maintain material business relations with the Corporation, its Controlling Shareholder, his Relative or corporations under their Control.	√	

1 Includes work hours invested in investee corporations and in overseas auditing,as the case may be.

TRANSACTIONS WITH INTERESTED PARTIES			
		Correct	**Incorrect**
37.	The Controlling Shareholder or his Relative (including a company under his Control) is not employed by the Corporation nor does he provide it with management services. If you answer “Incorrect” (i.e., the Controlling Shareholder or his Relative is employed by the Corporation or provides it with management services), state – the number of relatives (including the controlling shareholder) employed by the company (including by companies under their control and/or through management companies): 2 Where their employment contracts and/or management service agreements duly approved by the organs prescribed by law: × Yes ☐No (Mark an X in the appropriate box). ☐ Not applicable (the Corporation does not have a Controlling Shareholder). _____.		√
38.	To the best of the Corporation’s knowledge, the Controlling Shareholder does not have other businesses in the Corporation’s field of activity (in one or more fields)[1]. If you answer “Incorrect” – state whether an arrangement has been prescribed to delineate Transactions between the Corporation and its Controlling Shareholder: ☐Yes ☐No (Mark an X in the appropriate box). ☐ Not applicable (the Corporation does not have a Controlling Shareholder).	√	

Chairman of the Board of Directors Ehud Arnon
Chairman of the Audit Committee and the Financial Statements Reviewing Committee Modi Kingsberg

1 For further information concerning the non-competition agreement between the Company and its controlling shareholder, Norstar Holdings Inc., see section 22.1 in the Chapter on the Description of the Company's Businesses. In addition, companies owned by Mr. Katzman, the controlling shareholder of the Company, and members of his family, have holdings and personal partnerships of many years in residential buildings that include several stores of negligible size, in locations where the Company does not have similar operations.

CHAPTER E

G CITY LTD.

Presentation of Financial Information from Consolidated Financial Statements attributed to the Company

As of December 31, 2023

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AUDITORS' REPORT

To The Shareholders of G City LTD.
8 Aharon Beker St, Tel-Aviv

Special auditors' report on the separate financial information in accordance with Regulation 9c of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970

We have audited the separate financial information presented in accordance with Regulation 9c of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970, of G City Ltd. ("the Company") as of December 31, 2023 and 2022 and for each of the three years, the last of which ended December 31, 2023, which was included in the Company's periodic report. The Company's board of directors and management are responsible for the separate financial information. Our responsibility is to express an opinion on the separate financial information based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Israel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the separate financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the separate financial information. An audit also includes assessing the accounting principles used and significant estimates made by the board of directors and management, as well as evaluating the overall separate financial information presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits, the separate financial information referred to above is prepared, in all material respects, in conformity with Regulation 9c to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970.

Tel-Aviv, Israel
March 28, 2024

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

G City LTD.

Financial Information and Financial Data from Consolidated Financial Statements Attributed to the Company

Below is financial data and separate financial information from the Group's consolidated financial statements as of December 31, 2022, published as part of the periodic reports ("consolidated financial statements") attributed to the Company itself, presented in accordance with Regulation 9c of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970.

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

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

Details of Financial Information out of Consolidated Statements of Financial Position Attributed to the Company

	Additional information	December 31, 2023	December 31, 2022
		NIS in millions	
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	a	152	296
Short-term loans and current maturities of long-term loans to subsidiaries	e	-	12
Financial Assets	b	14	65
Financial derivatives	b,c	34	41
Other accounts receivable		113	87
Trade Receivables		26	29
Income taxes receivable		2	2
Total current assets		341	532
Assets classified as held for sale		-	152
		341	684
NON-CURRENT ASSETS			
Financial assets		48	32
Financial derivatives	b,c	99	1
Investment property		3,637	3,473
Investment property under development		1,117	790
Other accounts receivable	b	24	219
Loans to subsidiaries	e	2,411	2,444
Investments in subsidiaries		9,169	11,022
Fixed and other assets, net		37	39
Total non-current assets		16,542	18,020
Total assets		16,883	18,704

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

Details of Financial Information out of Consolidated Statements of Financial Position Attributed to the Company

	Additional information	December 31, 2023	December 31, 2022
		NIS in millions	
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Current maturities of non-current liabilities	c	2,580	1,736
Short-term loans from subsidiaries	e	168	779
Financial derivatives	c	163	-
Trade payables	c	19	26
Other accounts payable	c	89	69
Dividend payable		-	53
Total current liabilities		3,019	2,663
NON-CURRENT LIABILITIES			
Loans from banks and others	c	1,896	2,422
Long-term loans from subsidiaries	e	430	1,195
Debentures	c	6,460	7,101
Other liabilities	c	8	111
Financial derivatives	c	202	196
Deferred taxes	d	31	-
Total non-current liabilities		9,027	11,025
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	f		
Share capital		239	219
Share premium		4,754	4,529
Retained earnings		2,430	3,674
Forign currency translation reserve		(3,998)	(4,702)
Other reserves		1,413	1,297
Treasury shares		(1)	(1)
Total equity		4,837	5,016
Total liabilities and equity		16,883	18,704

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

March 28, 2024			
Date of approval of the financial statements	Ehud Arnon Chairman of the board	Chaim Katzman CEO and Vice Chairman of the board	Gil Kotler CFO

Details of Financial Information out of Consolidated Statements of Income Attributed to the Company

	Additional information	Year ended December 31 2023	2022	2021
		NIS in millions		
Rental income		304	262	247
Property operating expenses		106	67	94
Total gross profit		198	195	153
Fair value gain (loss) from investment property, net		(137)	51	212
General and administrative expenses		(56)	(66)	(63)
Other income (expenses), net		(1)	(8)	6
Management fees from related companies	e	2	2	2
Income (loss) from subsidiaries, net		(360)	(266)	617
Operating income (loss)		(354)	(92)	927
Finance expenses		(824)	(1,626)	(523)
Finance income		43	7	631
Finance income from subsidiaries, net	e	11	(19)	(72)
Income (loss) before taxes on income (tax benefit)		(1,124)	(1,730)	963
Taxes on income (tax benefit)	d	79	(390)	317
Net income (loss) attributed to the Company		(1,203)	(1,340)	646

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

Details of Financial Information out of Consolidated Statements of Comprehensive Income Attributed to the Company

	Year ended December 31		
	2023	2022	2021
	NIS in millions		
Net income (loss) attributed to the Company	(1,203)	(1,340)	646
Other comprehensive income attributed to the Company (net of tax effect):			
Amounts that will not be reclassified subsequently to profit or loss:			
Amounts that will be or that have been reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	38	(318)	32
Total other comprehensive income (loss) attributed to the Company	38	(318)	32
Other comprehensive income (loss) attributed to subsidiaries (net of tax effect)	500	1,105	(900)
Total other comprehensive income (loss) attributed to the Company	538	787	(868)
Total comprehensive loss attributed to the Company	(665)	(553)	(222)

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

Details of Financial Information out of Consolidated Statements of Cash Flows Attributed to the Company

	Year ended December 31		
	2023	2022	2021
	NIS in millions		
Cash flows from operating activities of the Company:			
Net income (loss) attributed to the Company	(1,203)	(1,340)	646
Adjustments required to present net cash provided by operating activities of the Company:			
Adjustments to profit and loss items of the Company:			
Depreciation and amortization	3	3	2
Finance expenses (income), net	770	1,638	(36)
Fair value gain (loss) from investment property, net	137	(51)	(212)
Loss (income) from subsidiaries, net	360	266	(617)
Cost of share-based payment	1	3	6
Taxes on income (Tax benefit)	79	(390)	317
	1,350	1,469	(540)
Changes in assets and liabilities of the company:			
Decrease (increase) in other accounts receivable	(43)	13	21
Increase (decrease) in trade payables and other accounts payable	(1)	(8)	(12)
	(44)	5	9
Cash paid and received during the year by the company for:			
Interest paid	(472)	(352)	(460)
Interest received	58	113	19
Taxes refund received	-	46	-
Dividend received	-	-	9
Dividend received from subsidiaries	102	142	162
	(312)	(51)	(270)
Net cash used in operating activities of the Company	(209)	83	(155)

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

Details of Financial Information out of Consolidated Statements of Cash Flows Attributed to the Company

	Year ended December 31		
	2023	2022	2021
	NIS in millions		
Cash flows from investment activities of the Company:			
Investment in fixed and other assets	(1)	(1)	(1)
Acquisition of investment property	(502)	(255)	(628)
Proceeds from sale of investment property, net of tax paid	154	-	216
Merger of G Israel into the Company (see note d5 below)	-	-	32
Return on Investments (Investments) in subsidiaries	901	507	326
Loans repaid by (granted to) subsidiaries, net	25	304	(159)
Repayment of a loan granted	-	-	32
Proceeds from sale (investment) of marketable securities, net	51	(6)	132
Net cash provided by (used in) investment activities of the Company	628	549	(50)
Cash flows from financing activities of the Company:			
Capital issuance net of issuance expenses	150	468	-
Exercise of share options into shares	*) -	*) -	*) -
Receipt of short term credit from banks and others	-	(168)	(41)
Dividend paid to equity holders of the Company	(53)	(204)	(182)
Issuance of debentures less issuance expenses	611	174	1,054
Repayment and early redemption of debentures	(1,171)	(869)	(348)
Receipt (repayment) of long-term credit facilities from banks, net	(397)	(593)	27
Repayment of long-term loans	(115)	(178)	(41)
Receipt of long-term loans	444	-	502
Net cash provided (used in) by financing activities of the Company	(531)	(1,370)	971
Exchange differences on balances of cash and cash equivalents	(32)	(39)	2
Increase (decrease) in cash and cash equivalents	(144)	(777)	768
Cash and cash equivalents at the beginning of year	296	1,073	305
Cash and cash equivalents at the end of year	152	296	1,073
Significant non-cash activities of the Company:			
Dividend payable to equity holders of the Company	-	53	46
Dividend received from a subsidiary against repayment of loans from a subsidiary	1,169	-	1,884
Purchase of hybrid debentures of a subsidiary against issuing shares	91	-	-

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

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

a. General

1) As of December 31, 2023 (hereinafter - the reporting date), the group has a working capital deficit of NIS 2.7 billion, a total of 2.5 billion NIS without debt from its wholly owned subsidiaries. The company and its wholly owned subsidiaries have unused approved lines of credit of NIS 0.6 billion that can be used immediately, as well as assets held for sale in consolidated companies owned by it the company's total assets in the amount of NIS 3 billion. The company's management is of the opinion that the aforementioned sources plus the net proceeds from the issuance the debentures (series R) executed after the reporting date, in the amount of NIS 404 million, as detailed in Note 19c20 to the consolidated financial statements, and the positive cash flow from current operations of the company and its wholly owned subsidiaries will allow the company to repay its current liabilities when due.

2) For more details regarding the state of the company's business and the company's liquidity, see Note 1c to the consolidated financial statements.

3) For information regarding the effects of Swords of Iron war on the Company, refer to Note 1d to the consolidated financial statements.

b. Cash and cash equivalents attributed to the Company

As of the reporting date, the balance of cash and cash equivalents primarily consists of foreign currency.

c. Disclosure regarding financial assets attributed to the Company in accordance with IFRS 7

	December 31	
	2023	2022
	NIS in millions	
Financial assets at fair value through profit or loss:		
Tradable shares (1)	14	65
Participating units in private equity funds (2)	48	32
	62	97
Classifies within current assets	14	65
Classifies within non-current assets	48	32
	62	97

(1) Measured at fair value based on quoted prices in active markets (level 1 in the fair value hierarchy).
(2) Real estate investment funds, mainly in India and Brazil, the fair value of the investments is derived from the fund's Net Asset Value (NAV) (level 3 in the fair value hierarchy).

c. Disclosure regarding financial liabilities attributed to the Company

1. Other accounts payable attributed to the Company

	December 31	
	2023	2022
	NIS in millions	
Accrued expenses	15	14
Interest payable	38	27
Government institutions	10	9
Other provisions (including for legal proceedings)	5	6
Other payable	21	13
	89	69

2. Non-current liabilities attributed to the Company

Composition

	December 31	
	2023	2022
	NIS in millions	
Loans from banks and others (1)	3,255	3,160
Debentures (2)(3)	7,681	8,099
	10,936	11,259

c. Disclosure regarding financial liabilities attributed to the Company (Cont.)

(1) Composition of loans from banks and others

	Interest rate	December 31	
		2023	2022
	%	NIS in millions	
In NIS non linked *)	5.11%	1,142	733
NIS linked	1.72%	1,447	1,247
In USD *)	8.39%	72	167
In USD	6.00%	326	352
In CAD *)	7.18%	96	-
In EUR *)	7.32%	186	676
		3,269	3,175
Less - deferred expenses		(14)	(15)
		3,255	3,160
Less - current maturities		(1,359)	(738)
		1,896	2,422

*) Variable interest.

To secure credit obtained from banks the Company and its wholly-owned subsidiaries have pledged shares of subsidiaries. Furthermore, sometimes the Company /the Company's wholly-owned subsidiaries have provided cross guarantees to secure the credit obtained from banks; also refer to Note 24b1 to the consolidated financial statements.

(2) Composition of debentures

For details in respect of the composition of Debentures, refer to Note 19 to the consolidated financial statements.

For further information regarding the terms and conditions of the debentures, rating, financial covenants, expansion of debentures, and the issuances of the debentures during the reporting period, refer to Note 19 to the consolidated financial statements.

c. <u>Disclosure regarding financial liabilities attributed to the Company</u> (Cont.)

(3) Maturities

	Loans from banks	Debentures
	NIS in millions	
Year 1 - current maturities	1,359	1,221
Year 2	301	1,198
Year 3	85	1,169
Year 4	267	1,360
Year 5	378	1,213
Year 6 there after	865	1,520
	1,896	6,460
	3,255	7,681

(4) Financial instruments attributed to the Company

a) Classification of financial liabilities attributed to the Company

All financial liabilities, other than financial derivatives, are measured at amortized cost. Financial derivatives are measured at fair value through profit or loss or other comprehensive income, see sections c and d below.

b) Financial risk factors attributed to the Company

The Company's global operations expose it to various financial risk factors, such as market risk (including foreign exchange risk, CPI risk, interest risk and price risk), credit risk and liquidity risk. The Company’s comprehensive risk management plan is focused on steps intended to minimize potential negative impacts on its financial results. The Company uses financial derivatives in order to hedge certain risk exposures.

c. Disclosure regarding financial liabilities attributed to the Company (Cont.)

Following is additional information about financial risks and their management:

1) Foreign currency risk
The Company operates in a large number of countries and is therefore exposed to currency risks resulting from exposure to fluctuations in exchange rates of different currencies. Company's policy is to generally maintains a correlation between the currency mix of the various properties (mainly the EUR, USD, CAD, NIS and BRL) and the currency exposure of its equity to those currencies, through hedge transactions and currency exposure management. However, in light of the fluctuations in foreign exchange rates relative to the NIS in the current period, which significantly increases liquidity risks (details below), the Company's Board of Directors has decided on a temporary neutralization of the hedging transactions and as a result to increase the equity exposure mainly to the euro, US dollar and Brazilian real. Also, the Company management examining the currency linkage balance on an ongoing basis and responds in accordance with developments in exchange rates, see section e below.

2) CPI risk
The Company has issued debentures linked to changes in the Consumer Price Index in Israel. For more details regarding the financial instruments that are linked to the CPI in which the Company has exposure to changes in CPI, refer to section f below.

3) Interest risks
Liabilities bearing variable interest rates expose the Company to interest rate risk in respect of cash flow and liabilities bearing fixed interest rates expose the Company to interest rate risk in respect of fair value. As part of the risk management strategy, the Company maintains a proper mix between exposure to fixed interest rate and exposure to variable interest rate. From time to time and according to market conditions, the Company enters into interest rate swaps in which it exchanges variable interest with fixed interest and vice-versa, to hedge its liabilities against changes in interest rates (see section e below). As of the reporting sheet date, 86% of the Company's liabilities (86% excluding interest rate swap transactions) bear fixed interest rates (91.1% as of December 31, 2022, and (85.7% excluding interest rate swap transactions). For additional details regarding interest rates and maturities, see section c(3) above.

4) Price risk
The Company has investments in marketable financial instruments traded on stock exchanges, classified as financial assets at fair value through profit or loss, and financial derivatives which expose the Company to risk resulting from fluctuations in the fair value of securities based on market prices.

5) Credit risk
The Company is not exposed to significant concentrations of credit risk. Cash and deposits are deposited with major financial institutions. Company management estimates that the risk that these parties will fail to meet their obligations is remote, since they are financially sound. It should also be noted that some of the lines of credit that are about to be utilized by the company are secured, among other things, by tradable held shares, a decrease in their price on the stock exchange may lead to a decrease in the ability to utilize those lines of credit.

c. Disclosure regarding financial liabilities attributed to the Company (Cont.)

6) Liquidity risk

The Company's policy is to maintain a certain balance between obtaining long-term financing inter alia, bank loans and debentures and the use of revolving lines of credit from Israeli and international banks for period of 2 to 4 years in which the company can utilize credit for different periods.

As of December 31, 2023 ("the Reporting Date"), the Company has a working capital deficiency of NIS 2.7 billion, NIS 2.5 not including debt of wholly owned subsidiaries. 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 consolidated companies fully owned by the company in the amount of NIS 3 billion. The company's management is of the opinion that the aforementioned sources plus the net proceeds from the issuance of the debentures (Series R) made after the reporting date, in the amount of approximately NIS 404 million, as detailed in Note 19c20 to the consolidated financial statements, and the positive cash flow from current operations of the company and its wholly-owned subsidiaries will enable the company to repay its current liabilities when due.

In connection with cross-currency swap transactions of liabilities (see section e below), with respect to part of the swaps, the Company entered into credit support annex agreements ("CSA") of current settlement mechanisms with respect to the fair value of the transactions. Accordingly, the Company may be required to transfer the bank significant amounts from time to time, depending on the fair value of these transactions.

Following is the contractual maturity schedule of the financial liabilities of the Company (including interest) at undiscounted amounts:

As of December 31, 2023

	Less than one year	2 to 3 years	4 to 5 years	Over 5 years	Total
	NIS in millions				
Credit from banks and others	19	-	-	-	19
Trade payables	89	-	-	-	89
Debentures	1,434	2,635	2,672	1,648	8,389
Loans from banks	1,474	476	702	887	3,539
	3,016	3,111	3,374	2,535	12,036

As of December 31, 2022

	Less than one year	2 to 3 years	4 to 5 years	Over 5 years	Total
	NIS in millions				
Credit from banks and others	26	-	-	-	26
Trade payables	55	-	-	-	55
Debentures	1,229	2,658	2,612	2,331	8,830
Loans from banks and Other	847	1,130	638	858	3,473
	2,157	3,788	3,250	3,189	12,384

c. Disclosure regarding financial liabilities attributed to the Company (Cont.)

c) Fair value attributed to the Company

Below is the carrying amount and fair value of the groups of financial instruments that are presented in the financial statements not at fair value:

	December 31, 2023		December 31, 2022	
	amount	Fair value	amount	Fair value
	NIS in millions			
Financial liabilities				
Debentures (1)	7,681	7,099	8,099	5,913
Loans from banks and others (2)	3,255	3,126	3,160	2,940
Total financial liabilities	10,936	10,225	11,259	8,853

(1) The fair value is based on quoted prices on an active market as of the reporting date, according to level 1 in the fair value hierarchy.

(2) The fair value for fixed interest loans is based on valuation techniques, according to level 2 in the fair value hierarchy. The fair value of variable interest loans approximates their nominal value. For additional information, refer to Notes 2k and 34b to the consolidated financial statements.

The carrying amount of cash and cash equivalents, other accounts receivable, long-term loans and deposits, credit and loans from banks, trade payables and other accounts payable approximate their fair value.

d) Classification of financial instruments attributed to the Company by fair value ranking

Financial instruments presented at fair value on the balance sheet are classified, by groups having similar attributes, on the following fair value ranking, determined in accordance with the source of data used in determination of fair value:

Level 1: Prices quoted (un-adjusted) on active markets of similar assets and liabilities.
Level 2: Data other than quoted prices included in Level 1, which may be directly or indirectly observed.
Level 3: Data not based on observable market information (valuation techniques not involving use of observable market data).

During 2023, there were no transfers with respect to fair value measurement of any financial instrument between Level 1 and Level 2, and there were no transfers to or from Level 3 with respect to fair value measurement of any financial instrument.

c. <u>Disclosure regarding financial liabilities attributed to the Company</u> (Cont.)

Transaction type	**Denomination**	**Outstanding notional amount - NIS in millions**		**Linkage basis/ Interest receivable *)**			**Linkage basis / Interest payable *)**			**Remaining average effective duration**	**Fair value - NIS in millions**	
		31.12.23	**31.12.22**								**31.12.23**	**31.12.22**
Cross currency swaps	EUR-NIS	2,778	3,123	CPI Linked	1.29% -	5.35%	Fixed	2.12% -	6.26%	2.3	669	915
	USD-NIS	501	562	CPI Linked	1.29% -	2.80%	Fixed	4.00% -	5.84%	3.8	63	79
Linkage bases swaps	EUR	1,500	2,064	Fixed	4.40%		CPI Linked	2.18% -	2.92%	7.2	(342)	(436)
Interest rate swaps fixed/variable	USD	-	88	Variable			Fixed			-	-	13
Forward contracts	Different currencies	3,304	3,089							Short term	(163)	11
											227	582
Net proceeds from SWAP CSA transactions											(459)	(736)
											(232)**)	(154)**)

*) NIS (162) million is presented at fair value through other comprehensive income (2022, liability of NIS 5 million)
NIS (70) million is presented at fair value through profit or loss (2022, NIS 149 million)

c. Disclosure regarding financial liabilities attributed to the Company (Cont.)

a) Sensitivity analysis of market risks

Impact on pre-tax gain (loss) for the year of a 1% increase in interest rate *)	**Sensitivity analysis of financial balances to absolute changes in interest rates**			
	USD interest	**CAD interest**	**EUR interest**	**NIS interest**
	NIS in millions			
31.12.2023	(1)	(1)	(2)	(11)
31.12.2022	(1)	-	(7)	-

*) Decrease in interest rates would affect profit or loss by the same amounts, but in the opposite direction.

Effect on pre-tax income (loss)	**Sensitivity analysis of financial balances to absolute changes in Consumer Price Index**			
	+ 2%	**+ 1%**	**- 1%**	**- 2%**
	NIS in millions			
31.12.2023	(173)	(87)	87	173
31.12.2022	(187)	(94)	94	187

c. Disclosure regarding financial liabilities attributed to the Company (Cont.)

	Sensitivity analysis of derivatives – absolute changes in Consumer Price Index			
Effect on pre-tax income (loss)	**+ 2%**	**+ 1%**	**- 1%**	**- 2%**
	NIS in millions			
31.12.2023	35	17	(17)	(35)
31.12.2022	29	14	(14)	(29)

	Sensitivity analysis of financial derivatives – relative changes in exchange rates			
Effect on pre-tax income (loss)	**+ 10%**	**+ 5%**	**- 5%**	**- 10%**
	NIS in millions			
31.12.2023				
Change in exchange rate of EUR	(290)	(145)	145	290
Change in exchange rate of USD	(53)	(27)	27	53
31.12.2022				
Change in exchange rate of EUR	(303)	(152)	152	303
Change in exchange rate of USD	67	34	(34)	(67)
Change in exchange rate of BRL	(122)	(61)	61	122

	Sensitivity analysis of financial derivatives – relative changes in exchange rates			
Effect on pre-tax equity (accounting hedge)	**+ 10%**	**+ 5%**	**- 5%**	**- 10%**
	NIS in millions			
31.12.2023				
Change in exchange rate of EUR	1,228	586	(530)	(1,003)
Change in exchange rate of USD	237	113	(102)	(193)
31.12.2022				
Change in exchange rate of EUR	36	18	(18)	(36)
Change in exchange rate of USD	(191)	(95)	95	191

	Sensitivity analysis of financial derivatives – absolute changes in interest rates			
Effect on pre-tax income (loss)	**+ 2%**	**+ 1%**	**- 1%**	**- 2%**
	NIS in millions			
31.12.2023				
Change in interest on EUR	172	88	(93)	(192)
Change in interest on USD	31	16	(17)	(35)
Change in interest on NIS - real	(190)	(96)	99	200
31.12.2022				
Change in interest on EUR	228	117	(125)	(259)
Change in interest on USD	48	25	(26)	(54)
Change in interest on NIS - real	(257)	(130)	135	273

Key assumptions for sensitivity analysis of financial instruments

Refer to Note 34e to the consolidated financial statements.

d. Disclosure regarding balances of deferred tax assets / liabilities attributed to the Company, and disclosure regarding tax revenues / expenses attributed to the Company

Taxes on income attributed to the Company

1. For information regarding tax laws applicable to the Company, refer to Note 23a1 to the consolidated financial statements.

2. Tax assessments attributed to the Company

   The Company has received assessments deemed final through 2018.

3. Tax Ruling to restructure the Gazit Canada and USA group

   On March 31, 2015, the Israel Taxes Authority gave its approval for a restructuring of the Gazit entities in Canada and certain Gazit entities in the United States, as follows: in the first stage, Hollywood Properties Ltd. (“Hollywood”) made a tax-free transfer of 92.5% of the shares of Gazit Canada Inc. (“Gazit Canada”) to the Company, pursuant to the provisions of Section 104C of the Income Tax Ordinance (New Version), 1961 (“Income Tax Ordinance”).
   In the second stage, Golden Oak Inc. (“Golden”) made a tax-exempt transfer of 33.33% of the shares of MGN (USA) Inc. (“MGN”) to the Company, pursuant to the provisions of Section 104C of the Income Tax Ordinance.
   In the third stage, the Company transferred all of its interests in the shares of Gazit 2003 Inc. (“Gazit 2003”) to Gazit Canada in return for an issuance of shares, pursuant to the provisions of Section 104A of the Income Tax Ordinance.
   In the fourth stage, Gazit Canada and Gazit 2003 were amalgamated; within the framework of the amalgamation, Gazit 2003 transferred all its assets and liabilities to Gazit Canada.
   As part of the tax ruling, terms and restrictions were prescribed in relation to a future sale of transferred shares and the manner for offsetting losses with respect to the sale of the transferred shares. Pursuant thereto, it was prescribed that the date of the restructuring would be the actual share transfer date. Criteria were also set with regard to the original price of the transferred shares following the transfer and also with regard to the profits available for distribution at each of the companies. Likewise, the tax decision is contingent on full compliance with the rest of the terms set forth in the tax decision, and is also subject to the conditions of Part Two of the Income Tax Ordinance.

4. Tax Ruling concerning the merger of Israeli subsidiaries

   On January 7, 2018, the Israeli Taxes Authority approved the merger ("the Tax Ruling"), under the provisions of Section 103C of the Income Tax Ordinance (New Version), 1961 ("the Ordinance"), between G. Israel Commercial Centers Ltd. ("the Absorbing Company") and the three companies, Gazit Globe Israel (Development) Ltd., G. West Ltd. and G. Kfar Saba Ltd. ("the Transferring Companies"), pursuant to which the Transferring Companies will transfer all of their assets and liabilities, including all employees and related obligations, to the Absorbing Company, resulting in their winding-up without liquidation, and in consideration for the allotment to the Company of shares in the Absorbing Company (the "Merger" or the "Restructuring"). The Merger was scheduled for December 31, 2016.
   The Tax Ruling determines conditions and restrictions concerning the future sale of shares of the Absorbing Company and of the assets that are transferred as part of the Merger, as well as restrictions on the offsetting of losses accumulated prior to the Merger date and in relation to losses that were grossed-up in the transferring assets and the Transferring Companies.
   Additionally, the tax ruling is conditional upon the full compliance with all other terms that are set out in the Tax Ruling and subject to the provisions of Part E-2 of the Ordinance.

5. Tax Ruling, subsidiary in Israel

On July 28, 2020, the Israeli Tax Authorities approved the merger (the "Tax Ruling") of G Israel Commercial Centers Ltd. ("G Israel"), a wholly owned subsidiary of G City Ltd. ("The Company"), with and into the Company (as an absorbing company) in accordance with section 103C of the Israeli Tax Ordinance ("ITO"). The date of the restructuring, according to the Tax Ruling is December 31, 2018.
In accordance with the Tax Ruling, G Israel will transfer its all assets and liabilities including all its employees into the Company, while eliminating G Israel without liquidation, in accordance with the first chapter of part 8 of the Israeli Companies Law ("Statutory Merger").
The Tax Ruling is conditional on compliance with the conditions set forth in the ITO and the Tax Ruling, inter alia, the cost of the company's investment in G Israel shares, will be deleted and fully canceled. Regarding the transferred real estate assets, a reduced purchase tax rate of 0.5% will apply. Furthermore, the Tax ruling sets limitations about offset of losses relates to the transferred assets and the participating companies.

6. Carry-forward losses for tax purposes attributed to the Company

The Company has carry-forward losses for tax purposes. With respect to the tax benefit associated with these losses, the Company has recognized deferred tax assets that their balance as of the reporting date was NIS 417 million (2022 – NIS 564 million), which have been offset against the deferred tax liability of the Company.

7. Deferred taxes attributed to the Company

Composition

	December 31	
	2023	2022
	NIS in millions	
Revaluation of financial investments to fair value	(44)	(126)
Carry-forward losses	417	564
Revaluation of investment property and investment property under development	(404)	(438)
	(31)	-

d. <u>Disclosure regarding balances of deferred tax assets / liabilities attributed to the Company, and disclosure regarding tax revenues / expenses attributed to the Company</u> (Cont.)

8. Taxes on income attributed to the Company included in profit or loss

	Year ended December 31		
	2023	**2022**	**2021**
	NIS in millions		
Current taxes	59	-	94
Deferred taxes	20	(366)	242
Prior years taxes	-	(24)	(19)
	79	(390)	317

9. In 2021-2023 there is no current taxes recorded in other comprehensive income.

e. <u>Loans, balances and material engagements with subsidiaries</u>

1. Balances with subsidiaries

a) Composition

	December 31	
	2023	**2022**
	NIS in millions	
<u>Current assets</u>		
Current maturities of long-term loans *)	-	12
<u>Non-current assets</u>		
Investments in subsidiaries	9,169	11,022
Long-term loans and debt *)	2,411	2,444
<u>Current liabilities</u>		
Current maturities of long-term loans *)	168	779
<u>Non-current liabilities</u>		
Long-term loans *)	430	1,195

*) see section 4 below.

e. Loans, balances and material engagements with subsidiaries (Cont.)

b) The Company provided unlimited guarantees to secure credit obtained by wholly-owned subsidiaries of the Company, whose total facility principal as of the reporting date amounts to NIS 475 million. For more information, refer to Note 24b(2) to the consolidated financial statements.

As of the reporting date, total debt of the wholly-owned subsidiaries of the Company guaranteed by the Company amounts to NIS 250 million.

2. Transactions with related companies

	Year ended December 31		
	2023	**2022**	**2021**
	NIS in millions		
Management fees income 3(a) and 3(b)	2	2	2
Finance income (expenses)	11	(19)	(72)

3. Engagements

a) The Company has entered into agreements with foreign subsidiaries, whereby the Company would provide them with in exchange for a fixed fee. The fees charged by the Company to these subsidiaries in 2023, 2022 and 2021 amounted to NIS 1 million.

b) For information regarding management fees from Norstar Israel, refer to Note 35d to the consolidated financial statement.

4. Loans to Subsidiaries

	Linkage basis	**Interest rate**	**December 31**	
			2023	**2022**
		%	**NIS in millions**	
Wholly-owned subsidiaries in USA	USD	L+ 1.25	11	2
Wholly-owned subsidiaries in Germany	EUR	E+ 0.5	3	3
Wholly-owned subsidiary in the Netherlands	EUR	-	-	12
Wholly-owned subsidiary in the Netherlands	EUR	E + 2	722	122
Wholly-owned subsidiaries in the Jersey island	EUR	E +1.5	1,281	2,040
Wholly-owned subsidiaries in Israel	NIS	None	394	277
			2,411	2,456

*) see section d5 above.

e. Loans, balances and material engagements with subsidiaries (Cont.)

5. Loans from Subsidiaries

	Linkage basis	Interest rate	December 31 2023	December 31 2022
		%	NIS in millions	
Wholly-owned subsidiaries in USA	USD	None	45	390
Wholly-owned subsidiary in Canada	CAD	C+ 1-1.3	500	1,538
Wholly-owned subsidiary in the Netherlands	USD	L+ 2	53	46
			598	1,974

*) see section d5 above.
**) The balance includes a loan of NIS 377 million with maturity date in 2026, and a loan of NIS 53 million with maturity date in 2025. The rest of loans from subsidiaries will mature in 2024.

6. Maturities

	NIS in millions
Year 1	-
Year 2	14
Year 3	722
Year 4	-
Year 5	1,281
Year 6 and thereafter	-
Renewable annually *)	394
	2,411

*) Loans to subsidiaries renew for an additional 1-year term, unless either party announces that the loan would not be renewed, pursuant to provisions of the agreement.

7. Dividends received from subsidiaries

	Year ended December 31 2023	2022	2021
	NIS in millions		
Citycon OYJ	102	142	162
Canada	1,169	-	1,884
	1,271	142	2,046

f. <u>Equity attributed to the Company's shareholders</u>

1. For information regarding a grant of equity instruments to Company employees and officers, refer to Note 26 to the consolidated financial statements.

2. For information regarding issue of 7.42 million shares, refer to Note 25i to the consolidated financial statements.

3. For information regarding the board of directors approval of privet issue to the Company's parent company, Norstar, of 3.62 million shares, refer to Note 25i to the consolidated financial statements.

4. For information regarding private issuance to institutional investors of 7.61 million ordinary shares of NIS 1 par value for the consideration of EUR 46 million G Europe’s hybrid debentures, refer to note 25i to the consolidated financial statements.

5. For an update on dividend distribution policy of the Company, refer to Note 25f to the consolidated financial statements.

g. <u>Additional Information</u>

1. For details concerning of the terms of employment of Mr. Chaim Katzman, the Company’s Vice Chairman, Controlling shareholder and CEO, refer to Note 35c1 of the consolidated financial statements, respectively.

2. On February 27, 2023, the Company signed an agreement to sell 19 million CTY shares held directly by the Company, to a wholly-owned subsidiary. Existence of the sale transaction is conditional on finding a Custodian agreed upon by both parties.

   Pursuant to the agreement, the transaction price set as the average CTY share price per the day of payment (VWAP). In March 2023, were transferred the shares for a consideration of about NIS 495 million.

3. For information regarding the effects of Swords of Iron war on the Company, refer to Note 1d to the consolidated financial statements.

4. For details regarding ratings performed by rating companies during the reporting period, see notes 19c11, 19c12, 19c13, 19c15, 19c16, 19c17, 19c18, 19c19.

5. For information regarding the issuance of debentures at the reporting period, refer to Note 19c1, 19c14 to the consolidated financial statements.

6. During 2023, the company purchased NIS 188 million par value debentures (Series K, L, M, N, P) for a consideration of NIS 170 million, in accordance with the company's repurchase plan. Following the purchases, the company recognized gain from early redemption of NIS 37 million. The debentures were cancelled and delisted.

h. Events subsequent to the reporting date

1. After the reporting date, the company purchased NIS 38.2 million par value debentures (Series K, L, M, N, P) for a consideration of NIS 36.8 million, in accordance with the company's repurchase plan. Following the purchases, the company recognized gain from early redemption of NIS 6 million. The debentures were cancelled and delisted.

2. For information regarding the issuance of debentures (Series R) after the reporting period, refer to Note 19c20 to the consolidated financial statements.

3. For details regarding ratings performed by rating companies after the reporting date, see Note 19c22 to the consolidated financial statements.

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CHAPTER F

Annual Report regarding the Effectiveness of the Internal Control over the Financial Reporting and the Disclosure
In Accordance with Regulation 9B of the Israeli Securities Regulations

Attached herewith is the Annual Report regarding Effectiveness of the Internal Control over the Financial Reporting and the Disclosure in accordance with Regulation 9B of the Israeli Securities Regulations, 1970:

Management, under the supervision of the Board of Directors of G City Ltd. (the "Corporation"), is responsible for determining and maintaining proper internal control over the Corporation's financial reporting and disclosure.

For the purposes of this matter, the members of management are:

1. Chaim Katzman, CEO and Vice Chairman of the Board of Directors;

2. Gil Kotler, 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 CEO and the most senior officer in the finance area or under their supervision, or by another party actually executing their functions, under the supervision of the Corporation's Board of Directors, which aims to provide reasonable assurance regarding the reliability of financial reporting and preparation of the financial statements in accordance with the applicable laws, and to ensure that information the Corporation is required to disclose in the statements it publishes under applicable laws is gathered, processed, summarized and reported on the date and in the format prescribed by the law.

Internal control includes, among other things, controls and procedures that were designed to ensure that information the Corporation is required to disclose, as stated, was accumulated and transferred to the Corporation's management, including to the CEO and to the most senior officer in the finance area or to another party actually executing their functions, in order to enable decisions to be made at the appropriate time, with respect to disclosure requirements.

Due to its inherent limitations, internal control over the financial reporting and disclosure does not provide complete assurance that a misrepresentation or omission of information in the statements will be prevented or discovered.

Management, under the supervision of the Board of Directors, performed an examination and evaluation of the internal control over the Corporation's financial reporting and of disclosure and its effectiveness.

The evaluation of the effectiveness of the internal control over the financial reporting and the disclosure, which management performed, under the supervision of the Board of Directors, included: assessing the financial reporting and disclosure risks at the consolidated Corporation level, assessing the processes and determining which of these are the most material for financial reporting and disclosure, assessing the relevant business units for the purpose of evaluating the effectiveness of internal control, documenting the Corporation's existing controls, evaluating the effectiveness of control planning and analyzing the existing control gaps, remedying control planning deficiencies and testing compensatory controls, evaluating the effectiveness of the operation of the controls and evaluating the overall effectiveness of internal control.

The internal control components are: entity level controls (ELC), controls over the process of preparing the financial statements and their closing, and IT general controls (ITGC). The processes identified by management as highly material processes with respect to financial reporting and disclosure are as follows: the appraisal of investment property process and the treasury process.

Based on the effectiveness evaluation performed by management under the supervision of the Board of Directors as described above, the Corporation's management and Board of Directors reached the conclusion that internal control over the Corporation's financial reporting and disclosure, as of December 31, 2023, is effective.

Officers' Declarations

A. Declaration of the CEO in accordance with Regulation 9B(d)(l):

Officers' Declaration

Declaration of the CEO

I, Chaim Katzman, declare that:

(1) I have examined the periodic report of G City Ltd. (the "Corporation") for 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 CEO is involved or a party under his direct supervision or other employees are involved that have a significant function in internal control over financial reporting and disclosure;

(5) I, alone or together with others in the Corporation:

(A) Have determined controls and procedures, or have verified the determination and existence of controls and procedures under my supervision, which are designed to ensure that significant information relating to the Corporation, including subsidiaries as defined in the Securities Regulations (Annual Financial Statements), 2010, is brought to my attention by others in the Corporation and the subsidiaries, particularly during the period of preparation of the Statements; and -

(B) Have determined controls and procedures, or have verified the determination and existence of controls and procedures under my supervision, which are designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of the financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles.

(C) Have evaluated the effectiveness of internal control over financial reporting and disclosure, and I have presented in this report the conclusions of the Board of Directors and management regarding the effectiveness of internal control as stated as of the date of the Statements.

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

March 28, 2024

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

B. Declaration of the most senior officer in the finance area in accordance with Regulation 9B(d)(2):

Officers' Declaration

Declaration of the most senior officer in the finance area

I, Gil Kotler, declare that:

(1) I have examined the financial statements and other financial information included in the statements of G City Ltd. (the "Corporation") for 2023 (the "Statements");

(2) As far as I am aware, the financial statements and the other financial information included in the Statements do not include any misrepresentation of a material fact and no representation of a material fact that is required has been omitted, so that the representations included therein, in light of the circumstances in which such representations were included, will not be misleading with reference to the period covered by the Statements;

(3) As far as I am aware, the financial statements and other financial information included in the Statements properly reflect, in all material respects, the Corporation's financial position, results of operations and cash flows as of the dates and for the periods to which the Statements relate;

(4) I have disclosed to the Corporation's auditors, the Board of Directors and the Audit Committee of the Board of Directors, based on my most up-to-date evaluation with respect to internal control over the Corporation's financial reporting and disclosure:

(A) All significant deficiencies and material weaknesses in the determination or operation of internal control over financial reporting and disclosure to the extent it relates to the financial statements and the other financial information included in the Statements, which could reasonably have an adverse impact on the Corporation's ability to gather, process, summarize or report financial information in such a manner that could cause doubt with respect to the reliability of financial reporting and preparation of the financial statements in accordance with the provisions of the law; and -

(B) Any fraud, whether or not significant, wherein the CEO is involved or a party under his direct supervision or other employees are involved that have a significant function in internal control over financial reporting and disclosure;

(5) I, alone or together with others in the Corporation:

(A) Have determined controls and procedures, or have verified the determination and existence of controls and procedures under our supervision, which are designed to ensure that significant information relating to the Corporation, including subsidiaries as defined in the Securities Regulations (Annual Financial Statements), 2010, to the extent it is relevant to the financial statements and to other financial information included in the Statements, is brought to my attention by others in the Corporation and the subsidiaries, particularly during the period of preparation of the Statements; and -

(B) Have determined controls and procedures, or have verified the determination and existence of controls and procedures under my supervision, which are designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of the financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles;

(C) Have evaluated the effectiveness of internal control over financial reporting and disclosure, to the extent it relates to the financial statements and to the other financial information included in the Statements as of the date of the Statements; my conclusions regarding my evaluation as stated were presented to the Board of Directors and management and are included in this report.

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

March 28, 2024

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Gil Kotler
CFO